NORTH POINT BANCSHARES, INC.
109 HIGHWAY 53 WEST
DAWSONVILLE, GEORGIA 30534-3414

Dear Shareholder of North Point Bancshares, Inc.:

It is my pleasure to invite you to attend the special meeting of shareholders of North Point Bancshares, Inc. to be held at 3:00 p.m. on July 25, 2000, at 109 Highway 53 West, Dawsonville, Georgia.

At the special meeting, you will be asked to consider and vote on a proposal to approve the merger of North Point into United Community Banks, Inc. After the merger, United will remain as the surviving company, and Dawson County Bank will become a subsidiary of United. The boards of directors of United and North Point have agreed to the merger. If North Point shareholders approve the merger, North Point shareholders will receive 2.2368 shares of United common stock for each share of North Point common stock they own. Based upon 428,385 shares of North Point currently outstanding, United expects to issue 958,211 shares of its common stock in connection with the merger.

AFTER CAREFUL CONSIDERATION, THE BOARD OF DIRECTORS OF NORTH POINT HAS DETERMINED THAT THE MERGER IS IN THE BEST INTERESTS OF NORTH POINT'S SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS VOTING FOR APPROVAL OF THE AGREEMENT AND PLAN OF MERGER AND THE TRANSACTIONS RELATED TO THE MERGER. Each member of the North Point board of directors has agreed to vote all shares of North Point common stock owned by such member in favor of the proposal.

Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. If you sign, date, and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the transaction. If you do not return your card and do not vote at the shareholders meeting, the effect will be a vote against the merger. If your shares are held by a broker in "street name," you must instruct your broker to vote.

The proxy statement/prospectus accompanying this letter contains additional information regarding the proposed merger and the two companies. WE ENCOURAGE YOU TO READ THIS ENTIRE DOCUMENT CAREFULLY, INCLUDING THE RISK FACTORS CONSIDERED BY UNITED'S AND NORTH POINT'S BOARDS OF DIRECTORS BEGINNING ON PAGE 11.

The North Point board of directors strongly supports this strategic combination between United and North Point and appreciates your prompt attention to this very important matter.

Sincerely,

/s/ Don D. Gordon
Don D. Gordon
President and Chief Executive Officer

June 26, 2000

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NORTH POINT BANCSHARES, INC.
109 HIGHWAY 53 WEST
DAWSONVILLE, GEORGIA 30534-3414

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF NORTH POINT BANCSHARES, INC.

TO BE HELD ON JULY 25, 2000

A special meeting of shareholders of North Point Bancshares, Inc. will be held on July 25, 2000, at 3:00 p.m., at 109 Highway 53 West, Dawsonville, Georgia 30534, for the following purposes:

1. To vote on the merger of North Point Bancshares, Inc., a Georgia corporation, into United Community Banks, Inc., a Georgia corporation, as more particularly described in the enclosed proxy statement/prospectus; and

2. To transact other business as may properly come before the special meeting or any adjournments of the meeting.

In connection with the merger, North Point shareholders will be entitled to receive 2.2368 shares of United common stock for each share of North Point common stock outstanding on the effective date of the merger and will receive a cash payment for any fractional shares in an amount equal to the fraction multiplied by $38.00.

If the merger is completed, North Point shareholders who dissent will be entitled to be paid the "fair value" of their shares in cash, if they follow certain statutory provisions regarding the rights of dissenting shareholders, all as more fully explained under "The Proposed Merger -- Rights of Dissenting Shareholders" and in Appendix B to the attached proxy statement/prospectus. Only shareholders of record of North Point common stock at the close of business on May 15, 2000 will be entitled to notice of and to vote at the special meeting.

A form of proxy and a proxy statement/prospectus are enclosed. The approval of the merger requires the approval of the holders of at least a majority of the North Point stock entitled to vote at the special meeting. To assure representation of your shares at the special meeting, please sign, date, and return the proxy promptly in the enclosed, stamped envelope. If you attend the special meeting, you may revoke your proxy at that time simply by requesting the right to vote in person. You may also withdraw a previously submitted proxy by notifying Jimmy C. Bruce in writing or by submitting an executed, later-dated proxy to North Point: 109 Highway 53 West, Dawsonville, Georgia 30534, Attention: Jimmy C. Bruce, Secretary, prior to the special meeting. If you properly sign and return the proxy and do not revoke it, it will be voted at the special meeting in the manner that you specify in the proxy.

By Order of the Board of Directors,

/s/ Jimmy C. Bruce
Jimmy C. Bruce
Secretary

June 26, 2000
Dawsonville, Georgia

PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED AT THE MEETING IF YOU DO NOT ATTEND.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: You will receive 2.2368 shares of United common stock in exchange for each share of North Point common stock that you hold.

United will not issue fractional shares in the merger. Instead, North Point shareholders will receive a cash payment, without interest, for the value of any fraction of a share of United common stock that they would otherwise be entitled to receive based upon $38.00 a share of United common stock.

FOR EXAMPLE, IF YOU OWN 100 SHARES OF NORTH POINT COMMON STOCK, THEN AFTER THE MERGER YOU WILL RECEIVE 223 SHARES OF UNITED COMMON STOCK AND A CHECK FOR 0.68 X $38.00, OR $25.84.

Q: WHAT AM I BEING ASKED TO APPROVE?

A: You are being asked to approve the merger of North Point into United. Approval of the proposal requires the affirmative vote of more than 50% of the outstanding shares of North Point common stock.

The North Point board of directors has unanimously approved and adopted the merger agreement and recommends voting FOR approval of the merger.

Q: WHAT SHOULD I DO NOW?

A: Indicate on your proxy card how you want to vote, and sign and mail it in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you sign and send in your proxy and do not indicate how you want to vote, your proxy will be voted in favor of the proposals presented for voting.

Q: WHEN IS THE SHAREHOLDERS MEETING?

A: The special meeting will take place at 3:00 p.m. on July 25, 2000, at 109 Highway 53 West, Dawsonville, Georgia 30534. You may attend the meeting and vote your shares in person, rather than voting by proxy. In addition, you may withdraw your proxy up to and including the day of the shareholders' meeting by notifying North Point's secretary, Jimmy Bruce, in writing, or by submitting an executed later-dated proxy to North Point at 109 Highway 53 West, Dawsonville, Georgia 30534, Attention Jimmy Bruce, Secretary, prior to the special meeting.

Q: WHAT RISKS SHOULD I CONSIDER?

A: You should review the factors considered by each company's board of directors beginning on page 11.

Q: WHEN IS THE MERGER EXPECTED TO BE COMPLETED?

A: We are working to complete the merger during the third quarter of 2000.

Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will vote your shares only if you instruct him to do so, following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted, and this will have the effect of voting against the merger.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES OF NORTH POINT NOW?

A: No. After the merger is completed, we will send you written instructions for exchanging your North Point stock certificates for United stock certificates.

SUMMARY

This summary highlights information from this document, and it may not contain all of the information that is important to you as you consider the proposed merger. For a more complete description of the terms of the proposed merger, you should carefully read this entire document and the documents to which we have referred you. The Agreement and Plan of Merger, which is the legal document that governs the proposed merger, is attached as Appendix A to this proxy statement/prospectus. The Agreement and Plan of Reorganization, which is the document that describes how the merger will be completed, is available to shareholders who make written request therefor to United at 63 Highway 515, Blairsville, Georgia 30512-2569, Attention Pat Rusnak, before July 20, 2000.

The Companies

United Community Banks, Inc.
63 Highway 515
Blairsville, Georgia 30512
(706) 745-2151

United is a registered bank holding company based in Blairsville, Georgia. All of United's activities are conducted through its wholly-owned subsidiaries, which are listed below:

- United Community Bank, Blairsville, Georgia
- Carolina Community Bank, Murphy, North Carolina, acquired in 1990
- Towns County Bank, Hiawassee, Georgia, acquired in 1992
- Peoples Bank of Fannin County, Blue Ridge, Georgia, acquired in 1992
- White County Bank, Cleveland, Georgia, acquired in 1995
- First Clayton Bank & Trust, Clayton, Georgia, acquired in 1997
- Bank of Adairsville, Adairsville, Georgia, acquired in 1999
- 1st Floyd Bank, Rome, Georgia, acquired in 1999

United also operates two finance companies, United Family Finance Co., with offices in Blue Ridge and Hiawassee, Georgia, and United Family Finance Co. of North Carolina, with offices in Franklin and Murphy, North Carolina.

At March 31, 2000, United had total consolidated assets of $2.2 billion, total loans of approximately $1.5 billion, total deposits of approximately $1.7 billion, and shareholders' equity of approximately $98.4 million.

North Point Bancshares, Inc.
109 Highway 53 West,
Dawsonville, Georgia 30534
(706) 265-3232

North Point is a one-bank holding company based in Dawsonville, Georgia. North Point's subsidiary, Dawson County Bank, is a full-service commercial bank with its main office and a branch located in Dawsonville, Georgia, and a branch located in Cumming, Georgia, which is operated under the tradename "North Point Bank." Dawson County Bank provides customary types of banking services such as checking accounts, savings accounts, and time deposits. It also engages in commercial and consumer lending, makes secured and unsecured loans, and provides other financial services.

At March 31, 2000, North Point had total consolidated assets of approximately $115.1 million, total deposits of approximately $103.6 million, and total shareholders' equity of approximately $9.4 million.

The Main Terms of the Merger

If the merger is approved, North Point will be merged with United, United will remain as the surviving company, and Dawson County Bank will become a subsidiary of United. As a result of the merger, North Point shareholders will receive 2.2368 shares of United common stock for each share of North Point common stock that they own on the effective date of the merger. North Point shareholders will also receive a cash payment for any fractional shares in an amount equal to the fraction multiplied by $38.00.

The Special Meeting

The special meeting will be held on Tuesday, July 25, 2000, at 3:00 p.m., at 109 Highway 53 West, Dawsonville, Georgia 30534, for the purpose of voting on the merger. At the meeting, North Point shareholders will be asked to consider and vote on a proposal to approve the merger of North Point into United. You are entitled to vote at the shareholders meeting if you owned shares of North Point common stock on May 15, 2000.

Approval by holders of a majority of the North Point common stock outstanding on May 15, 2000, is required for the merger to be completed. Directors and executive officers of North Point who have agreed to vote their shares of North Point common stock in favor of the merger own or control 142,097 shares, or approximately 33.08%, of the outstanding shares of North Point common stock (based on 428,385 shares outstanding on May 15, 2000).

Conditions, Termination, and Effective Date of the Merger

The merger will not occur unless certain conditions are met, and United or North Point can terminate the merger if specified events occur or fail to occur. The merger must be approved by North Point shareholders, the Board of Governors of the Federal Reserve System, and the Department of Banking and Finance of the State of Georgia. The Federal Reserve and the Department of Banking and Finance have approved the merger. Under the North Point merger agreement, United may terminate the merger if the holders of more than 32,128 shares of North Point's outstanding common stock choose to exercise their dissenter's rights. The merger will close after the merger is approved by North Point's shareholders and after a certificate of merger is filed as required under Georgia law. A condition to the closing of the merger is the approval by United shareholders of the increase in United's authorized common stock from 10,000,000 to 50,000,000 shares.

Rights of Dissenting Shareholders of North Point

If the merger is completed, North Point shareholders who dissent will be entitled to be paid the "fair value" of their shares in cash if they follow certain statutory provisions regarding the rights of dissenting shareholders. The rights of dissenting shareholders under Georgia law are discussed under "Rights of Dissenting Shareholders" and in Appendix B.

Federal Income Tax Consequences of the Merger

North Point has received an opinion from Kilpatrick Stockton LLP stating that, assuming that the merger is completed as currently anticipated, neither North Point nor its shareholders who receive United stock in connection with the merger will recognize any gain or loss for federal income tax purposes. We have not requested a ruling to that effect from the Internal Revenue Service. Any cash that North Point shareholders receive as payment for any fractional interests or as payment after exercising their right to dissent will be treated as amounts distributed in redemption of North Point common stock, and will be taxable under the Internal Revenue Code as either ordinary income or capital gain or loss, depending upon each shareholder's particular circumstances. There will be no tax effect for the holders of United common stock.

Accounting Treatment of the Merger

We expect the merger to be accounted for as a pooling of interests, which means that we will treat North Point and United as if they had always been combined for accounting and financial reporting purposes.

Markets for Capital Stock

UNITED. United's common stock is not currently traded on an established public market.

Year	Number of Trades	Aggregate Shares	Size of Trades Smallest	Price of Trades Largest	Lowest	Highest
2000 (through April 1, 2000)	118	17,533	1 share	1,000 shares	$40.00	$50.00
1999	551	168,000	1 share	4,136 shares	$35.00	$55.00
1998	435	170,000	1 share	4,000 shares	$25.00	$50.00

On May 9, 2000, United commenced a sale of between 350,000 and 450,000 shares of United common stock at a price of $38.00 per share. On February 8, 2000, the day prior to the announcement of United's merger with North Point, there were 15 sales of United common stock known to United's management, aggregating 1,537 shares ranging from one share to a block of 783 shares at a price of $40.00 per share and blocks of 20 to 71 shares at a price of $45.00 per share.

NORTH POINT. North Point's common stock is not traded on an established public trading market.

Year	Number of Trades	Aggregate Shares	Size of Trades Smallest	Price of Trades Largest	Lowest	Highest
2000 (through April 1, 2000)	--	--	--	--	--	--
1999	3	2,317	39	1,500	$45.00	$50.00
1998	1	320	320	320	$50.00	$50.00

Dividends

UNITED. United paid a cash dividend of $0.075 on April 4, 2000 and aggregate cash dividends of $0.20 per share in 1999 and $0.15 per share in 1998. For information with respect to cash dividends paid in each of the last five years, see "Summary Consolidated Financial Information." Although United intends to continue paying cash dividends, the amount and frequency of cash dividends will be determined by United's board of directors after consideration of earnings, capital requirements, and the financial condition of United. Cash dividends may not be declared in the future. Additionally, United's ability to pay cash dividends will depend on cash dividends paid to it by its subsidiary banks. The ability of those subsidiaries to pay dividends to United is restricted by certain regulatory requirements.

NORTH POINT. North Point paid a per share cash dividend of $1.20 in 1999, $0.96 in 1998, and $0.88 in 1997. North Point paid a dividend for the first quarter of 2000 in the amount of $0.30 per share. Except for quarterly dividends paid in accordance with previous practices, North Point is prohibited under the Agreement and Plan of Reorganization from paying dividends prior to the closing of the transaction.

Whether North Point shareholders approve the merger and regardless of whether the merger is completed, the future dividend policy of United and North Point will depend upon each company's earnings, financial condition, appropriate legal restrictions, and other factors relevant at the time the boards of directors considers whether to declare dividends.

Interests of Directors and Officers of North Point in the Merger

Two officers of North Point have interests in the North Point merger as employees that are different from, or in addition to, yours as a North Point shareholder. The North Point board of directors recognized these interests and determined that they did not adversely affect the benefits of the merger to the North Point shareholders. United has agreed to enter into employment agreements with Don D. Gordon, currently the President and Chief Executive Officer of North Point, and with Greg Gordon, currently the Vice President of North Point and the son of Don D. Gordon.

Recent Developments of United

United is currently conducting a public offering of between 350,000 and 450,000 shares of United common stock. United plans to use the proceeds of the offering, between $13.3 and $17.1 million, to provide capital for its subsidiary banks and for general corporate purposes.

On March 3, 2000, United entered into an agreement to acquire Independent Bancshares, Inc., Powder Springs, Georgia, in exchange for 870,595 shares of United's common stock. As of March 31, 2000, Independent had $161.1 million in total assets, $141.4 million of total deposits, and $13.0 million of total shareholders' equity.

WHERE YOU CAN FIND MORE INFORMATION

United is subject to the information requirements of the Securities Exchange Act of 1934, which means that United is required to file reports, proxy statements, and other information which you can read and copy at the Public Reference Section of the Securities and Exchange Commission at Room 1024, 450 Fifth Street, NW, Washington, D.C. 20549. You may also obtain copies of the reports, proxy statements, and other information from the Public Reference Section of the SEC, at prescribed rates, by calling 1-800-SEC-0330 or by visiting the SEC's Website at http://www.sec.gov.

United filed a registration statement on Form S-4 to register with the SEC the United common stock to be issued to North Point shareholders in the merger. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of United in addition to being a proxy statement of North Point for the special meeting of North Point shareholders to be held on July 25, 2000. As allowed by the SEC rules, this proxy statement/prospectus does not contain all of the information you can find in the registration statement or the exhibits to the registration statement. This proxy statement/prospectus summarizes some of the documents that are exhibits to the registration statement, and you should refer to the exhibits for a more complete description of the matters covered by those documents.

A WARNING ABOUT FORWARD LOOKING STATEMENTS

We have made forward-looking statements in this proxy statement/prospectus (and in other documents to which we refer in this proxy statement/prospectus) that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of United's and North Point's managements and on information currently available to members of management. Forward-looking statements include information concerning possible or assumed future results of operations of United after the proposed merger. Factors that could cause actual results to differ from results discussed in forward-looking statements include:

1. economic conditions (both generally and in the markets where United and North Point operate);

2. competition from other companies that provide financial services similar to those offered by United and North Point;

3. government regulation and legislation;

4. changes in interest rates; and

5. unexpected changes in the financial stability and liquidity of United's and North Point's credit customers.

Although we believe these forward-looking statements are reasonable, you should not place undue reliance on them because they are based on current expectations. Forward-looking statements are not guarantees of performance; rather, they involve risks, uncertainties, and assumptions. The future results and shareholder values of United following completion of the merger may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond United's ability to control or predict. For those statements, United claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Comparative Share Data

The following table shows selected comparative unaudited per share data for United and North Point on a pro forma basis assuming the merger had been effective for the periods indicated, and on a pro forma equivalent basis. The table also shows selected comparative unaudited per share data for United, Independent, and North Point on a pro forma basis assuming that both mergers have been effective for the periods indicated. The mergers will be accounted for as pooling of interests transactions in accordance with generally accepted accounting principles.

Equivalent earnings per share amounts for North Point have been calculated by multiplying the pro forma combined earnings per share by the exchange ratio (2.2368 shares of the United common stock for each share of North Point common stock). The North Point pro forma equivalent cash dividends per common share represent historical dividends declared by United multiplied by the applicable exchange ratio. The purpose of the pro forma equivalent per share amounts is for informational purposes only to show the pro forma net earnings that would have been earned for each share of North Point had the merger been completed for the periods indicated. This data should be read together with the historical financial statements of United and North Point including the related notes included elsewhere in this proxy statement/prospectus.

	As of and for the Three Months Ended March 31,	As of and for the Year Ended December 31,		
	2000	1999	1998	1997
NET INCOME PER COMMON SHARE (BASIC)				
United historical	$ 0.48	1.70	1.60	1.42
North Point historical	0.92	2.35	3.82	3.13
United and North Point Pro Forma Combined	0.47	1.63	1.61	1.41
North Point Pro Forma Equivalent	1.07	3.71	3.56	3.15
United, North Point, and Independent Pro Forma Combined	$ 0.48	1.66	1.59	1.41
CASH DIVIDENDS PER COMMON SHARE				
United historical	$ 0.075	0.20	0.15	0.10
North Point historical	0.300	1.20	0.96	0.88
United and North Point Pro Forma Combined	0.075	0.20	0.15	0.10
North Point Pro Forma Equivalent	0.170	0.45	0.34	0.22
United, North Point, and Independent Pro Forma Combined	$ 0.075	0.20	0.15	0.10
BOOK VALUE PER COMMON SHARE (PERIOD END)				
United historical	$ 12.25	11.98	11.72	10.15
North Point historical	21.94	21.43	21.88	18.84
United and North Point Pro Forma Combined	11.99	11.73	11.52	10.96
North Point Pro Forma Equivalent	27.02	26.91	25.68	27.54
United, North Point, and Independent Pro Forma Combined	$ 12.31	12.08	11.80	11.24

Computed giving effect to the merger

Computed based on the North Point per share exchange ratio of 2.2368 shares of United stock for each share of North Point stock

Represents historical dividends paid by United as it is assumed that United will not change its dividend policy as a result of the merger

Represents historical dividends paid per share by United multiplied by the exchange ratio of 2.2368 shares of United for each share of North Point stock.

Computed giving effect to the mergers of both North Point and Independent

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain selected historical financial information for United and North Point. The data should be read in conjunction with the historical financial statements, including the related notes, and other financial information concerning United and North Point incorporated by reference in or accompanying this proxy statement/prospectus.

(dollars in thousands, except per share amounts)

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999	As of and for the Years Ended December 31, 1999	1998	1997	1996	1995
United Community Banks, Inc. and Subsidiaries							
INCOME STATEMENT							
Net interest income	$ 18,866	15,434	67,974	56,210	45,718	35,461	26,076
Provision for loan losses	1,546	980	5,104	2,612	2,814	1,751	1,128
Non-interest income	2,690	2,479	10,836	9,129	7,200	5,866	4,698
Non-interest expense	14,397	12,000	54,165	43,964	34,063	26,341	20,165
Income taxes	1,789	1,640	5,893	5,990	4,987	4,180	2,634
Net income	$ 3,824	3,293	13,648	12,773	11,054	9,055	6,847
PER COMMON SHARE							
Net income - basic	$ 0.48	0.41	1.70	1.60	1.42	1.22	0.99
Net income - diluted	0.47	0.40	1.66	1.57	1.40	1.20	0.97
Cash dividends declared	0.075	0.05	0.20	0.15	0.10	0.10	0.08
Book value	$ 12.25	12.12	11.98	11.72	10.15	8.21	7.13
Basic average shares outstanding	8,034	8,004	8,020	7,973	7,810	7,399	6,919
Diluted average shares outstanding	8,317	8,269	8,316	8,246	8,031	7,590	7,105
AT PERIOD END							
Loans	$ 1,459,469	1,142,102	1,400,360	1,061,165	872,499	662,245	489,260
Earning assets	2,012,897	1,629,736	1,964,569	1,474,398	1,108,362	861,360	683,782
Assets	2,174,621	1,771,645	2,131,440	1,591,399	1,216,693	926,844	738,651
Deposits	1,668,485	1,318,544	1,649,392	1,238,323	1,033,756	809,149	660,146
Shareholders' equity	$ 98,456	97,005	96,270	93,836	80,086	62,357	53,126
Common shares outstanding	8,034	8,004	8,034	8,004	7,894	7,594	7,454
AVERAGE BALANCES							
Loans	$ 1,441,126	1,093,080	1,237,892	956,452	773,245	567,456	434,682
Earning assets	2,021,074	1,537,503	1,760,738	1,257,559	1,009,770	755,201	586,997
Assets	2,155,171	1,625,091	1,896,189	1,355,303	1,077,978	817,682	631,247
Deposits	1,671,675	1,266,680	1,447,861	1,145,425	939,642	724,845	558,423
Shareholders' equity	$ 96,698	95,375	95,253	86,082	71,121	57,886	45,478
Weighted average shares outstanding	8,034	8,004	8,020	7,973	7,810	7,399	6,919
PERFORMANCE RATIOS							
Return on average assets	0.71%	0.81%	0.72%	0.94%	1.03%	1.11%	1.08%
Return on average shareholders' equity	15.91%	14.0%	14.33%	14.84%	15.54%	15.64%	15.06%
Average equity to average assets	4.49%	5.77%	5.02%	6.35%	6.60%	7.08%	7.20%
Average loans to average deposits	86.21%	86.29%	85.50%	83.50%	82.29%	78.29%	77.84%
EXCLUDING MERGER-RELATED CHARGES*							
Net income	$ 3,824	3,293	14,803	12,773	11,054	9,055	6,847
Basic earnings per share	$ 0.48	0.41	1.85	1.60	1.42	1.22	0.99
Diluted earnings per share	$ 0.47	0.40	1.80	1.57	1.40	1.20	0.97
Return on average assets	0.71%	0.81%	0.78%	0.94%	1.03%	1.11%	1.08%
Return on average shareholders' equity	15.91%	14.00%	15.54%	14.84%	15.54%	15.64%	15.06%

(*) Amounts and ratios exclude merger-related charges recorded in 1999 in connection with the merger of United Community Banks, Inc. and 1st Floyd Bankshares, Inc.

North Point Bancshares, Inc. and Subsidiaries	Three Months Ended March 31, 2000	1999	As of and for the Years Ended December 31, 1999	1998	1997	1996	1995
INCOME STATEMENT							
Net interest income	$ 1,195	1,064	4,527	4,690	4,040	3,457	2,877
Provision for loan losses	20	30	620	200	175	160	70
Non-interest income	182	162	625	653	626	580	406
Non-interest expense	814	676	3,070	2,692	2,490	2,316	2,085
Income taxes	151	160	453	814	662	487	328
Net income	$ 392	360	1,009	1,637	1,339	1,074	800
PER COMMON SHARE							
Basic earnings	$ 0.92	0.84	2.35	3.82	3.13	2.51	1.87
Diluted earnings	0.92	0.84	2.35	3.82	3.13	2.51	1.87
Cash dividends declared	0.30	0.30	1.20	0.96	0.88	0.80	0.73
Book value	$ 21.94	21.91	21.43	21.88	18.84	16.49	14.74
Basic average shares outstanding	428	428	428	428	428	428	428
Diluted average shares outstanding	428	428	428	428	428	428	428
AT PERIOD END							
Loans	$ 75,336	56,295	62,212	54,547	48,111	40,716	32,958
Earning assets	160,576	95,947	98,507	87,912	80,294	70,891	59,040
Assets	115,110	102,185	106,478	93,880	85,299	77,361	63,801
Deposits	103,638	92,174	96,565	84,115	76,804	69,753	57,231
Shareholders' equity	$ 9,389	9,378	9,180	9,372	8,071	7,064	6,315
Common shares outstanding	428	428	428	428	428	428	428
AVERAGE BALANCES							
Loans	$ 64,305	55,855	57,961	55,554	45,137	37,443	31,583
Earning assets	101,728	92,230	96,435	84,280	74,637	66,663	55,656
Assets	109,594	98,316	102,774	89,725	80,597	71,416	61,148
Deposits	97,093	86,323	92,980	80,472	74,048	65,704	55,233
Shareholders' equity	$ 9,333	9,050	9,276	8,722	7,568	6,690	6,009
Weighted average shares outstanding	428	428	428	428	428	428	428
PERFORMANCE RATIOS							
Return on average assets	1.44%	1.47%	0.98%	1.82%	1.66%	1.50%	1.31%
Return on average shareholders' equity	16.89%	16.00%	10.88%	18.77%	17.69%	16.06%	13.31%
Average equity to average assets	8.52%	9.20%	9.03%	9.72%	9.39%	9.37%	9.83%
Average loans to average deposits	66.23%	64.70%	64.01%	69.04%	60.96%	56.99%	57.18%

Retroactively adjusted for stock dividends.

SELECTED PRO FORMA FINANCIAL DATA

The following unaudited selected financial data presents selected pro forma financial information for United and North Point. The selected pro forma financial information gives effect to the acquisition of North Point as of the date or at the beginning of the period indicated, assuming the acquisition is accounted for as a pooling of interests. The pro forma balance sheet information has been prepared as if the acquisition had been completed on March 31, 2000. The pro forma operating data has been prepared as if the acquisition had been completed on January 1, 1997. The unaudited pro forma financial data is presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operation which actually would have occurred if the transaction had been completed at the date and for the periods indicated or which may be obtained in the future. See "Pro Forma Consolidated Financial Information."

(dollars in thousands, except per share amounts)

United and North Point

	For the Three Months Ended March 31, 2000	For the Three Months Ended March 31, 1999	For the Year Ended December 31, 1999	For the Year Ended December 31, 1998	For the Year Ended December 31, 1997
BALANCE SHEET DATA					
Total assets	$ 2,289,731				
Federal funds sold	170				
Investment securities	577,325				
Loans held for sale	4,588				
Loans, net of allowance for loan losses	1,514,673				
Deposits	1,772,123				
Trust preferred securities	21,000				
Long-Term debt	368,019				
Shareholders' equity	107,845				
EARNINGS DATA					
Interest income	$ 45,686	34,762	$ 157,896	$ 123,907	$ 101,031
Interest expense	25,625	18,264	85,395	63,007	51,272
Net interest income	20,061	16,498	72,501	60,900	49,759
Provision for loan losses	1,566	1,010	5,724	2,812	2,989
Non-interest income	2,854	2,641	11,461	9,782	7,826
Non-interest expense	15,193	12,676	57,235	46,656	36,553
Income taxes	1,940	1,800	6,346	6,804	5,649
Net income	4,216	3,653	14,657	14,410	12,394
Basic earnings per share	0.47	0.41	1.63	1.61	1.41
Diluted earnings per share	0.46	0.40	1.60	1.59	1.40
Cash dividends per share	$ 0.0813	0.0590	$ 0.246	$ 0.185	$ 0.133

THE SPECIAL MEETING

This proxy statement/prospectus is being furnished to the holders of North Point common stock in connection with the solicitation by North Point's board of directors of proxies for use at the special meeting of North Point shareholders for the purpose of voting upon a proposal to approve the merger of North Point into United. The special meeting of North Point shareholders will be held at 3:00 p.m. on July 25, 2000, at the main office of North Point located at 109 Highway 53 West, Dawsonville, Georgia 30534.

North Point shareholders are requested to promptly sign, date, and return the accompanying proxy card to North Point in the enclosed postage-paid envelope. Any North Point shareholder who has delivered a proxy may revoke it at any time before it is voted by giving notice of revocation in writing or submitting to North Point a signed proxy bearing a later date, provided that such notice or proxy is actually received by North Point prior to the taking of the shareholder vote, or by electing to vote in person at the special meeting. Any notice of revocation should be sent to North Point Bancshares, Inc., 109 Highway 53 West, Dawsonville, Georgia 30534, Attention: Jimmy C. Bruce, Corporate Secretary. The shares represented by properly executed proxies received at or prior to the North Point special meeting and not subsequently revoked will be voted as directed in such proxies. If instructions are not given, shares represented by proxies received will be voted for approval of the agreement and in the discretion of the proxy holder as to any other matters that properly may come before the North Point special meeting. As of the date of this proxy statement/prospectus, North Point is unaware of any other matter to be presented at the special meeting.

Solicitation of proxies will be made by mail, but also may be made by telephone or in person by the directors, officers, and employees of North Point, who will receive no additional compensation for such solicitation but may be reimbursed for out-of-pocket expenses. Brokerage houses, nominees, fiduciaries, and other custodians will be requested to forward solicitation materials to beneficial owners and will be reimbursed for their reasonable out-of-pocket expenses.

North Point shareholders should NOT forward any stock certificates with their proxy cards.

THE PROPOSED MERGER

Background of and Reasons for the Merger

In a strategic planning session in 1999, the board of directors and senior management of North Point considered a variety of possible alternatives for North Point to pursue. In mid-December 1999, Don Gordon, the Chief Executive Officer of North Point, approached Jimmy Tallent, President and Chief Executive Officer of United, to determine if there might be some interest in considering a merger of the institutions. On December 23, 1999, Don Gordon, Clayton Bartlett, Chairman of the Board of North Point, and Greg Gordon, the Vice President of North Point, met with Mr. Tallent and other members of United's senior management in Blairsville to discuss the proposal in greater detail.

On January 28, 2000, United's board of directors approved the Agreement and Plan of Reorganization and the Agreement and Plan of Merger between North Point and United. This decision was based on the consideration by United's board of directors of the business and operations and asset quality of North Point as well as the attractiveness of the North Point franchise and its management team and the compatibility of that franchise with the operations of United.

On February 1, 2000, at a special called meeting of the North Point board of directors, Don Gordon reported to the Board of Directors about their meetings with United's senior management and reviewed financial information on United and North Point related to the valuation and the terms and conditions of the United proposal. This financial information included the pro forma financial impact of the merger at a range of prices. The board of directors authorized Mr. Gordon to proceed with negotiations.

On February 7, 2000, Mr. Tallent made a presentation concerning United's business and operations at a special called meeting of the North Point board of directors. On that date, the parties entered into a letter of intent outlining terms and conditions of a proposed merger.

At a meeting held on February 28, 2000, the North Point board of directors approved the Agreement and Plan of Reorganization and the Agreement and Plan of Merger between North Point and United. In deciding to enter into the agreements, the board of directors of North Point considered a number of factors in evaluating the merger, including:

(a) The value of the consideration to be received by North Point shareholders relative to the book value and earnings per share of North Point common stock;

(b) Certain information concerning the financial condition, results of operations, and business prospects of United;

(c) The financial terms of recent business combinations in the financial services industry and a comparison of the multiples of selected combinations with the terms of the proposed transaction with United;

(d) The alternatives to the merger, including remaining an independent institution;

(e) The competitive and regulatory environment for financial institutions generally; and

(f) The fact that the merger will enable North Point shareholders to exchange their shares of North Point common stock, in a tax-free transaction, for shares of common stock of a larger company, the stock of which is more widely held and more liquid than that of the North Point.

On February 9, 2000, United and North Point issued a joint press release describing the transaction, and on March 3, 2000, the parties executed the Agreement and Plan of Reorganization.

The board of directors of North Point believes the merger is in the best interest of its shareholders because the merger will permit them to exchange their ownership interest in North Point for an equity interest in United, which has greater financial resources than North Point. The board of directors of North Point also believes that the terms of the merger, including the basis of exchange, 2.2368 shares of United common stock for each share of North Point common stock, which was determined through arms-length negotiations between United and North Point, are fair and equitable and take into account the relative earning power of United and North Point, historic and anticipated operations, the economies of scale to be achieved through the merger, the trading prices of the stocks of the respective companies, and other pertinent factors. The exchange ratio of 2.2368 shares of United's common stock for each share of North Point common stock represents a multiple of 3.9 times North Point's book value as of March 31, 2000 and 35.0 times trailing 12 months earnings per share if United common stock is valued at $38.00 a share.

The board of directors of North Point believes that the size of the combined organization, approximately $2.3 billion in assets as of March 31, 2000, is sufficiently large to take advantage over time of significant economies of scale, but is still small enough to maintain the competitive advantages management believes are afforded community-oriented banks over the larger regional and super-regional banks. It has become increasingly apparent to the management of North Point that, in the current regulatory and competitive environment, larger organizations with greater economies of scale, including the ability to spread largely fixed costs over a larger gross income base and the ability to attract management talent able to compete in a more sophisticated financial-services environment, will be more successful than smaller organizations such as North Point separately. Management of United and North Point believe that there is a future for community banks in the banking industry, but that community banks will be required to achieve a critical size to maintain above-average economic performance.

Summary of the Material Features of the Merger Between United and North Point

The material features of the merger are summarized below.

EFFECTIVE DATE. The merger will be effective upon the approval of the Agreement and Plan of Merger by North Point shareholders and the filing of a certificate of merger with the Georgia Secretary of State. The merger also is subject to approval by the Board of Governors of the Federal Reserve System and the Department of Banking and Finance of the State of Georgia, which approvals have been received. Management of United and North Point anticipate that the merger will become effective in the third quarter of 2000.

TERMS OF THE MERGER. On the effective date of the merger, each outstanding share of North Point common stock will be converted into and exchanged for 2.2368 shares of United common stock. If, prior to the effective date, the outstanding shares of United common stock are increased through a stock dividend, stock split, subdivision, recapitalization, or reclassification of shares, or are combined into a lesser number of shares by reclassification, recapitalization, or reduction of capital, the number of shares of United common stock to be delivered pursuant to the merger in exchange for a share of North Point common stock will be proportionately adjusted.

United will not issue fractional share certificates of common stock in connection with the merger, and an outstanding fractional share interest will not entitle the owner to vote, to receive dividends, or to any rights of a shareholder of United with respect to that fractional interest. Instead of issuing any fractional shares of common stock, United will pay in cash an amount (computed to the nearest cent) equal to the fraction of the share multiplied by $38.00 per share.

If the merger is completed, shareholders of North Point will become shareholders of United, North Point will cease to exist as a separate entity, and Dawson County Bank will become a wholly-owned subsidiary of United. Following the merger, the Restated Articles of Incorporation, Bylaws, corporate identity, and existence of United will not be changed.

TERMINATION AND CONDITIONS OF CLOSING. The merger may be abandoned at any time either before or after approval of the Agreement and Plan of Merger by the shareholders of North Point, but not later than the effective date:

- by either party, if the other party has a material adverse change in its financial condition or business;
- by either party, if the other party materially breaches any of the representations or warranties or any covenant or agreement it made under the merger agreement;
- by either party, if it learns of undisclosed information which the other party was required to disclose pursuant to the merger agreement, which materially and adversely affects the business, properties, assets, or earnings of the other party;
- by either party, if a lawsuit is filed or threatened that could prohibit or otherwise materially affect the merger or the completion of the merger and that either party believes, in good faith, would make completion of the merger inadvisable;
- by either party, if the merger is not completed by August 31, 2000;
- by United, if the holders of 32,128 or more of the outstanding shares of North Point common stock choose to dissent from the merger and demand payment in cash;
- by either party, if the North Point shareholders do not approve the Agreement and Plan of Merger; or
- by either party, if it learns of any potential liability of the other party which results from the other party's non-compliance with any environmental law or from the environmental condition of the properties or assets of the other party.

The following are some of the required conditions of closing:

- the accuracy of the representations and warranties of all parties contained in the Agreement and Plan of Reorganization and related documents as of the date when made and the effective date;
- the performance of all agreements and conditions required by the Agreement and Plan of Reorganization;
- the delivery of officers certificates, resolutions, and legal opinions to North Point and United;
- approval of the Agreement and Plan of Merger by the North Point shareholders;
- approval by United shareholders of a proposal to increase the authorized common stock of United from 10,000,000 to 50,000,000 shares to be presented at the United annual meeting of shareholders to be held on July 13, 2000.
- receipt of all necessary authorizations of governmental authorities and the expiration of any regulatory waiting periods;
- effectiveness of the registration statement of United relating to the shares of United common stock to be issued to North Point shareholders in the merger, of which this document forms a part;
- the receipt by North Point of the opinion of Kilpatrick Stockton LLP as to the tax consequences to North Point shareholders;

- the receipt by United of an opinion of Porter Keadle Moore LLP that the merger will be accounted for as a pooling of interests; and

- the issuance of a certificate of merger by the Secretary of State of Georgia.

SURRENDER OF CERTIFICATES. Shortly after the effective date of the merger, each holder of North Point common stock will be required to deliver his or her shares of North Point common stock to United's transfer agent, SunTrust Bank. After delivering the North Point shares, the holder will receive a stock certificate for the number shares of United common stock that the holder is entitled to receive under the Agreement and Plan of Merger and a cash payment for any fractional interest in United common stock. Until a holder delivers his or her shares of North Point common stock to SunTrust, he or she will not receive payment of any dividends or other distributions on shares of United common stock into which his or her shares of North Point common stock have been converted and will not receive any notices sent by United to its shareholders with respect to, or to vote, those shares. After delivering the shares to SunTrust, the holder will then be entitled to receive any dividends or other distributions (without interest) which became payable after the merger but prior to the holder's delivery of the certificates to SunTrust.

Required Shareholder Approval

The holders of a majority of the outstanding shares of North Point common stock entitled to vote at the special meeting must approve the Agreement and Plan of Merger for the merger to be completed. Abstentions from voting and broker non-votes will be included in determining whether a quorum is present and will have the effect of a vote against the Agreement and Plan of Merger.

On May 15, 2000, the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting, the outstanding voting securities of North Point consisted of 428,385 shares of common stock, with registered holders of North Point common stock being entitled to one vote per share. Certain executive officers and members of North Point's board of directors, who have entered into agreements with United to vote their shares of North Point common stock in favor of the merger, own or control 142,097 shares, or approximately 33.08%, of the outstanding shares of North Point common stock, based on 428,385 shares outstanding as of May 1, 2000.

Expenses

United will pay all of its expenses incurred in connection with the authorization, preparation, execution, and performance of the Agreement and Plan of Reorganization and Agreement and Plan of Merger, including all fees and expenses of its agents, representatives, counsel, and accountants and the fees and expenses related to filing regulatory applications with state and federal authorities in connection with the transactions contemplated thereby, including the cost of preparing and mailing this proxy statement/prospectus. North Point will pay all of its expenses incurred in connection with the authorization, preparation, execution, and performance of the Agreement and Plan of Reorganization and Agreement and Plan of Merger, including all fees and expenses of agents, representatives, counsel, and accountants for North Point.

Conduct of Business of North Point Pending Closing

The Agreement and Plan of Reorganization provides that, pending consummation of the merger, North Point will, except with the written consent of United:

- conduct its business only in the ordinary course, without creating any indebtedness for borrowed money (other than deposit and similar accounts and customary credit arrangements between banks in the ordinary course of business);

- not engage in or undertake any action that would lead to the disqualification of the pooling of interests method of accounting;

- maintain its properties and assets in good operating condition, ordinary wear and tear excepted;

- maintain and keep in effect all of its current insurance policies;

- not make any change in the authorized or issued capital stock or other securities of North Point or issue or grant any right or option to purchase or otherwise acquire any of the capital stock or other securities of North Point other than pursuant to existing stock option grants;

- not declare or make any dividend, distribution, or payment on the capital stock of North Point or, directly or indirectly, redeem, purchase, or otherwise acquire any of its capital stock;

- not amend its Articles of Incorporation or Bylaws;

- maintain its corporate existence and powers;

- not acquire any other entity or otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to it;

- not acquire or dispose of any real property or interest in any real property (except for sales in the ordinary course of business) or, except in the ordinary course of business, sell or otherwise transfer or encumber any other tangible or intangible asset;

- not change any of its banking arrangements;

- not enter into any new material contracts;

- maintain its books and records in the ordinary course of business;

- advise United of any material adverse change in North Point's business; and

- file all reports required to be filed with any regulatory or governmental agencies.

Interest of Management in the Transaction; Conduct of Business After the Merger

Except as set forth below, no director or officer of North Point or any of their associates has any direct or indirect material interest in the merger, except that those persons may own shares of North Point common stock which will be converted in the merger into United common stock. Other than as described below, United and North Point do not anticipate that the merger will result in any material change in compensation to employees of North Point.

Effective upon completion of the merger, United will enter into an employment agreement with Don D. Gordon, employing Mr. Gordon as President and Chief Executive Officer of Dawson County Bank, which will be a subsidiary of United, for an annually renewable term of three years. Mr. Gordon will receive a salary of $163,000 per year, and he will be entitled to receive options for 10,000 shares of United's common stock at an exercise price of $38.00 per share. On February 7, 2000, Mr. Gordon received a one-time pre-tax cash bonus of $100,000 from United, and he will receive an additional bonus of $150,000 upon the closing of the merger. United will be able to terminate Mr. Gordon's employment agreement for cause (as defined in the agreement) or upon Mr. Gordon's death, disability, or inability to effectively carry out his duties. Mr. Gordon will be able to terminate the agreement upon specified actions or inactions of United. If Mr. Gordon is terminated due to a change of control of United (as defined in the agreement), he will receive a payment equal to his then-current annual salary for a period of two years from his date of termination. Mr. Gordon's employment agreement also provides, unless he is terminated under specified circumstances, that Mr. Gordon will not compete with United in Dawson County, Georgia for a period of one year after his employment with United is terminated.

In addition, effective upon completion of the merger, United will enter into an employment agreement with Greg Gordon, the son of Don D. Gordon. Mr. Gordon will be employed as Vice President of Dawson County Bank for one year on terms comparable to those in Don Gordon's employment agreement except that Greg Gordon will receive a salary of $54,000 per year, and he will not receive a cash bonus or stock options.

In the merger agreement, United has agreed to continue employee benefits for North Point employees that are substantially similar to those United currently provides to its employees, and to indemnify each person entitled to indemnification by North Point or Dawson County Bank for liabilities arising from acts or omissions arising prior to the effective date.

Comparison of the Rights of North Point and United Shareholders

Upon completion of the merger, holders of North Point common stock (other than dissenting shareholders) will become shareholders of United. The following is a summary of material differences between the rights of holders of United common stock and holders of North Point common stock. Because United and North Point are both organized under the laws of Georgia, any differences arise from differing provisions of the corporations' respective articles of incorporation and bylaws.

DIRECTORS

UNITED. The United Bylaws provide for a board of directors consisting of from eight to 14 members.

NORTH POINT. The North Point Bylaws provide for a board of directors consisting of from three to ten directors.

MATTERS CONSIDERED AT ANNUAL MEETINGS

UNITED. The United Bylaws limit the business that may be conducted at an annual meeting of shareholders to business brought before the meeting by or at the direction of the board of directors prior to the meeting, by or at the direction of the Chairman of the Board, Chief Executive Officer, President, or by a United shareholder who delivers notice of the business in writing to the Secretary of United by the later of (a) 14 days prior to the meeting or (b) five days after notice of the meeting is provided to United shareholders. The chairman of an annual meeting has the right to declare that any proposed business that does not comply with these provisions is out of order and will not be considered at the meeting.

NORTH POINT. The North Point Bylaws do not restrict matters which may be considered at an annual meeting of shareholders.

Accounting Treatment

United will account for the merger as a pooling of interests transaction in accordance with generally accepted accounting principles. Under this accounting method, holders of North Point common stock will be deemed to have combined their existing voting common stock interests with the holders of United common stock by exchanging their shares for shares of United common stock, and as a result, the assets and liabilities of North Point will be added to those of United at their recorded book value, and the shareholders' equity accounts of North Point and United would be combined on United's consolidated balance sheet. The unaudited pro forma financial information contained in this proxy statement/prospectus has been prepared using the pooling of interests accounting method to account for the merger.

Resales of United Stock by Directors and Officers of North Point

Although United has registered the United common stock to be issued upon completion of the merger under the Securities Act of 1933, the directors, officers, and shareholders of North Point who are deemed to be affiliates of North Point may not resell the United common stock received by them unless those sales are made pursuant to an effective registration statement under the Securities Act, Rules 144 and 145 under the Securities Act, or another exemption from registration under the Securities Act. Rules 144 and 145 place limitations on the amount of and manner that securities can be sold by affiliates. Because the United common stock is not publicly traded and is not listed on a stock exchange or quoted in the over-the-counter market, affiliates will not be able to sell their United common stock pursuant to Rules 144 and 145.

Regulatory Approvals

The Board of Governors of the Federal Reserve System and the Department of Banking and Finance of the State of Georgia have approved the merger. In determining whether to grant that approval, the Federal Reserve and the Department of Banking and Finance considered the effect of the merger on the financial and managerial resources and future prospects of the companies and banks concerned and the convenience and needs of the communities served.

THE DEPARTMENT OF BANKING AND FINANCE'S REVIEW OF THE APPLICATION DID NOT INCLUDE AN EVALUATION OF THE PROPOSED TRANSACTION FROM THE FINANCIAL PERSPECTIVE OF THE INDIVIDUAL SHAREHOLDERS OF NORTH POINT. FURTHER, NO SHAREHOLDER SHOULD CONSTRUE AN APPROVAL OF THE APPLICATION BY THE DEPARTMENT OF BANKING AND FINANCE TO BE A RECOMMENDATION THAT THE SHAREHOLDERS VOTE TO APPROVE THE PROPOSAL. EACH SHAREHOLDER ENTITLED TO VOTE SHOULD EVALUATE THE PROPOSAL TO DETERMINE THE PERSONAL FINANCIAL IMPACT OF THE COMPLETION OF THE PROPOSED TRANSACTION. SHAREHOLDERS NOT FULLY KNOWLEDGEABLE IN SUCH MATTERS ARE ADVISED TO OBTAIN THE ASSISTANCE OF COMPETENT PROFESSIONALS IN EVALUATING ALL ASPECTS OF THE PROPOSAL INCLUDING ANY DETERMINATION THAT THE COMPLETION OF THE PROPOSED TRANSACTION IS IN THE BEST FINANCIAL INTEREST OF THE SHAREHOLDER.

Rights of Dissenting Shareholders

Any shareholder of record of North Point common stock who objects to the merger and who complies with Section 14-2-1301 et seq. of the Georgia Business Corporation Code will be entitled to demand and receive payment in cash of an amount equal to the fair value of all, but not less than all, of his or her shares of North Point common stock if the merger is completed. A shareholder of record may assert dissenters' rights as to fewer than the shares registered in that shareholder's name only if he or she dissents with respect to all shares beneficially owned by any one beneficial owner and notifies North Point in writing of the name and address of each person on whose behalf he asserts dissenters' rights. For the purpose of determining the amount to be received in connection with the exercise of statutory dissenters' rights under the Georgia Business Corporation Code, the fair value of a dissenting shareholder's North Point common stock equals the value of the shares immediately before the effective date of the merger, excluding any appreciation or depreciation in anticipation of the merger.

Any North Point shareholder desiring to receive payment of the fair value of his or her shares of North Point common stock in accordance with the requirements of the Georgia Business Corporation Code:

(a) must deliver to North Point, prior to the time the shareholder vote on the merger agreement is taken, a written notice of his or her intent to demand payment for his or her shares if the merger is completed;

(b) must not vote his or her shares in favor of the merger agreement; and

(c) must demand payment and deposit stock certificates representing his or her North Point common stock in accordance with the terms of a notice which will be sent to the shareholder by North Point no later than ten days after the merger is completed.

A filing of the written notice of intent to dissent with respect to the merger agreement should be sent to: Jimmy C. Bruce, Secretary, North Point Bancshares, Inc., 109 Highway 53 West, Dawsonville, Georgia 30534-3414. A VOTE AGAINST THE MERGER AGREEMENT ALONE WILL NOT SATISFY THE REQUIREMENTS FOR THE SEPARATE WRITTEN NOTICE OF INTENT TO DISSENT TO THE MERGER, THE SEPARATE WRITTEN DEMAND FOR PAYMENT OF THE FAIR VALUE OF SHARES OF NORTH POINT COMMON STOCK AND THE DEPOSIT OF THE STOCK CERTIFICATES, WHICH ARE REFERRED TO IN CONDITIONS (A) AND (C) ABOVE. RATHER, A DISSENTING SHAREHOLDER MUST SEPARATELY COMPLY WITH ALL OF THOSE CONDITIONS.

Within ten days of the later of the effective date or receipt of a payment demand by a shareholder who deposits his or her stock certificates in accordance with North Point's dissenter's notice sent to those shareholders who notified North Point of their intent to dissent, described in (c) above, United must offer to pay to each dissenting shareholder the amount United estimates to be the fair value of the dissenting shareholder's shares, plus accrued interest. That notice and offer must be accompanied by:

(a) North Point's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of making an offer, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(b) an explanation of how the interest was calculated;

(c) a statement of the dissenting shareholder's right to demand payment of a different amount under Section 14-2-1327 of the Georgia Business Corporation Code; and

(d) a copy of the dissenters' rights provisions of the Georgia Business Corporation Code.

If the dissenting shareholder accepts North Point's offer by written notice to North Point within 30 days after United's offer, or is deemed to have accepted the offer by not responding to that offer within that 30-day period, United must make payment for his or her shares within 60 days after the making of the offer or the effective date, whichever is later. Upon payment of the agreed value, the dissenting shareholder will cease to have any interest in his or her shares of North Point common stock.

If within 30 days after United offers payment for the shares of a dissenting shareholder, the dissenting shareholder does not accept the estimate of fair value of his or her shares and interest due thereon and demands payment of his or her own estimate of the fair value of the shares and interest due thereon, then United, within 60 days after receiving the payment demand of a different amount from a dissenting shareholder, must file an action in the superior court in Dawson County, Georgia, requesting that the fair value of those shares be determined. United must make all dissenting shareholders whose demands remain unsettled parties to the proceeding. If United does not commence the proceeding within that 60-day period, it will be required to pay each dissenting shareholder whose demand remains unsettled the amount demanded by the dissenting shareholder.

North Point urges its shareholders to read all of the dissenter's rights provisions of the Georgia Business Corporation Code, which are reproduced in full in Appendix B to this proxy statement/prospectus and which are incorporated by reference into this proxy statement/prospectus.

Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel

North Point has received an opinion from Kilpatrick Stockton LLP, to the effect that, assuming the merger is completed in accordance with the terms of the merger agreement:

(a) The merger of North Point into United and the issuance of shares of United common stock, as described in the merger agreement, will constitute a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

(b) Holders of North Point common stock will not recognize any gain or loss upon the exchange of that stock for United common stock as a result of the merger.

(c) Holders of North Point common stock will recognize gain or loss pursuant to Section 302 of the Internal Revenue Code upon their receipt of cash instead of fractional shares of United common stock and upon their receipt of cash pursuant to their exercise of dissenter's rights.

(d) North Point will not recognize any gain or loss as a result of the merger.

(e) The aggregate tax basis of the United common stock received by shareholders of North Point pursuant to the merger will be the same as the tax basis of the shares of North Point common stock exchanged therefor, decreased by any portion of that tax basis allocated to fractional shares of United common stock that are treated as redeemed by United.

(f) The holding period of the shares of United common stock received by the shareholders of North Point will include the holding period of the shares of North Point common stock exchanged therefor, provided that the North Point common stock is held as a capital asset on the date of completion of the merger.

No ruling will be requested from the Internal Revenue Service with respect to any federal income tax consequences of the merger.

THE FOREGOING TAX OPINION AND THE PRECEDING DISCUSSION RELATE TO THE MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO NORTH POINT SHAREHOLDERS. NORTH POINT SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY STATE, LOCAL, OR OTHER TAX CONSEQUENCES OF THE MERGER.

Description of Business

North Point is a one-bank holding company which, through its subsidiary, Dawson County Bank, provides banking services through its two full-service banking offices in Dawsonville, Georgia, and one full-service banking office in Cumming, Georgia. North Point's executive office is located at 109 Highway 53 West, Dawsonville, Georgia 30534, and its telephone number is (706) 265-3232. Dawson County Bank offers a broad range of customary banking services including commercial, mortgage, and consumer loans; checking, savings, and time deposit accounts; wire transfers; and rental of safety deposit boxes.

As of March 31, 2000, North Point had total consolidated assets of approximately $115.1 million, total deposits of approximately $103.6 million, and total shareholders' equity of approximately $9.4 million. At March 31, 2000, North Point had 36 full-time employees.

North Point was incorporated on October 10, 1984, as a Georgia business corporation. On January 11, 1985, North Point acquired control of Dawson County Bank, which was organized as a Georgia banking corporation in 1953, and acquired 100% of the outstanding shares of North Point common stock on October 7, 1993.

Competition

Dawson County Bank competes in the Dawson County, Georgia market with three commercial banks and in the Forsyth County, Georgia market with eight commercial banks and two savings institutions. In addition, Dawson County Bank competes with insurance companies and brokerage firms. As of June 30, 1999, in terms of deposits, North Point ranked first out of four depository institutions in Dawson County, with 46.7% of total county deposits. The office of Dawson Bank in Forsyth County, Georgia was opened during 1999 and did not have a material market share at June 30, 1999.

Voting Securities and Principal Shareholders

The following lists each shareholder of record that directly or indirectly owned, controlled, or held with power to vote five percent or more of the 428,385 outstanding shares of North Point common stock as of May 1, 2000, and the amount of North Point common stock held by each executive officer and director of North Point. Unless otherwise indicated, each person has sole voting and investment powers over the indicated shares. Information relating to beneficial ownership of the North Point common stock is based upon "beneficial ownership" concepts set forth in rules issued under the Securities Exchange Act of 1934. Under those rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of that security, or "investment power," which includes the power to dispose or to direct the disposition of that security. Under the rules, more than one person may be deemed to be a beneficial owner of the same securities. Unless otherwise indicated, the address of each beneficial owner of more than five percent of North Point common stock is 109 Highway 53 West, Dawsonville, Georgia 30534.

Name and Address	Number of Shares Beneficially Owned	Percentage of Class
Don D. Gordon	64,977	15.17%
Raymond R. Gilleland	45,575	10.64%
Taft Fouts	28,690	6.70%
Dwight Gilleland	23,781	5.55%
Ben Overstreet	13,680	3.19%
Robert Polatty	4,002	0.93%
Jimmy C. Bruce	3,072	0.62%
Deborah Pelfrey	2,200	0.51%
Judy Abercrombie	815	0.19%
Clayton Bartlett	900	0.21%
All directors and officers as a group	142,097	33.08%

Includes 17,418 shares owned by Mr. Gordon's wife.
Mr. Raymond Gilleland's address is 4226 Smithfield Road, Tucker, Georgia 30084.
Includes 395 shares owned by Mr. Bruce's wife.

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

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2000 AND 1999

Net Income

Net income for the three months ended March 31, 2000 was $392,000, compared with $360,000 for the same period in 1999. Diluted earnings per share for the first quarter of 2000 were $0.92, an increase of $0.08, or 10%, compared with the same period in 1999. The return on average shareholders' equity and return on average assets for the first quarter of 2000 were 16.9% and 1.44%, respectively, compared with 16.0% and 1.47%, respectively, for the same period in 1999.

Net Interest Income

Net interest income for the three months ended March 31, 2000 totaled $1.2 million, an increase of $131,000, or 12%, over the same period in 1999. This increase was primarily due to the increase in average interest-earning assets of $9.5 million, or 10%, compared with the first quarter of 1999. The net interest margin for the first three months of 2000 was 4.72%, an increase of four basis points over the same period in 1999.

Provision for Loan Losses

The provision for loan losses for the three months ended March 31, 2000 totaled $20,000, a decrease of $10,000 compared with the same period in 1999. As a percentage of average loans on an annualized basis, the provision for loan losses for the first quarter of 2000 was 0.12%. The ratio of allowance for loan losses to outstanding loans at March 31, 2000 was 1.61%, compared with 1.92% at December 31, 1999.

Non-Interest Income

Non-interest income for the first three months of 2000 totaled $182,000, an increase of $20,000, or 12%, from the same period in 1999. Service charges on deposit accounts totaled $116,000 for the first quarter of 2000, an increase of $17,000 over the comparable 1999 period. This increase was primarily attributed to an increase in the volume and number of deposit accounts.

Other non-interest income for the first quarter of 2000 was $66,000, an increase of $3,000, or 5%, over the same period in 1999.

Non-Interest Expense

Total non-interest expense for the three months ended March 31, 2000 was $814,000, an increase of $138,000 or 20% over the same period last year. Employee salary and benefit expense increased by $62,000, or 16% during the first quarter of 2000 compared with the same period in 1999. This increase in primarily attributable to staffing additions made during the second and third quarters of 1999 for the new banking office opened in Cumming, Georgia, which operates under the trade name of "North Point Bank."

Occupancy expense for the first quarter of 2000 was $102,000, an increase of $21,000, or 26%, over the first quarter of 1999. This increase is primarily attributed to building, furniture, and equipment expense associated with the new banking office in Cumming, Georgia, which was opened in September 1999.

Other non-interest expense for the first quarter of 2000 was $260,000, an increase of $55,000, or 27%, over the same period in 1999. Data processing expense for the first quarter of 2000 increased by $9,000 over the prior year due the increased number of accounts and transactions related to the new banking office in Cumming, Georgia. Advertising and public relations expense for the first three months of 2000 increased by $9,000 over the 1999 level due to promotions associated with the new banking office in Cumming, Georgia. Other non-interest expense for the first quarter of 2000 also included a non-credit related operating loss of approximately $24,000 associated with a customer checking account.

North Point's efficiency ratio, which measures a bank's total operating expenses as a percentage of net interest income (before provision for loan losses) plus non-interest income was 59.1%, compared with 56.5% for the same period in 1999.

Income Taxes

Income taxes for the first three months of 2000 were $151,000, compared with $160,000 for the same period in 1999. The effective tax rate (income tax as a percentage of pre-tax income) for the first three months of 2000 was 27.8%, compared with 30.1% for the same period in 1999.

Balance Sheet Overview

Total assets at March 31, 2000 were $115.1 million, an increase of $8.6 million from year-end 1999. Average assets for the first quarter of 2000 were $109.6 million, compared with $98.3 million for the same period in 1999.

Total loans at March 31, 2000 were $75.3 million, an increase of $13.1 million from year-end 1999. The growth of the loan portfolio during the first quarter of 2000 is primarily attributed to the purchase of approximately $7 million of commercial and commercial real estate loan participations from United's affiliate banks and the direct origination of loans in North Point's primary market area, which continues to experience strong economic conditions. Average loans for the first quarter of 2000 were $64.3 million, compared with $55.9 million for the same period in 1999.

At March 31, 2000, investment securities available for sale were $25.1 million, compared with $25.4 million at year-end 1999. Total investment securities held to maturity at March 31, 2000 were $3.5 million, compared with $3.7 million at December 31, 1999. The estimated fair value of securities held to maturity at March 31, 2000 was $3.5 million.

Total deposits at March 31, 2000 were $103.6 million, compared with $96.6 million at December 31, 1999. The most significant deposit growth during the first quarter of 2000 was in the category of interest bearing demand accounts, which increased by $4.2 million, or 16%, for the quarter. This increase is primarily attributed to an increase in the deposit balances of a local governmental authority related to annual tax collections. Average deposits for the first quarter of 2000 were $97.1 million, compared with $86.3 million for the same period in 1999.

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 $1.02 million, compared with $1.26 million at December 31, 1999. Total other real estate owned at March 31, 2000 was $247,000, unchanged from December 31, 1999, and consisted of two properties: a single-family residence and a parcel of unimproved real estate.

Approximately $624,000 of the total non-performing loans at March 31, 2000, represents loans to a single borrower. These loans were partially charged-off and placed on non-accrual status during the fourth quarter of 1999. Subsequent to March 31, 2000, North Point completed foreclosure on the real estate that secured two loans totaling approximately $540,000 of this relationship. Upon receipt of title to the property, the balance of these two loans was transferred to other real estate owned.

The allowance for loan losses at March 31, 2000 totaled $1.21 million compared with $1.20 million at December 31, 1999. The ratio of allowance for loan losses to outstanding loans at March 31, 2000 was 1.61%, compared to 1.92% at year-end 1999. Net charge-offs for the three months ended March 31, 2000 were $6,000, or 0.04% of average loans on an annualized basis.

Management believes the allowance for loan losses at March 31, 2000 is sufficient to absorb credit losses inherent in the loan portfolio. This judgment is based on the best available information and involves a significant degree of uncertainty.

Capital and Dividends

The leverage, Tier I risk-based, and total risk-based capital ratios were 9.08%, 12.53%, and 13.78%, respectively, as of March 31, 2000. These three capital ratios were all in excess of the regulatory requirement for "well capitalized" status for a bank.

A quarterly cash dividend of $0.30 per common share was paid during the first quarter of 2000, the same amount as paid in the first quarter of 1999.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Income Statement Review

Net income was $1.09 million in 1999, a decrease of 38.4% from the $1.64 million earned in 1998. Diluted earnings per share were $2.35 for 1999, compared with $3.82 reported for 1998, a decrease of 38.5%. Return on average assets and return on average shareholders' equity for 1999 were 0.98% and 10.88%, respectively, compared with 1.82% and 18.77%, respectively, for 1998 and 1.66% and 17.69%, respectively, for 1997.

Net Interest Income

Net interest income, which represents the difference between interest earned on assets and interest paid on deposits and other borrowings, is the single largest component of North Point's operating income. Net interest income totaled $4.53 million in 1999, compared with $4.69 million in 1998 and $4.04 million in 1997. The decrease in net interest income during 1999 is primarily attributable to increased competitive pressure on both loan and deposit rates and the placement of one large loan relationship on non-accrual status, offset by an increase in average earning assets. The net interest margin, on a tax-equivalent basis, was 4.84% in 1999, compared with 5.71% in 1998 and 5.57% in 1997. The compression of the net interest margin of 87 basis points from 1998 to 1999 is primarily attributable to increased competitive pricing pressure on both loans and deposits, and the placement of one large loan relationship on non-accrual status. The competitive pricing pressure on deposits was principally due to a single interest-bearing transaction account relationship for a municipal government authority that was awarded on a bid basis for a two-year period that commenced on January 1, 1999.

The following table shows, for the past three years, the relationship between interest income and interest expense and the average balances of interest earning assets and interest bearing liabilities.

Table 1 - Average Consolidated Balance Sheets and Net Interest Analysis
(dollar amounts in thousands)

	For the Years Ended December 31								
	1999			1998			1997		
	Avg. Balance	Interest	Avg. Rate	Avg. Balance	Interest	Avg. Rate	Avg. Balance	Interest	Avg. Rate
ASSETS:									
Interest-earning assets:									
Loans, net of unearned income	$ 57,961	$ 5,973	10.31%	$ 55,554	$ 5,965	10.74%	$ 45,137	$ 5,032	11.15%
Taxable investments	24,538	1,499	6.11%	19,630	1,261	6.42%	21,363	1,392	6.52%
Tax-exempt investments	6,087	431	7.08%	4,808	356	7.40%	4,684	348	7.43%
Federal funds sold and other interest income	7,849	397	5.06%	4,288	231	5.39%	3,453	186	5.39%
TOTAL INTEREST-EARNING ASSETS/ INTEREST INCOME	96,435	8,300	8.61%	84,280	7,813	9.27%	74,637	6,958	9.32%
NON-INTEREST-EARNING ASSETS:									
Allowance for loan losses	(870)			(777)			(657)		
Cash and due from banks	3,979			3,244			3,498		
Premises and equipment	2,342			1,792			1,656		
Other assets	888			1,186			1,463		
TOTAL ASSETS	$ 102,774			$ 89,725			$ 80,597		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Transaction accounts	$ 24,964	$ 1,108	4.44%	$ 20,947	$ 685	3.27%	$ 15,950	$ 570	3.57%
Savings and money market deposits	5,907	176	2.98%	5,666	168	2.97%	5,504	157	2.85%
Certificates of deposit	43,846	2,337	5.33%	37,941	2,140	5.64%	36,497	2,066	5.66%
Total interest-bearing deposits	74,717	3,621	4.85%	64,554	2,993	4.64%	57,951	2,793	4.82%
Long-term debt and other borrowings	150	8	5.33%	175	10	5.71%	155	9	5.81%
Total borrowed funds	150	8	5.33%	175	10	5.71%	155	9	5.81%
TOTAL INTEREST-BEARING LIABILITIES/INTEREST EXPENSE	74,867	3,629	4.85%	64,729	3,003	4.64%	58,106	2,802	4.82%
NON-INTEREST-BEARING LIABILITIES:									
Non-interest-bearing deposits	18,263			15,918			14,439		
Other liabilities	368			356			484		
Total liabilities	93,498			81,004			73,029		
Shareholders' equity	9,276			8,722			7,568		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 102,774			$ 89,725			$ 80,597		
Net interest-rate spread			3.76%			4.63%			4.50%
Impact of non-interest bearing sources and other changes in balance sheet composition			1.08%			1.08%			1.07%
NET INTEREST INCOME/MARGIN ON INTEREST-EARNING ASSETS		$ 4,671	4.84%		$ 4,810	5.71%		$ 4,156	5.57%

Interest income on tax-exempt securities and loans is adjusted to reflect comparable interest on taxable securities.

For computational purposes, includes non-accrual loans.

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 interest earning assets and interest bearing liabilities and the rates earned and paid by North Point on such assets and liabilities from 1997 to 1998 and 1998 to 1999. 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 2 - Change in Interest Income and Expense On a Tax Equivalent Basis (dollar amounts in thousands)

	1999 Compared to 1998 Increase (Decrease) in Interest income amd Expense Due to changes in			1998 Compared to 1997 Increase (Decrease) in Interest income and Expense Due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
INTEREST-EARNING ASSETS						
Loans	$ 253	$(245)	$ 8	$ 1,161	$(228)	$ 933
Taxable Investments	302	(64)	238	(113)	(18)	(131)
Tax-exempt investments	91	(16)	75	9	(1)	8
Federal funds sold and other interest income	181	(15)	166	45	--	45
TOTAL INTEREST-EARNING ASSETS	$ 827	$(340)	$ 487	$ 1,102	$(247)	$ 855
INTEREST-BEARING LIABILITIES:						
Transaction accounts	$ 148	$ 275	$ 423	$ 179	$ (64)	$ 115
Savings deposits	7	1	8	5	6	11
Certificates of deposit	320	(123)	197	82	(8)	74
Total interest-bearing deposits	475	153	628	266	(66)	200
Long-term debt and other borrowings	(1)	(1)	(2)	1	--	1
Total borrowed funds	(1)	(1)	(2)	1	--	1
TOTAL INTEREST-BEARING LIABILITIES	$ 474	$ 152	$ 626	$ 267	$ (66)	$ 201
INCREASE (DECREASE) IN NET INTEREST INCOME	$ 353	$(492)	$(139)	$ 835	$(181)	$ 654

Provision for Loan Loss

The provision for loan losses in 1999 was $620,000, compared with $200,000 in 1998 and $175,000 in 1997. As a percentage of average outstanding loans, the provisions recorded in 1999, 1998, and 1997 were 1.07%, 0.36%, and 0.39%, respectively. Net loan charge-offs as a percentage of average outstanding loans for 1999 were 0.46 %, compared with 0.12% in 1998 and 0.09% in 1997. The increase in provision and net charge-offs in 1999 is the result of an increase in non-performing loans and growth in the loan portfolio. Further discussion on loan quality and the allowance for loan losses is included later in this discussion in the Asset Quality section.

The provision for loan losses is based on management's evaluation of inherent risks in the loan portfolio as of the balance sheet date and conjunction with an analysis of the adequacy of the allowance for loan losses. Management believes that the allowance for loan losses is adequate as of the balance sheet date.

Non-Interest Income

Total non-interest income for 1999 was $625,000, compared with $654,000 in 1998 and $656,000 in 1997. The primary source of non-interest income for North Point is service charges and fees on deposit accounts. Total service charges on deposit accounts for 1999 were $451,000, compared with $484,000 in 1998 and $475,000 in 1997. The decline in service fees on deposits from 1998 to 1999 of $33,000 is primarily attributable to lower returned check/non-sufficient funds charges resulting from wider customer use of overdraft protection services

Other services charges and fees for 1999 totaled $70,000, compared with $56,000 in 1998 and $54,000 in 1997. The increase in this income category from 1998 to 1999 is primarily attributable to increased fees for issuance of letters of credit and increased fees associated with general bank services such as wire transfers.

Other non-interest income for 1999 was $104,000, compared with $113,000 in 1998 and $99,000 in 1997. The two main components of this revenue category are ATM fees and safe deposit rental fees, which collectively increased by $5,000 in 1999. This income category also includes net gains or losses on the sale of foreclosed property. During 1999, total net losses of $5,000 were recorded, compared with net gains of $7,000 in 1998.

Non-Interest Expense

Total non-interest expense for 1999 was $3.07 million, compared with $2.69 million in 1998 and $2.49 million in 1997. The single largest component of non-interest expense is employee salary and benefits, which totaled $1.64 million in 1999, compared with $1.43 million in 1998 and $1.32 million in 1997. The increase in salary and benefit expense during 1999 is related to general increases and to the hiring of two managers for the new branch office located in Cumming, Georgia. Although this office was not opened until the fourth quarter, the new managers were hired during the second quarter to allow for sufficient time to become familiar with the bank and its systems, policies, and procedures.

Occupancy and equipment expense for 1999 was $349,000, compared with $348,000 in 1998 and $348,000 in 1997. Other operating expense for 1999 was $1.08 million, compared with $914,000 in 1998 and $826,000 in 1997. The increase in other operating expense of $165,000, or 18%, from 1998 to 1999 in primarily attributable to an increase in advertising, contributions and stationery/supply expense associated with the opening of the new office in Cumming, Georgia; an increase in data processing costs associated with an upgrade of the branch automation system; and expenses associated with the write-down of foreclosed real estate.

The efficiency ratio, which measures a bank's total operating expenses as a percentage of net interest income (before provision for loan losses) plus non-interest income, was 59.6% for 1999, compared with 50.4% and 53.4% for 1998 and 1997, respectively.

Income Taxes

North Point had income tax expense of $453,000 in 1999, compared with $814,000 in 1998 and $662,000 in 1997. North Point's effective tax rate (expressed as a percentage of pre-tax income) for 1999, 1998, and 1997 was 31.0%, 33.2%, and 33.1%, respectively. The effective tax rates are lower than the statutory federal tax rate primarily because of interest income on certain investment securities that is exempt from income taxes.

Balance Sheet Overview

Total assets at December 31, 1999 were $106.5 million, compared with $93.9 million and $85.3 million at year-end 1998 and 1997, respectively. Average assets for 1999, 1998, and 1997 were $102.8 million, $89.7 million, and $80.6 million, respectively. The asset growth experienced by North Point during the past three years is attributable to the strong economic conditions in the local market area in which North Point operates.

Loans

Total loans at December 31, 1999 were $62.2 million, compared with $54.6 million at December 31, 1998 and $48.1 million at December 31, 1997. Average loans for 1999, 1998, and 1997 were $58.0 million, $55.6 million, and $45.1 million, respectively. Loan growth has been particularly strong in the commercial and real estate - construction loan categories during the past three years. The decline in consumer loans from 1998 to 1999 is attributed to a reclassification of certain consumer loans to the real estate - mortgage category.

The following table presents a summary of the loan portfolio by loan type as of December 31 for the years 1995 through 1999.

Table 3 - Loan Portfolio
(dollar amounts in thousands)

	December 31,				
	1999	1998	1997	1996	1995
Commercial	10,064	6,677	4,327	6,450	7,566
Real estate - construction	12,556	8,299	6,354	4,821	2,733
Real estate - mortgage	33,378	27,059	27,153	22,773	17,542
Consumer	6,214	12,512	10,277	6,672	5,117
Total loans	62,212	54,547	48,111	40,716	32,958
As a percentage of total loans:					
Commercial	16.2%	12.2%	9.0%	15.8%	22.9%
Real estate - construction	20.2%	15.2%	13.2%	11.8%	8.3%
Real estate - mortgage	53.6%	49.7%	56.4%	56.0%	53.3%
Consumer	10.0%	22.9%	21.4%	16.4%	15.5%
Total loans	100.0%	100.0%	100.0%	100.0%	100.0%

Substantially all of North Point's loans are to customers located in its immediate market area of Dawson and Forsyth Counties, located in north Georgia. A significant decline in the value of real estate in North Point's primary market or a downturn in the local economy could result in an increase in the provision for loan losses and charge-offs.

The following table sets forth the maturity distribution of real estate construction and commercial loans, including the interest sensitivity for loans maturing in more than one year as of December 31, 1999.

Table 4 - Loan Portfolio Maturity
(dollar amounts in thousands)

	Maturity				Rate Structure for Loans Maturing Over One Year	
	One Year or less	One through Five Years	Over Five Years	Total	Fixed Rate	Floating Rate
Commercial	5,208	4,763	93	10,064	2,995	1,861
Real estate - construction	12,556	-	-	12,556	-	-
Total	17,764	4,763	93	22,620	2,995	1,861

Asset Quality

Non-performing loans, which include non-accrual loans and loans past due over 90 days and still on accrual status, totaled $1.01 million at December 31, 1999, compared with $552,000 at December 31, 1998 and $116,000 at December 31, 1997. The increase in non-performing loans at year-end 1999 is primarily attributable to loans made to one borrower that are principally secured by unimproved real estate. All loans in this relationship were placed on non-accrual status during the fourth quarter of 1999. Based upon management's evaluation of the collateral value, these loans were also partially charged-off during 1999 and no material additional loss on this loan relationship is expected. The increase in non-performing loans at year-end 1998 is primarily attributable to three residential construction loans that were placed on non-accrual status. Subsequently to December 31, 1999, two of the three loans were paid in full and one loan was transferred to foreclosed real estate, resulting in the increase in other real estate owned from 1998 to 1999. At December 31, 1999, the ratio of non-performing loans to total loans was 1.63%, compared with 1.01% and 0.24% at year-end 1998 and 1997, respectively. Non-performing assets, which included non-performing loans and foreclosed real estate, totaled $1.26 million at December 31, 1999, compared with $552,000 at December 31, 1998 and $175,000 at December 31, 1997. Foreclosed real estate at December 31, 1999, consisted of two properties: one single-family residence, which at year-end 1998 was classified as a non-accrual loan, and one parcel of unimproved real estate. The carrying value of the single family residence was reduced by $50,000 (charged to current period expense) during the fourth quarter of 1999 to reflect management's estimate of current fair market value.

It is North Point's general policy to place a loan on non-accrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms. When a loan is placed on non-accrual, all accrued but unpaid interest is reversed against current interest income. Depending on management's evaluation of the borrower's financial condition and the loan collateral, interest on a non-accrual loan may be recognized on a cash basis as payments are received.

The table below presents North Point's non-performing loans and assets at December 31 for each of the past five years.

Table 5 - Non-performing Assets
(dollar amounts in thousands)

	December 31,				
	1999	1998	1997	1996	1995
Non-accrual loans	$ 706	$ 473	$ 72	$ 59	$ 65
Loans past due 90 days or more and still accruing	308	79	44	57	84
Total non-performing loans	1,014	552	116	116	149
Other real estate owned	247	--	59	--	48
Total non-performing assets	$1,261	$ 552	$ 175	$ 116	$ 197
Total non-performing loans as a percentage of total loans	1.63%	1.01%	0.24%	0.28%	0.45%
Total non-performing assets as a percentage of total assets	1.18%	0.59%	0.21%	0.15%	0.31%

At December 31, 1999, there were loans within North Point's portfolio that were not classified as non-performing but for which known information about the borrowers' financial condition caused management to have concerns about the ability of the borrowers' to comply with the repayment terms of the loans. These loans are identified and monitored through a routine loan review process and are considered in the determination of the allowance for loan losses. Based on management's evaluation of current market conditions, loan collateral, and secondary sources of repayment, no significant losses are anticipated in connection with these loans.

The table below summarizes changes in the allowance for loan losses for each of the past five years.

Table 6 - Allowance for Loan Losses
(dollar amounts in thousands)

	Years Ended December 31, 1999	1998	1997	1996	1995
Balance beginning of period	$ 844	$ 710	$ 574	$ 396	$ 429
Provision for loan losses	620	200	175	160	70
Amounts charged-off:					
Commercial	5	9	7	69	130
Real estate - construction	--	--	--		
Real estate - mortgage	226	16	29		
Consumer	69	62	50		
Total loans charged-off	$ 300	$ 87	$ 86	$ 69	$ 130
Recoveries of charged-off loans:					
Commercial	--	--	4	87	27
Real estate - construction	--	--	--		
Real estate - mortgage	8	4	20		
Consumer	24	17	23		
Total recoveries	32	21	47	87	27
Net charge-offs	268	66	39	(18)	103
Balance end of period	$ 1,196	$ 844	$ 710	$ 574	$ 396
Total loans:					
At year-end	$62,212	$54,547	$48,111	$ 40,716	$32,958
Average	57,961	55,554	45,137	37,443	31,583
As a percentage of average loans:					
Net charge-offs	0.46%	0.12%	0.09%	(0.05%)	0.33%
Provision for loan losses	1.07%	0.36%	0.39%	0.43%	0.22%
Allowance as a percentage of year-end loans	1.92%	1.55%	1.48%	1.41%	1.20%

Securities

Total securities at December 31, 1999 were $29.1 million, compared with $25.0 million and $26.9 million at year-end 1998 and 1997, respectively. Total securities at December 31, 1999 included $3.76 million of securities classified as held to maturity, which had an estimated fair value of $3.78 million. Average securities for 1999 and 1998 were $30.6 million and $24.4 million, respectively. The composition and growth of the securities portfolio is reflective of management's desire to provide balance sheet liquidity while providing a stable source of interest income that has virtually no credit risk. The securities portfolio at year-end 1999 primarily consists of U.S. Government agency, state, and municipal securities, and mortgage-backed securities.

The following table shows the carrying value of securities, by security type, as of December 31, 1999, 1998, and 1997.

Table 7 - Securities Portfolio
(dollar amounts in thousands)

Carrying Value of Securities

Available for Sale	December 31, 1999	1998	1997
U.S. Treasury	$ 251	$ 761	$ 1,001
U.S. Government agencies	19,931	15,183	10,844
State and political subdivisions	2,956	2,565	946
Mortgage-backed securities	2,142	1,733	1.393
Other securities	92	92	92
Total	$25,372	$20,334	$14,276

Held to Maturity	December 31, 1999	1998	1997
U.S. Treasury	$ --	$ --	$ 497
U.S. Government agencies	247	743	7,081
State and political subdivisions	3,111	3,452	3,626
Mortgage-backed securities	404	506	1,450
Total	$ 3,762	$ 4,701	$12,654
Total Securities	$29,134	$25,035	$26,930

The following table shows the expected maturity of the securities portfolio by maturity date and the average yield based on amortized cost as of December 31, 1999.

Table 8 - Maturities and Yields of Securities as of December 31, 1999
(dollar amounts in thousands)

	One Year or Less	Over One Year Through Five Years	Over Five Years Through Ten Years	Over Ten Years	Total
U.S. Treasury	$ 251	$ -	$ -	$ -	$ 251
U.S. Government Agencies	996	16,348	2,834	-	20,178
State and political subdivisions	765	3,254	1,579	469	6,067
Mortgage-backed securities	253	596	452	1,245	2,546
Other securities	-	-	-	92	92
Total	$2,265	$20,198	$4,865	$ 1,806	$29,134
Weighted average yield	5.99%	6.31%	6.54%	6.33%	6.32%
Percent of total	7.8%	69.3%	16.7%	6.2%	100.0%

Interest Rate Sensitivity Management

North Point actively manages interest rate sensitivity through its Asset/Liability Management Committee. The primary objectives of asset/liability management are to ensure that North Point can meet the investment return expectations of its shareholders in the event that interest rates change and to provide adequate liquidity to meet the needs of customers. Effective interest rate risk management seeks to ensure that both interest sensitive assets and liabilities respond to changes in market rates in a manner that provides for a minimal fluctuation of net interest income, which is the primary source of operating revenue.

North Point's Asset/Liability Management Committee utilizes a gap analysis to determine the overall sensitivity of the balance sheet to changes in market interest rates. A negative gap (more liabilities than assets repricing within one year) indicates that the bank's net interest income will fall in a rising rate environment. A positive gap (more assets repricing than liabilities within one year) indicates the bank's net interest income will decline in a falling rate environment.

The following table summarizes the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 1999 and the amounts that are expected to mature or reprice in each of the five time periods shown. The amounts of assets and liabilities shown are based on contractual terms and maturities.

Table 9 - Interest Rate Gap Sensitivity
(dollar amounts in thousands)

	Immediate	One Through Three Months	Four Through Twelve Months	One Through Five Years	Over Five Years and Non-rate Sensitive	Total
Interest earning assets:						
Federal funds sold	$4,180	$ --	$ --	$ --	$ --	$ 4,180
Interest bearing deposits in banks	2,981	--	--	--	--	2,981
Securities	92	215	2,248	18,732	7,847	29,134
Loans	2,262	12,723	23,118	22,483	1,626	62,212
Total interest earning assets	$6,534	$ 12,938	$ 25,366	$41,215	$ 9,473	$95,526
Interest bearing liabilities:						
Transaction accounts	$ --	$ 26,991	$ --	$ --	$ --	$26,991
Savings deposits	--	5,350	--	--	--	5,350
Time deposits	--	12,262	26,891	7,333	--	46,486
Other borrowings	--	389	--	--	--	389
Total interest bearing liabilities	--	44,992	26,891	7,333	--	79,216
Non-interest bearing sources of funds	--	--	--	--	17,738	17,738
Interest sensitivity gap	6,534	(32,054)	(1,525)	33,882	(8,265)	1,553
Cumulative sensitivity gap	$6,534	$(25,520)	$(27,045)	$ 6,837	$ (1,428)	$ --
Percentage of assets repricing	6.84%	13.54%	26.55%	43.15%	9.92%	100.0%

At December 31, 1999, the one-year gap was a negative $27.0 million. This indicates that North Point's net interest income will decrease in a rising rate environment and increase in a declining rate environment. This is commonly referred to as being "liability sensitive." There are significant limitations of gap analysis for determining the impact of rate changes on a bank's net interest income. For example, although certain assets and liabilities may have similar maturity or repricing characteristics, they may react differently to changes in market rates. In addition, some assets that have adjustable rates may have contractual terms that limit the frequency and amount of rate increases.

Deposits and Other Borrowings

Total deposits at December 31, 1999 were $96.6 million, compared with $84.1 million and $76.8 million at year-end 1999 and 1998, respectively. Average deposits for 1999, 1998, and 1997 were $92.8 million, $80.4 million, and $72.4 million, respectively. As a community-oriented bank, North Point views core deposits as the primary source of funding growth in interest earning assets.

Time deposits of $100,000 or more totaled $16.3 million at December 31, 1999, compared with $12.3 million and $10.9 million at year-end 1998 and 1997, respectively. North Point had no brokered deposits at year-end 1999 or 1998.

The following table sets forth the maturities of time deposits of $100,000 and greater as of December 31, 1999.

Table 10 - Maturities of Time Deposits of $100,000 and GreateR
(dollar amounts in thousands)

Three months or less	$ 4,091
Over three months through six months	3,825
Over six months through twelve months	6,006
Over one year	2,403
Total	$ 16,325

Capital, Liquidity, and Dividends

Total shareholders' equity at December 31, 1999 was $9.2 million, compared with $9.4 million and $8.1 million at year-end 1998 and 1997, respectively. Total cash dividends of $1.20 per share were paid in 1999, compared with $0.96 and $0.88 in 1998 and 1997, respectively. The dividend payout ratios, as a percentage of net income, were approximately 51%, 25%, and 28% for 1999, 1998, and 1997, respectively.

During the first quarter of 1997 and 1999, North Point's board of directors declared the following common stock dividends:

Year	Dividend %	New Shares
1997	20%	57,118
1998	-	-
1999	25%	85,677

The common stock dividends resulted in a reduction of retained earnings and offsetting increase in common stock for the number of new shares issued, at a par value of $5.00 per share. All per-share amounts presented in this discussion are calculated based on the retroactive adjustment of outstanding common shares for the stock dividends for all periods presented.

North Point is subject to various regulatory capital requirements administered by banking regulatory agencies. The minimum ratios to be considered "well capitalized" for a bank as defined by banking regulations are five percent for leverage ratio, six percent for Tier I capital ratio, and ten percent for total risk-based capital ratio.

The table below shows North Point's bank subsidiary capital ratios as of December 31, 1999 and 1998 and the amounts required for minimum capital adequacy purposes.

Table 11 - Regulatory Capital
(dollar amounts in thousands)

	Leverage		Tier I Risk-based		Total Risk-based	
1999	Actual Amount	Ratio	Actual Amount	Ratio	Actual Amount	Ratio
Actual	$ 9,712	9.09%	$ 9,712	14.25%	$ 10,568	15.50%
Regulatory minimum	3,206	3.00%	2,045	4.00%	5,453	8.00%
Excess	$ 6,506	6.09%	$ 7,667	10.25%	$ 5,115	7.50%
1998						
Actual	$ 9,140	9.80%	$ 9,140	16.09%	$ 9,852	17.34%
Regulatory minimum	2,798	3.00%	1,704	4.00%	4,545	8.00%
Excess	$ 6,342	6.80%	$ 7,436	12.09%	$ 5,307	9.34%

As of December 31, 1999 and 1998, the most recent notification from the Federal Deposit Insurance Corporation categorized Dawson County Bank as "well capitalized" under the current regulatory framework for prompt corrective action. Prompt corrective action guidelines do not apply to bank holding companies.

North Point's liquidity management policy is designed to ensure that the daily cash flow needs of Dawson County Bank and its customers (both depositors and borrowers) are met in a cost-effective manner. Liquidity represents the ability of a bank to convert assets into cash or to obtain additional funds through borrowings. In the opinion of management, North Point's liquidity position at December 31, 1999 is sufficient to meet expected cash flow requirements

Reference should be made to the statements of cash flows appearing in the consolidated financial statements for a three-year analysis of the changes in cash (and equivalents) attributed to operating, investing, and financing activities.

Impact of Inflation and Price Changes

North Point's asset and liabilities, like most financial services companies, are mostly financial in nature. Unlike industrial firms, relatively little investment is held in fixed assets or inventory. Inflation can have a significant impact on asset growth and the resulting need to increase equity capital at higher than expected rates to maintain required capital ratios.

Management believes the potential impact of inflation on the North Point's financial performance is dependent upon how well North Point reacts to inflationary pressures. North Point's asset/liability management policy and the periodic review of the pricing of North Point's banking products and services are both designed to manage the risk of inflation.

Year 2000

North Point complied with all aspects of the Federal Financial Institutions Examination Council's directive regarding Year 2000 testing and remediation. None of North Point's systems sustained a failure related to Year 2000. North Point established a budget of $85,000 for Year 2000 testing and remediation and, as of December 31, 1999, approximately $85,000 was actually spent and no additional expenditures are expected. In accordance with recently issued accounting guidelines on how Year 2000 costs should be recognized for financial statement purposes, North Point recognized as current period expense all costs associated with the consulting, inventory, testing and resources components of the Year 2000 budget. North Point funded the Year 2000 costs out of its normal operating cash flows.

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited condensed pro forma consolidated financial statements have been prepared from the historical results of operations of United and to give effect to the pending acquisition of Independent. These statements should be read in conjunction with the historical consolidated financial statements of United, including the notes thereto, included elsewhere in this proxy statement/prospectus. The pro forma combined results are not necessarily indicative of the combined results of future operations.

In the Independent merger, United will exchange 0.4211 of a share of United common stock for each share of Independent common stock. Independent had 2,067,431 shares of common stock outstanding at May 1, 2000, which will be exchanged for approximately 870,595 shares of United common stock.

In connection with the Independent merger, United and Independent expect to incur pre-tax merger related charges of approximately $2.3 million. These charges are expected to include approximately $1,040,000 of occupancy related charges (equipment write-offs and contract terminations), $170,000 of merger-related professional fees (investment banking, accounting, and legal), $920,000 of losses incurred to liquidate certain investment securities, and $200,000 in other merger costs.

In the North Point merger, United will exchange 2.2368 shares of United common stock for each share of North Point common stock. North Point had 428,385 shares of common stock outstanding at May 1, 2000, which will be exchanged for approximately 958,211 shartes of United common stock.

In connection with the North Point merger, United and North Point expect to incur pre-tax merger related charges of approximately $1.3 million. Ttese charges are expected to include approximately $250,000 of severance and change in control related payments, $880,000 of occupance related charges (equipment write-offs and contract terminations), $135,000 of merger-related professional fees (accounting and legal), and $35,000 in other merger costs.

These amounts and the related tax effects have not been reflected in the unaudited pro forma consolidated financial information because they will not have a material impact on the shareholders' equity of the combined company and are not expected to have a continuing impact on the operations of the combined company.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Balance Sheet
March 31, 2000
(dollar amounts in thousands)

	United As Reported	Historical North Point	Adjustments	Pro Forma Consolidated	Historical Independent	Adjustments	Pro Forma Consolidated
ASSETS							
Cash and due from banks	$ 82,294	7,295		89,589	5,168		94,757
Federal funds sold	170	--		170	16,676		16,846
Cash and cash equivalents	82,464	7,295		89,759	21,844	--	111,603
Securities held to maturity	--	3,544		3,544	6,704		10,248
Securities available for sale	548,670	25,111		573,781	23,394		597,175
Mortgage loans held for sale	4,588	--		4,588	-		4,588
Loans, net of unearned income	1,459,469	75,336		1,534,805	101,294		1,636,099
Less: Allowance for loan losses	(18,922)	(1,210)		(20,132)	(1,166)		(21,298)
Loans, net	1,440,547	74,126		1,514,673	100,128	--	1,614,801
Premises and equipment, net	47,644	2,796		50,440	5,486		55,926
Other assets	50,708	2,238		52,946	3,528		56,474
Total assets	$ 2,174,621	115,110		2,289,731	161,084	--	2,450,815
LIABILITIES AND SHAREHOLDERS EQUITY							
Deposits:							
Demand	$ 210,248	18,536		228,784	20,160		248,944
Interest bearing demand	352,448	31,175		383,623	51,783		435,406
Savings	78,147	5,643		83,790	5,381		89,171
Time	1,027,642	48,284		1,075,926	64,117		1,140,043
Total deposits	1,668,485	103,638		1,772,123	141,441	--	1,913,564
Accrued expenses and other liabilities	20,149	595		20,744	1,630		22,374
Federal funds purchased and repurchase agreements	33,760	1,488		35,248	-		35,248
Federal Home Loan Bank advances	309,940	--		309,940	4,471		314,411
Long-term debt and other borrowings	19,331	--		19,331	-		19,331
Convertible subordinated debentures	3,500	--		3,500	-		3,500
Guaranteed preferred beneficial interests in company's junior subordinated debentures (Trust Preferred Securities)	21,000	--		21,000	-		21,000
Total liabilities	2,076,165	105,721		2,181,886	147,542	--	2,329,428
Commitments and contingent liabilities:							
Redeemable common stock held by KSOP (44,432 shares outstanding)					577		577
Shareholders' Equity:							
Preferred stock	--	--			-	--	--
Common stock	8,034	2,142	(2,142) 957	8,991	1,948	(1,948) 820	9,811
Capital surplus	30,310	1,985	(1,985) 3,170	33,480	8,615	(8,615) 9,743	43,223
Retained earnings	69,807	5,861		75,668	2,888		78,556
Accumulated other comprehensive income (loss)	(9,695)	(599)		(10,294)	(486)	--	(10,780)
Total shareholders' equity	98,456	9,389		107,845	12,965	--	120,810
Total liabilities and shareholders' equity	$ 2,174,621	115,110		2,289,731	161,084	--	2,450,815
Outstanding common shares	8,034			8,991			9,811
Book value per common share	$ 12.25			11.99			12.31

See notes to pro forma condensed consolidated financial statements.

United Community Banks, Inc. and Subsidiaries
naudited Pro Forma Condensed Consolidated Statements of Income
For the Three Months Ended March 31, 2000
(dollar amounts in thousands)

		United As Reported	Historical North Point	Adjustments	Pro Forma Forma Consoli- dated	Historical Independent	Adjustments	Pro Forma Forma Consoli- dated
Interest income	$	43,431	2,255		45,686	3,104		48,790
Interest expense		24,565	1,060		25,625	1,391		27,016
Net interest income		18,866	1,195		20,061	1,713	-	21,774
Provision for loan losses		1,546	20		1,566	45		1,611
Net interest income after provision for loan losses		17,320	1,175		18,495	1,668	-	20,163
Non-interest income		2,672	182		2,854	223		3,077
Non-interest expense		14,379	814		15,193	1,190		16,383
Income before income taxes		5,613	543		6,156	701	-	6,857
Income taxes		1,789	151		1,940	246		2,186
Net income	$	3,824	392		4,216	455	-	4,671
Basic earnings per share	$	0.48						0.48
Diluted earnings per share	$	0.47						0.47
Basic average shares outstanding		8,034						9,812
Diluted average shares outstanding		8,317						10,126

See notes to pro forma condensed consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Statements of Income
For the Three Months Ended March 31, 1999
(dollar amounts in thousands)

	United as Reported	Historical North Point	Adjustments	Pro Forma Consoli-Dated	Historical Independent	Adjustments	Pro Forma Consoli-Dated
Interest income	$ 32,829	1,933		34,762	2,610		37,372
Interest expense	17,395	869		18,264	1,155		19,419
Net interest income	15,434	1,064		16,498	1,455	-	17,953
Provision for loan losses	980	30		1,010	76		1,086
Net interest income after provision for loan losses	14,454	1,034		15,488	1,379	-	16,867
Non-interest income	2,479	162		2,641	259		2,900
Non-interest expense	12,000	676		12,676	1,153		13,829
Income before income taxes	4,933	520		5,453	485	-	5,938
Income taxes	1,640	160		1,800	175		1,975
Net income	$ 3,293	360		3,653	310	-	3,963
Basic earnings per share	$ 0.41						0.41
Diluted earnings per share	$ 0.40						0.40
Basic average shares outstanding	8,004						9,780
Diluted average shares outstanding	8,269						10,062

See notes to pro forma condensed consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Statements of Income
For the Year Ended December 31, 1999
(dollar amounts in thousands)

	As Reported	Historical North Point	Adjustments	Pro Forma Consoli-Dated	Historical Independent	Adjustments	Pro Forma Consoli-Dated
Interest income	$ 149,740	8,156		157,896	11,096		168,992
Interest expense	81,766	3,629		85,395	4,805		90,200
Net interest income	67,974	4,527		72,501	6,291	-	78,792
Provision for loan losses	5,104	620		5,724	242		5,966
Net interest income after provision for loan losses	62,870	3,907		66,777	6,049	-	72,826
Non-interest income	10,836	625		11,461	1,103		12,564
Non-interest expense	54,165	3,070		57,235	4,746		61,981
Income before income taxes	19,541	1,462		21,003	2,406	-	23,409
Income taxes	5,893	453		6,346	785		7,131
Net income	$ 13,648	1,009		14,657	1,621	-	16,278
Basic earnings per share	$ 1.70						1.66
Diluted earnings per share	$ 1.66						1.63
Basic average shares outstanding	8,020						9,796
Diluted average shares outstanding	8,316						10,110

See notes to pro forma condensed consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Statements of Income
For the Year Ended December 31, 1998
(dollar amounts in thousands)

	As Reported	Historical North Point	Adjustments	Pro Forma Consolidated	Historical Independent	Adjustments	Pro Forma Consolidated
Interest income	$ 116,214	7,693		123,907	9,978		133,885
Interest expense	60,004	3,003		63,007	4,623		67,630
Net interest income	56,210	4,690		60,900	5,355	-	66,255
Provision for loan losses	2,612	200		2,812	202		3,014
Net interest income after provision for loan losses	53,598	4,490		58,088	5,153	-	63,241
Non-interest income	9,129	653		9,782	938		10,720
Non-interest expense	43,964	2,692		46,656	4,442		51,098
Income before income taxes	18,763	2,451		21,214	1,649	-	22,863
Income taxes	5,990	814		6,804	549		7,353
Net income	$ 12,773	1,637		14,410	1,100	-	15,510
Basic earnings per share	$ 1.60						1.59
Diluted earnings per share	$ 1.57						1.56
Basic average shares outstanding	7,973						9,751
Diluted average shares outstanding	8,246						10,043

See notes to pro forma condensed consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Statements of Income
For the Year Ended December 31, 1997
(dollar amounts in thousands)

	As Reported	Historical North Point	Adjustments	Pro Forma Consoli-dated	Historical Independent	Adjustments	Pro Forma Consoli-dated
Interest income	$ 94,188	6,842		101,031	8,333		109,364
Interest expense	48,470	2,802		51,272	4,049		55,321
Net interest income	45,718	4,040		49,759	4,284		54,043
Provision for loan losses	2,814	175		2,989	262		3,251
Net interest income after provision for loan losses	42,904	3,865		46,770	4,022		50,792
Non-interest income	7,200	626		7,826	671		8,497
Non-interest expense	34,063	2,490		36,553	3,543		40,096
Income before income taxes	16,041	2,001		18,043	1,150		19,193
Income taxes	4,987	662		5,649	346		5,995
Net income	$ 11,054	1,339		12,394	804		13,198
Basic earnings per share	$ 1.42						1.41
Diluted earnings per share	$ 1.40						1.40
Basic average shares outstanding	7,810						9,336
Diluted average shares outstanding	8,031						9,565

See notes to pro forma condensed consolidated financial statements.

INFORMATION ABOUT UNITED COMMUNITY BANKS, INC.

Description of Business

United was incorporated under the laws of the state of Georgia in 1987. All of United's activities are currently conducted through its wholly-owned subsidiaries: United Community Bank, organized as a Georgia banking corporation in 1950; Carolina Community Bank, acquired in 1990; Peoples Bank of Fannin County, acquired in 1992; Towns County Bank, also acquired in 1992; White County Bank, acquired in 1995; First Clayton Bank & Trust, acquired in 1998; Bank of Adairsville, acquired in 1999; and 1st Floyd Bank, also acquired in 1999. In addition, United owns two consumer finance companies: United Family Finance Co. and United Family Finance Co. of North Carolina.

United's executive office is located at 63 Highway 515, Blairsville, Georgia 30512, and its telephone number is (706) 745-2151. United has not been convicted in a criminal proceeding during the past five years, nor has it been a party to any judicial or administrative proceeding that resulted in a judgment, decree, or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

At March 31, 2000, United had total consolidated assets of approximately $2.2 billion, total loans of approximately $1.5 billion, total deposits of approximately 1.7 billion, and shareholders' equity of approximately $98.5 million.

United's banks are community-oriented and offer a full range of retail and corporate banking services, including checking, savings, and time deposit accounts, secured and unsecured loans, wire transfers, trust services, and rental of safe deposit boxes. As of December 31, 1999, United's banks operated a total of 34 locations. To emphasize the commitment to community banking, both United Community Bank and Peoples Bank of Fannin County operate offices under trade names that are closely identified with the communities in which they are located. United Community Bank operates two offices in Union County under the trade name "Union County Bank," two offices in Lumpkin County, Georgia, under the trade name "United Community Bank of Lumpkin County," two offices in Habersham County, Georgia, under the trade name "First Bank of Habersham," and one office in Hall County, Georgia, under the trade name "United Community Bank of Hall County." Peoples Bank of Fannin County operates one office in Gilmer County, Georgia, under the trade name of "United Community Bank of Gilmer County." The operation of bank offices under trade names is permissible under current state and federal banking regulations and requires certain customer disclosures, which both United Community Bank and Peoples Bank of Fannin County provide.

The Mortgage People Company, a division of United Community Bank, is a full-service retail mortgage lending operation approved as a seller/servicer for Federal National Mortgage Association and Federal Home Mortgage Corporation. The Mortgage People Company was organized to provide fixed and adjustable-rate mortgages. During 1999, it originated $129 million of residential mortgage loans for the purchase of homes and to refinance existing mortgage debt, substantially all of which were sold along with the servicing rights into the secondary market with no recourse.

United operates two consumer finance companies: United Family Finance Co., which operates two offices in Georgia, and United Family Finance Co. of North Carolina, which operates two offices in North Carolina. In addition, United owns an insurance agency, United Agencies, Inc.

Recent Developments

United is currently conducting a public offering of between 350,000 and 450,000 shares of United common stock at $38.00 per share. Through the offering, United plans to raise between $13.3 and $17.1 million in additional capital for its subsidiary banks and for general corporate purposes.

On March 3, United entered into separate agreements to acquire North Point Bancshares, Inc., and Independent Bancshares, Inc., in exchange for 958,211 and 870,595 shares, respectively of United Stock.

Services

United's banks are community-oriented, with an emphasis on retail banking, and offer such customary banking services as customer and commercial checking accounts, NOW accounts, savings accounts, certificates of deposit, lines of credit, MasterCard and VISA accounts, money transfers, and trust services. United's banks finance commercial and consumer transactions, make secured and unsecured loans, including residential mortgage loans, and provide a variety of other banking services.

The Mortgage People Company, a division of United Community Bank, is a full-service mortgage lending operation approved as a seller/servicer for the Federal National Mortgage Association and the Federal Home Mortgage Corporation and offers fixed and adjustable-rate mortgages.

United Family Finance Company is a traditional consumer finance company. United Family Finance, formerly known as Mountain Mortgage and Loan Company, is based in Hiawassee, Georgia, and also has been granted a license to conduct business in Blue Ridge, Georgia. United Family Finance Co. of North Carolina operates two offices in Murphy and Franklin, North Carolina.

Markets

United conducts banking activities primarily through:

- United Community Bank in Union, Lumpkin, and Habersham Counties;
- Peoples Bank in Fannin County, Georgia and Polk County, Tennessee;
- Towns County Bank in Towns County, Georgia;
- Carolina Community Bank in Cherokee, Macon, Haywood, Graham, and Clay Counties, North Carolina;
- White County Bank in White County, Georgia;
- First Clayton Bank and Trust in Rabun County, Georgia;
- Bank of Adairsville in Adairsville, Georgia; and
- 1st Floyd Bank in Floyd County, Georgia.

Mortgage People Company makes mortgage loans inside the banks' market areas. Customers of United's subsidiary banks are primarily consumers and small businesses.

Deposits

United's banks offer a full range of depository accounts and services to both consumers and businesses. At December 31, 1999, United's deposit base, totaling approximately $1.6 billion, consisted of approximately $192 million in non-interest-bearing demand deposits (12% of total deposits), approximately $329 million in interest-bearing demand and money market deposits (20% of total deposits), approximately $74 million in savings deposits (4% of total deposits), approximately $743 million in time deposits in amounts less than $100,000 (45% of total deposits), and approximately $312 million in time deposits of $100,000 or more (19% of total deposits). Certificates of deposit in excess of $100,000 may be more volatile than other deposits because those deposits, to the extent that they exceed $100,000, are not insured by the FDIC. United's management is of the opinion that its time deposits of $100,000 or more are customer-relationship oriented and represent a reasonably stable source of funds. Time deposits of less than $100,000 include approximately $70 million of "brokered" deposits, which have an average maturity of less than one year.

Loans

United's banks make both secured and unsecured loans to individuals and businesses. Secured loans include first and second real estate mortgage loans. The banks also make direct installment loans to consumers on both a secured and unsecured basis. At December 31, 1999, the break out of loans by collateral type was:

(dollar amounts in thousands)	Amount	Percent of Total Loans
Secured by real estate:		
Residential first liens	$ 506,729	36.1%
Residential second liens	27,177	1.9%
Home equity lines of credit	53,191	3.8%
Construction and land development	161,774	11.6%
Non-farm, non-residential	355,269	25.4%
Farmland	16,173	1.2%
Multi-family residential	10,846	0.8%
Total real estate	$1,131,159	80.8%
Other Loans:		
Commercial and industrial	$ 105,221	7.5%
Agricultural production	9,923	0.7%
States and municipalities	10,101	0.7%
Consumer installment loans	136,983	9.8%
Credit cards and other revolving credit	6,973	0.5%
Total other loans	269,201	19.2%
Total loans	$1,400,360	100.0%

Specific risk elements associated with each of the banks' lending categories are as follows:

Commercial, financial, and agricultural	Industry concentrations, inability to monitor the condition of collateral (inventory, accounts receivable, and vehicles), lack of borrower management expertise, increased competition, and specialized or obsolete equipment as collateral
Real estate - construction	Inadequate collateral and long-term financing agreements
Real estate - mortgage	Changes in local economy and rate limits on variable rate loans
Installment loans to individuals	Loss of borrower's employment, changes in local economy, and the inability to monitor collateral (vehicles, boats, and mobile homes)

Competition

The market for banking and bank-related services is highly competitive. United's banks actively compete in their respective market areas, which collectively cover portions of north Georgia and western North Carolina, with other providers of deposit and credit services. These competitors include other commercial banks, thrift institutions, credit unions, mortgage companies, and brokerage firms. The following table displays each of United's banks and the respective percentage of total deposits in each county where each bank has operations. Paulding, Cobb, Dawson, and Forsyth Counties represent the markets of United's pending acquisitions of North Point and Independent. The table also indicates the ranking by deposit size in each of the local markets. All information in the table was obtained from the Federal Deposit Insurance Corporation Summary of Deposits as of June 30, 1999.

[GRAPHIC OMITTED but is represented by the list of counties on the next page. The graphic on this page is a partial Map of the states of Georgia, North Carolina and Tennessee and shades in counties where the Company is represented]

UNITED COMMUNITY BANKS, INC.
Share of Local Market (County)
Banks and Savings Institutions

	Market Share	Rank in Market
UNITED COMMUNITY		
Habersham	15%	4
Lumpkin	24%	2
Union	83%	1
CAROLINA		
Cherokee	45%	1
Clay	64%	1
Graham	40%	1
Haywood	7%	6
Henderson	2%	13
Jackson	13%	3
Macon	7%	6
Swain	21%	2
Transylvania	6%	5
FANNIN		
Fannin	59%	1
Gilmer	17%	3
WHITE		
White	50%	1
TOWNS		
Towns	36%	2
FIRST CLAYTON		
Rabun	29%	3
ADAIRSVILLE		
Bartow	7%	7
FLOYD		
Floyd	8%	6
INDEPENDENT*		
Cobb	2%	11
Paulding	2%	5
NORTH POINT*		
Dawson	47%	1

*Pending acquisitions.

Lending Policy

The current lending policy of the banks is to make loans primarily to persons who reside, work, or own property in their primary market areas. Unsecured loans are generally made only to persons who maintain depository relationships with the banks. Secured loans are made to persons who are well established and have net worth, collateral, and cash flow to support the loan. Exceptions to the policy are permitted on a case-by-case basis and require the approving officer to document in writing the reason for the exception. Policy exceptions made for borrowers whose total aggregate loans exceed the approving officer's credit limit must be submitted to the bank's board of directors for approval.

The banks provide each lending officer with written guidelines for lending activities. Lending authority is delegated by the boards of directors of the banks to loan officers, each of whom is limited in the amount of secured and unsecured loans which he or she can make to a single borrower or related group of borrowers. Loans in excess of individual officer credit authority must either be approved by a senior officer with sufficient approval authority, or be approved by the bank's board of directors.

Loan Review and Non-performing Assets

The Loan Review Department of United reviews, or engages an independent third party to review, the loan portfolio of each bank on an annual basis to determine any weaknesses in the portfolio and to assess the general quality of credit underwriting. The results of the reviews by the loan review officers are presented to the Presidents of each of the banks, the President and the Chief Credit Officer of United, and the boards of directors of each of the banks. If an individual loan or credit relationship has a weakness identified during the review process the risk rating of the loan, or all loans comprising a credit relationship, will be downgraded to a classification that most closely matches the current risk level. The review process also provides for the upgrade of loans that show improvement since the last review. Since each loan in a credit relationship may have a different credit structure, collateral, and other secondary source of repayment, different loans in a relationship can be assigned different risk ratings. During 1999, United revised its loan grading system, expanding it from 8 to 10 grades. In the revised system, grades 1 through 6 are considered "pass," or acceptable, credit risk and grades 7 through 10 are "adversely classified" credits that require management's attention. The change in the number of grades was implemented to provided a more accurate means of detecting and monitoring the gradual deterioration or improvement in individual loans. Both the pass and adversely classified ratings, and the entire 10-grade rating scale, provide for a higher numeric rating for increased risk. For example, a risk rating of 1 is the least risky of all credits and would be typical of a loan that is 100% secured by a deposit at one of the banks. Risk ratings of 2 through 6 in the pass category each have incrementally more risk. The five adversely classified credit ratings and rating definitions are:

7 (Watch) -	Weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past-due status and questionable management capabilities. Collateral values generally afford adequate coverage, but may not be immediately marketable
8 (Substandard) -	Specific and well-defined weaknesses that may include poor liquidity and deterioration of financial ratios. Loan may be past-due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.
9 (Doubtful) -	Specific weaknesses characterized by Substandard that are severe enough to make collection in full unlikely. No strong secondary source of repayment.
10 (Loss) -	Same characteristics as Doubtful; however, probability of loss is certain. Loans classified as such are generally recommended for charge-off at the next board of directors meeting of the bank.

In addition, the Loan Review Department conducts a quarterly analysis to determine the adequacy of the allowance for loan losses for each of the banks. The aggregation of the allowance for loan losses analyses for the banks provides the consolidated analysis for United. The allowance for loan losses analysis starts by taking total loans and deducting loans secured by deposit accounts at the banks, which effectively have no risk of loss. Next, all loans with an adversely classified rating are deducted. The remaining loan balance is then multiplied by the average historical loss rate for the preceding five year period (1995 through 1999), which provides required minimum allowance for loan losses for pass credits (component "A"). The remaining total loans in each of the four adversely classified rating categories are then multiplied by a projected loss factor to determine the allowance for loan losses allocation for adversely classified credits (component "B"). The loss factors currently used are: Watch (5%); Substandard (15%); Doubtful (50%); and Loss (100%). The sum of components A and B comprises the total allocated allowance for loan losses. There is no current process utilized to measure or adjust for differences between the loss factors for adversely classified loans used in the allowance for loan losses analysis and actual losses charged to the allowance for loan losses.

The difference between the actual allowance for loan losses (as presented in the consolidated financial statements) and the allocated allowance for loan losses represents the unallocated allowance for loan losses. The unallocated allowance for loan losses provides for coverage of credit losses inherent in the loan portfolio but not provided for in the allowance for loan losses analysis. United and the banks determine the level of unallocated allowance for loan losses primarily by assessing the ratio of allowance for loan losses to total loans of peer bank holding companies and peer banks, using the Federal Reserve Uniform Bank Performance Report and other bank industry analytical publications.

Asset/Liability Management

Committees composed of officers of each of the banks and the Chief Financial Officer and Treasurer of United are charged with managing the assets and liabilities of the banks. The committees attempt to manage asset growth, liquidity and capital to maximize income and reduce interest rate risk. The committees direct each Bank's overall acquisition and allocation of funds. At monthly meetings, the committees review the monthly asset and liability funds budget in relation to the actual flow of funds and peer group comparisons; the ratio of the amount of rate sensitive assets to the amount of rate sensitive liabilities; the ratio of allowance for loan losses to outstanding and non-performing loans; and other variables, such as expected loan demand, investment opportunities, core deposit growth within specified categories, regulatory changes, monetary policy adjustments and the overall state of the economy. A more comprehensive discussion of United's Asset/Liability Management and interest rate risk is contained in the UNITED'S MANAGEMENT'S DISCUSSION AND ANALYSIS and QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK sections of this proxy statement/prospectus.

Investment Policy

The banks' investment portfolio policy is to maximize income consistent with liquidity, asset quality, and regulatory constraints. The policy is reviewed from time to time by the banks' Boards of Directors. Individual transactions, portfolio composition and performance are reviewed and approved monthly by the Boards of Directors or a committee thereof. The Chief Financial Officer of United and the President of each of the banks administer the policy and report information to the full board of directors of each of the banks on a quarterly basis concerning sales, purchases, maturities and calls, resultant gains or losses, average maturity, federal taxable equivalent yields, and appreciation or depreciation by investment categories.

Employees

As of December 31, 1999, United and its subsidiaries had an aggregate of 778 full-time equivalent employees. Neither United nor any of the subsidiaries is a party to any collective bargaining agreement, and United believes that employee relations are good. None of United's or the banks' executive officers is employed pursuant to an employment contract.

Supervision and Regulation

GENERAL. United is a registered bank holding company subject to regulation by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended. Periodically, United is required to file financial information with, and is subject to examination by, the Federal Reserve.

The Bank Holding Company Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) it may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) it or any of its non-bank subsidiaries may acquire all or substantially all of the assets of a bank; and (3) it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in or acquiring direct or indirect control of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the Bank Holding Company Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

- making or servicing loans and certain types of leases;
- performing certain data processing services;
- acting as fiduciary or investment or financial advisor;
- providing brokerage services;
- underwriting bank eligible securities;
- underwriting debt and equity securities on a limited basis through separately capitalized subsidiaries; and
- making investments in corporations or projects designed primarily to promote community welfare.

In addition, effective March 11, 2000, bank holding companies whose banking subsidiaries are all well-capitalized and well-managed may apply to become a financial holding company. Financial holding companies have the authority to engage in activities that are "financial in nature" that are not permitted for other bank holding companies. Some of the activities that the Bank Holding Company Act provides are financial in nature are:

- lending, exchanging, transferring, investing for others or safeguarding money or securities;
- insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker with respect thereto;
- providing financial, investment, or economic advisory services, including advising an investment company;
- issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and o underwriting, dealing in, or making a market in securities.

United has no immediate plans to register as a financial holding company.

United must also register and file periodic information with the Georgia Department of Banking and Finance. As part of such registration, the Department of Banking and Finance requires information with respect to the financial condition, operations, management, and intercompany relationships of United and the banks and related matters. The Department of Banking and Finance may also require other information necessary to keep itself informed as to whether the provisions of Georgia law and the regulations and orders issued thereunder by the Department of Banking and Finance have been complied with, and it may examine United and each of the banks. The North Carolina Banking Commission, which has the statutory authority to regulate non-banking affiliates of North Carolina banks, in 1992 began using this authority to examine and regulate the activities of North Carolina-based holding companies owning North Carolina-based banks. Although the North Carolina Banking Commission has not exercised its authority to date to examine and regulate holding companies outside of North Carolina that own North Carolina banks, it is likely the North Carolina Banking Commission may do so in the future.

United is an "affiliate" of the banks under the Federal Reserve Act, which imposes certain restrictions on (i) loans by the banks to United, (ii) investments in the stock or securities of United by the banks, (iii) the banks' taking the stock or securities of an "affiliate" as collateral for loans by the Bank to a borrower, and (iv) the purchase of assets from United by the banks. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services. Each of United's subsidiaries is regularly examined by the Federal Deposit Insurance Corporation. United Community Bank, Peoples Bank of Fannin County, White County Bank, Towns County Bank, First Clayton Bank and Trust, Bank of Adairsville, and 1st Floyd Bank as state banking associations organized under Georgia law, are subject to the supervision of, and are regularly examined by, the Department of Banking and Finance. Carolina Community Bank is subject to the supervision of, and is regularly examined by, the North Carolina Banking Commission and the FDIC. Both the FDIC and the Department of Banking and Finance must grant prior approval of any merger, consolidation or other corporation reorganization involving United Community Bank, Peoples Bank of Fannin County, White County Bank, Towns County Bank, First Clayton Bank and Trust, Bank of Adairsville or 1st Floyd Bank, and the FDIC and the North Carolina Banking Commission must grant prior approval of any merger, consolidation or other corporate reorganization of Carolina Community Bank. A bank can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with the default of a commonly-controlled institution.

PAYMENT OF DIVIDENDS. United is a legal entity separate and distinct from the banks. Most of the revenues of United result from dividends paid to it by the banks. There are statutory and regulatory requirements applicable to the payment of dividends by the banks, as well as by United to its shareholders.

United Community Bank, Peoples Bank of Fannin County, Towns County Bank, White County Bank, First Clayton Bank and Trust, Bank of Adairsville, and 1st Floyd Bank are each state chartered banks regulated by the Department of Banking and Finance and the FDIC. Under the regulations of the Department of Banking and Finance, dividends may not be declared out of the retained earnings of a state bank without first obtaining the written permission of the Department of Banking and Finance, unless such bank meets all the following requirements:

(a) total classified assets as of the most recent examination of the bank do not exceed 80% of equity capital (as defined by regulation);

(b) the aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50% of the net profits after taxes but before dividends for the previous calendar year; and

(c) the ratio of equity capital to adjusted assets is not less than 6%.

Under North Carolina law, the board of directors of Carolina Community Bank may declare a dividend for as much of the undivided profits of Carolina Community Bank as it deems appropriate, so long as Carolina Community Bank's surplus is greater than 50% of its capital.

The payment of dividends by United and the banks may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending upon the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has issued a policy statement providing that insured banks should generally only pay dividends out of current operating earnings. In addition to the formal statutes and regulations, regulatory authorities consider the adequacy of each of the Bank's total capital in relation to its assets, deposits, and other such items. Capital adequacy considerations could further limit the availability of dividends to the banks. At December 31, 1999, net assets available from the banks to pay dividends without prior approval from regulatory authorities totaled approximately $23 million. For 1999, United's declared cash dividend payout to shareholders was 11.8% of net income.

MONETARY POLICY. The results of operations of the banks are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, as well as the effect of actions by monetary and fiscal authorities, including the Federal Reserve, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand, or the business and income of the banks.

CAPITAL ADEQUACY. The Federal Reserve and the FDIC have implemented substantially identical risk-based rules for assessing bank and bank holding company capital adequacy. These regulations establish minimum capital standards in relation to assets and off-balance sheet exposures as adjusted for credit risk. Banks and bank holding companies are required to have (1) a minimum level of total capital (as defined) to risk-weighted assets of 8%; (2) a minimum Tier One Capital (as defined) to risk-weighted assets of 4%; and (3) a minimum shareholders' equity to risk-weighted assets of 4%. In addition, the Federal Reserve and the FDIC have established a minimum 3% leverage ratio of Tier One Capital to total assets for the most highly-rated banks and bank holding companies. "Tier One Capital" generally consists of common equity not including unrecognized gains and losses on securities, minority interests in equity accounts of consolidated subsidiaries and certain perpetual preferred stock less certain intangibles. The Federal Reserve and the FDIC will require a bank holding company and a bank, respectively, to maintain a leverage ratio greater than 3% if either is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The Federal Reserve and the FDIC use the leverage ratio in tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The FDIC, the Office of the Comptroller of the Currency and the Federal Reserve have amended, effective January 1, 1997, the capital adequacy standards to provide for the consideration of interest rate risk in the overall determination of a bank's capital ratio, requiring banks with greater interest rate risk to maintain adequate capital for the risk. The revised standards have not had a significant effect on United's capital requirements.

In addition, effective December 19, 1992, a new Section 38 to the Federal Deposit Insurance Act implemented the prompt corrective action provisions that Congress enacted as a part of the Federal Deposit Insurance Corporation Improvement Act of 1991. The "prompt corrective action" provisions set forth five regulatory zones in which all banks are placed largely based on their capital positions. Regulators are permitted to take increasingly harsh action as a bank's financial condition declines. Regulators are also empowered to place in receivership or require the sale of a bank to another depository institution when a bank's capital leverage ratio reaches 2%. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital. The FDIC has adopted regulations implementing the prompt corrective action provisions of the Federal Deposit Insurance Act, which place financial institutions in the following five categories based upon capitalization ratios: (1) a "well capitalized" institution has a total risk-based capital ratio of at least 10%, a Tier One risk-based ratio of at least 6% and a leverage ratio of at least 5%; (2) an "adequately capitalized" institution has a total risk- based capital ratio of at least 8%, a Tier One risk-based ratio of at least 4% and a leverage ratio of at least 4%; (3) an "undercapitalized" institution has a total risk-based capital ratio of under 8%, a Tier One risk-based ratio of under 4% or a leverage ratio of under 4%; (4) a "significantly undercapitalized" institution has a total risk-based capital ratio of under 6%, a Tier One risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a "critically undercapitalized" institution has a leverage ratio of 2% or less. Institutions in any of the three undercapitalized categories would be prohibited from declaring dividends or making capital distributions. The FDIC regulations also establish procedures for "downgrading" an institution to a lower capital category based on supervisory factors other than capital. As of December 31, 1999 and 1998, the most recent notifications from the FDIC categorized each of the banks as "well capitalized" under current regulations.

RECENT DEVELOPMENTS. On November 12, 1999, President Clinton signed the Gramm-Leach-Bliley Act, a very significant piece of legislation intended to modernize the financial services industry. The bill repeals the anti-affiliation provisions of the 1933 Glass-Steagall Act to allow for the merger of banking and securities organizations and permits banking organizations to engage in insurance activities including insurance underwriting. The bill also allows bank holding companies to engage in financial activities that are "financial in nature or complementary to a financial activity." The act lists the expanded areas that are financial in nature and includes insurance and securities underwriting and merchant banking among others. The bill also:

- prohibits non-financial entities from acquiring or establishing a thrift while grandfathering existing thrifts owned by non-financial entities.

- establishes state regulators as the appropriate functional regulators for insurance activities but provides that state regulators cannot "prevent or significantly interfere" with affiliations between banks and insurance firms.

- contains provisions designed to protect consumer privacy. The bill requires financial institutions to disclose their policy for collecting and protecting confidential information and allows consumers to "opt out" of information sharing except with unaffiliated third parties who market the institutions' own products and services or pursuant to joint agreements between two or more financial institutions.

- provides for functional regulation of a bank's securities activities by the Securities and Exchange Commission.

Various portions of the bill have different effective dates, ranging from immediately to more than a year for implementation.

Properties

The executive offices of United are located at 63 Highway 515, Blairsville, Georgia, property owned by United. The banks conduct business from facilities primarily owned by the respective banks, all of which are in a good state of repair and appropriately designed for use as banking facilities. The banks provide services or perform operational functions at 36 locations, of which 31 locations are owned and 5 are leased. United Family Finance Co. and United Family Finance Co. of North Carolina conduct operations at four locations, all of which are leased. Note 5 to United's Consolidated Financial Statements includes additional information regarding amounts invested in premises and equipment.

Legal Proceedings

In the ordinary course of operations, United and the banks are defendants in various legal proceedings. In the opinion of management, there is no pending or threatened proceeding in which an adverse decision could result in a material adverse change in the consolidated financial condition or results of operations of United.

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2000 AND 1999.

Income Summary

For the three months ended March 31, 2000 United reported net income of $3.8 million, or $0.47 per diluted share, compared to $3.3 million, or $0.40 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 shareholders' equity of 0.71% and 15.9%, respectively, compared to 0.81% 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
(dollar amounts in thousands)

	For the Three Months Ended March 31,		Change	
	2000	1999	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 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 shareholders' 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 the Year 2000, 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 - Dollar Amounts in Thousands)	2000			1999		
Assets:	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
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						
Other liabilities	190,423			155,429		
	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%

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
(dollar amounts 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 $980,000, or 0.36% of average loans, for the same period in 1999. Net loan charge-offs for the first three months of 2000 were $346,000, or 0.10% of average loans on an annualized basis, compared to $85,000, 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 proxy statement/prospectus.

Non-interest Income

Non-interest income for the three months ended March 31, 2000 was $2.7 million, an increase of $193,000, 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 $309,000, 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 $228,000, 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 $974,000 for the three months ended March 31,2000, an increase of $112,000 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
(dollar amounts in thousands)

	For the Three Months Ended March 31,		Change	
	2000	1999	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 $38,000 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 $996,000, 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 to staff additions made to accommodate the growth of United's customer base, including staff obtained with the acquisition of Adairsville Bancshares, Inc. 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 $480,000, 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, increased by $50,000 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 $149,000, or 9%, during the first three months of 2000 as compared to the same period in 1999. The effective tax rate (income tax expense 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 $373,000 over the year-end 1999 level. Non-performing loans at March 31, 2000 consisted 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 $752,000, compared to $541,000 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
(dollar amounts 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 the loans 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 at March 31, 2000 totaled $18.9 million, an increase of $1.2 million, or 7%, from December 31, 1999. The ratio of allowance for loan losses 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 allowance for loan losses to total non-performing loans was 863% and 974%, respectively.

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

Table 6 - Summary of Loan Loss Experience
(dollar amounts 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 subsidiary 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 allowance for loan losses 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 judgment. 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 $321 million, 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 Federal Home Loan Bank used fund growth of the loan portfolio. At March 31, 2000, United had aggregate Federal Home Loan Bank 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, which is comprised of members of United's senior management team. The Asset/Liability Management Committee 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 that 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. Using 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.

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
(dollar amounts 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
(dollar amounts in thousands)

Maturity	Notional Amount	Contract Index	Contract Rate	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 $918,000.

United requires all derivative financial instruments to 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) 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.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997.

Expansions and Mergers Since December 31, 1998

On August 27, 1999, United completed its merger with 1st Floyd Bank of Rome, Georgia, in a tax-free stock exchange. United issued 632,890 shares of common stock in the transaction and recorded merger-related expenses totaling $1.2 million, net of tax. This merger was accounted for as a pooling of interests, and all of the financial statements and ratios contained in this proxy statement/prospectus have been restated to include the results of 1st Floyd Bank for all periods presented.

On March 31, 1999, United completed its acquisition of Bank of Adairsville of Adairsville, Georgia. Effective April 1, 1999, the results of operations for Bank of Adairsville were included in United's consolidated statements of income. This acquisition was accounted for as a purchase, for which United recorded a goodwill asset in the amount of approximately $3 million, which is being recognized through charges to expense over a term of 15 years beginning in April, 1999.

Two new branch offices of the banks were opened for business during 1999. United Community Bank opened a new office in Murrayville, Georgia, which is operated under the trade name of United Community Bank of Hall County. Carolina Community Bank opened a second office in Brevard, North Carolina.

Expansions Prior to December 31, 1998

Effective January 30, 1998, Peoples Bank of Fannin County assumed deposits totaling $23.4 million and purchased certain assets totaling $3.7 million of a branch bank located in Ellijay, Georgia. This office is now operated under the trade name of United Community Bank of Gilmer County.

Effective September 12, 1997, United completed the acquisition of First Clayton Bank and Trust in Clayton, Georgia. United issued 646,257 shares of common stock in connection with this merger, which was accounted for as a pooling of interests.

United also expanded its market area during 1998 and 1997 through de novo branching. Carolina Community Bank opened de novo branch offices in the western North Carolina cities of Etowah and Cherokee during 1998 and Brevard during 1997.

United Community Bank opened a de novo branch office in Clarkesville, Georgia during 1998 that is operated under the trade name of First Bank of Habersham.

Income Statement Review

Net income was $13.6 million in 1999, an increase of 6.9% from the $12.8 million earned in 1998. Diluted earnings per common share were $1.66 for 1999, compared with $1.57 reported for 1998, an increase of 5.7%. Return on average assets and return on average equity for 1999 were 0.72% and 14.33%, respectively, compared with 0.94% and 14.84%, respectively, for 1998.

The reported net income for 1999 includes after-tax charges of $1.2 million related to the merger with 1st Floyd Bank. Excluding these non-recurring items, net income for 1999 was $14.8 million, an increase of 15.9% over 1998. Diluted earnings per share for 1999, excluding merger-related charges, were $1.80, an increase of 14.5% over 1998. Return on average assets and return on average equity for 1999, exclusive of merger-related charges, were 0.78% and 15.54%, respectively.

The following table summarizes the components of income and expense and the changes in those components for the past three years.

Table 1 - Condensed Consolidated Statements of Income
For the years ended December 31
(In thousands)

			Change			Change		
		1999	Amount	%	1998	Amount	%	1997
Interest income	$	149,740	33,526	28.8%	116,214	22,026	23.4%	94,188
Interest expense		81,766	21,762	36.3%	60,004	11,534	23.8%	48,470
Net interest income		67,974	11,764	20.9%	56,210	10,492	22.9%	45,718
Provision for loan losses		5,104	2,492	95.4%	2,612	(202)	-7.2%	2,814
Net interest income after provision for loan losses		62,870	9,272	17.3%	53,598	10,694	24.9%	42,904
Non-interest income		10,836	1,707	18.7%	9,129	1,929	26.8%	7,200
Non-interest expense		54,165	10,201	23.2%	43,964	9,901	29.1%	34,063
Income before income taxes		19,541	778	4.1%	18,763	2,722	17.0%	16,041
Income tax expense		5,893	(97)	-1.6%	5,990	1,003	20.1%	4,987
Net income	$	13,648	875	6.9%	12,773	1,719	15.6%	11,054

The individual components of income and expense are discussed in further detail below.

Net Interest Income

Net interest income (the difference between the interest earned on assets and the interest paid on deposits and liabilities) is the single largest component of United's operating income. United actively manages this income source to provide an optimal level of income while balancing interest rate, credit and liquidity risks. Net interest income totaled $68.0 million in 1999, an increase of $11.8 million, or 21%, from the level recorded in 1998. Net interest income for 1998 increased $10.5 million, or 23%, over the 1997 level. On a fully tax-equivalent basis, net interest income was $70.0 million in 1999, compared with $57.9 million in 1998 and $47.0 million in 1997.

In 1999, average interest earning assets increased $503 million, or 40%, over the 1998 amount. This increase was primarily due to the increased volume of loans and to increased securities acquired as part of United's leverage program. Average loans outstanding for 1999 were $1.2 billion, compared with $956 million in 1998. Average interest bearing liabilities for 1999 increased $488 million, or 43%, over the 1998 average balance. This increase was primarily due to an increase in the level of average interest bearing deposits of $256 million, or 25%, and an increase in borrowed funds of $232 million, or 204%. Approximately $150 million of the increase in average borrowed funds was in conjunction with United's leverage program, which is explained in detail in the INVESTMENT SECURITIES section of this discussion. The majority of new borrowings were fixed and floating rate advances from the Federal Home Loan Bank that were at a funding cost competitive with the banks' current certificate of deposit rates. Additional information regarding the Federal Home Loan Bank advances is provided in note 7 of the consolidated financial statements.

The banking industry uses two key ratios to measure relative profitability of net interest income. The net interest rate spread measures the difference between the average yield on earning assets and the average rate paid on interest bearing liabilities. The interest rate spread eliminates the impact of non-interest bearing deposits and gives a direct perspective on the effect of market interest rate movements. The net interest margin is defined as net interest income as a percent of average total earning assets and takes into account the positive impact of investing non-interest bearing deposits.

United's net interest spread was 3.55% in 1999, 4.04% in 1998, and 4.05% in 1997, while the net interest margin (on a tax-equivalent basis) was 3.98% in 1999, 4.60% in 1998, and 4.66% in 1997. The 62 basis point decrease in the net interest margin from 1998 to 1999 is primarily attributed to the following: the narrower spread on the assets and associated liabilities in the leverage program; the increased reliance on borrowed funds; increased competitive pricing pressure on loans and deposits; increased cash balance held for Year 2000 contingency; and the impact of bank-owned life insurance revenue recorded as non-interest income.

The average cost of interest bearing liabilities for 1999 was 5.07%, a decrease of 27 basis points from 1998. Core deposits, which include transaction accounts, savings accounts and non-brokered certificates of deposit less than $100,000, represented approximately 77% of total deposits in 1999, a decrease from 82% in 1998.

The following table shows, for the past three years, the relationship between interest income and expense and the average balances of interest earning assets and interest bearing liabilities.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis
For the Years Ended December 31
Fully tax-equivalent basis
(in thousands)

	1999			1998			1997		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:									
Interest-earning assets:									
Loans, net of unearned income	$ 1,242,418	119,669	9.63%	961,763	99,126	10.31%	777,583	80,675	10.38%
Taxable investments	417,602	25,285	6.05%	200,457	12,264	6.12%	156,784	9,609	6.13%
Tax-exempt investments	80,949	5,795	7.16%	67,067	4,879	7.27%	44,326	3,514	7.93%
Federal funds sold and other interest income	19,769	1,050	5.31%	28,272	1,644	5.81%	31,077	1,723	5.54%
Total interest-earning assets / interest income	1,760,738	151,799	8.62%	1,257,559	117,913	9.38%	1,009,770	95,521	9.46%
Non-interest-earning assets:									
Allowance for loan losses	(15,341)			(11,805)			(9,854)		
Cash and due from banks	63,452			45,176			30,662		
Premises and equipment	45,382			35,331			24,832		
Other assets	41,958			29,042			22,568		
Total assets	$ 1,896,189			1,355,303			1,077,978		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Transaction accounts	$ 323,180	12,237	3.79%	254,016	10,200	4.02%	188,997	7,230	3.83%
Savings deposits	70,761	2,008	2.84%	54,248	1,520	2.80%	45,063	1,238	2.75%
Certificates of deposit	872,077	48,414	5.55%	701,722	41,423	5.90%	604,989	36,309	6.00%
Total interest-bearing deposit	1,266,018	62,659	4.95%	1,009,986	53,143	5.26%	839,049	44,777	5.34%
Federal Home Loan Bank advances	249,755	13,096	5.24%	90,834	5,010	5.52%	39,615	2,382	6.01%
Long-term debt and other borrowings	95,866	6,011	6.27%	22,922	1,851	8.08%	17,697	1,311	7.41%
Total borrowed funds	345,621	19,107	5.53%	113,756	6,861	6.03%	57,312	3,693	6.44%
Total interest-bearing liabilities / interest expense	1,611,639	81,766	5.07%	1,123,742	60,004	5.34%	896,361	48,470	5.41%
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	181,843			135,439			100,593		
Other liabilities	7,454			10,040			9,903		
Total liabilities	1,800,936			1,269,221			1,006,857		
Stockholders' equity	95,253			86,082			71,121		
Total liabilities and stockholders' equity	$ 1,896,189			1,355,303			1,077,978		
Net interest-rate spread			3.55%			4.04%			4.05%
Impact of non-interest bearing sources and other changes in balance sheet composition			0.43%			0.56%			0.61%
Net interest income / margin on interest-earning assets		70,033	3.98%		57,909	4.60%		47,051	4.66%

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
(in thousands)

		1999 Compared to 1998 Increase (decrease) in interest income and expense due to changes in:			1998 Compared to 1997 Increase (decrease) in interest income and expense due to changes in:		
		Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:							
Loans	$	27,380	(6,837)	20,543	19,109	(658)	18,451
Taxable investments		13,149	(128)	13,021	2,677	(22)	2,655
Tax-exempt investments		995	(79)	916	1,803	(438)	1,365
Federal funds sold and other interest income		(461)	(133)	(594)	(156)	77	(79)
Total interest-earning assets		41,063	(7,177)	33,886	23,433	(1,041)	22,392
Interest-bearing liabilities:							
Transaction accounts		2,646	(609)	2,037	2,487	483	2,970
Savings deposits		468	20	488	252	30	282
Certificates of deposit		9,575	(2,584)	6,991	5,806	(692)	5,114
Total interest-bearing deposits		12,689	(3,173)	9,516	8,545	(179)	8,366
FHLB advances		8,345	(259)	8,086	3,080	(452)	2,628
Long-term debt and other borrowings		4,660	(500)	4,160	387	153	540
Total borrowed funds		13,005	(759)	12,246	3,467	(299)	3,168
Total interest-bearing liabilities		25,694	(3,932)	21,762	12,012	(478)	11,534
Increase (decrease) in net interest income	$	15,369	(3,245)	12,124	11,421	(563)	10,858

Provision for Loan Losses

The provision for loan losses in 1999 was $5.1 million, compared with $2.6 million in 1998 and $2.8 million in 1997. As a percentage of average outstanding loans, the provisions recorded for 1999, 1998 and 1997 were 0.41%, 0.27%, and 0.36%, respectively. Net loan charge-offs as a percentage of average outstanding loans for 1999 were 0.15%, compared with 0.10% for 1998 and 0.05% for 1997. The increase in the provision for loan loss in 1999 is primarily attributed to growth in the loan portfolio and the increased level of net charge-offs.

The provision for loan losses is based on management's evaluation of inherent risks in the loan portfolio and the corresponding analysis of the allowance for loan losses. Additional discussion on loan quality and the allowance for loan losses is included in the ASSET QUALITY section of this proxy statement/prospectus.

Non-Interest Income

Total non-interest income for 1999 was $10.8 million, compared with $9.1 million in 1998 and $7.2 million in 1997. The following table presents the components of non-interest income for 1999, 1998 and 1997.

Table 4 - Non-interest Income
(in thousands)

	Years Ended December 31,				
	1999	% Change	1998	% Change	1997
Service charges on deposit accounts	$ 5,161	22%	4,227	15%	3,681
Mortgage loan and related fees	1,638	-10%	1,822	57%	1,157
ATM fees	539	69%	319	40%	228
Insurance commissions	1,027	53%	672	159%	259
Trust and brokerage revenue	622	46%	427	132%	184
Gains (losses) on securities sales, net	543	-32%	804	9%	737
Safe deposit box rental	219	26%	174	16%	150
Bank-owned life insurance	395	n/m	-	n/m	-
Other	692	1%	684	-15%	804
Total	$ 10,836	19%	9,129	27%	7,200

The primary source of non-interest income for United is service charges and fees on deposit accounts held by the banks. Total deposit service charges and fees for 1999 were $5.2 million, or 48% of total non-interest income, compared with $4.2 million, or 46% of total non-interest income in 1998. The growth of deposit service charge and fee revenue for 1999 and 1998 was primarily due to the increase in the number of deposit accounts.

Net gains on the sale of securities totaled $543,000 for 1999, compared with $804,000 for 1998 and $737,000 in 1997. The gains in 1999 were primarily related to the sale of an equity security. Securities gains recognized during 1998 and 1997 gains were primarily the result of a general decline in interest rates coupled with management's decision to shift a portion of the balance of the securities portfolios of the banks to higher yielding mortgage securities.

Mortgage loan and related fees for 1999 were $1.6 million, a decrease of 10% compared with 1998. This decrease was primarily due to the higher interest rate environment during 1999 that reduced the market for mortgage refinance loans. Substantially all of the mortgage loan and related fees recorded during 1999 were received as the result of originating approximately $129 million of residential mortgages that were subsequently sold into the secondary market. These loans were all sold with the right to service the loans (the servicing asset) released to the purchaser for a fee. The decrease in mortgage loan and related fees for 1999 was offset by the effect of recognizing $72,000 less in amortization of mortgage servicing rights in 1999 compared with 1998. This reduction of amortization was in response to decreased prepayment levels within the serviced loan portfolio due to higher mortgage market interest rates.

Trust and brokerage revenue for 1999 was $622,000, an increase of 46% compared with 1998. This increase is primarily attributed to management's continued focus on personal trust business opportunities within the current customer base of the banks.

Insurance commissions increased $355,000, or 53%, compared with 1998. This increase is primarily attributed to loan growth-related increased credit life sales at United Family Finance Co. and United Family Finance Co. of North Carolina of $198,000 and increased commission revenue for United Agencies, Inc. of $96,000. The revenue increase at United Agencies, Inc. resulted from a one-time commission on the sale of bank-owned life insurance policies to the banks.

Non-interest income for 1999 also included $395,000 of revenue related to the increase in value of $8.1 million of bank-owned life insurance contracts purchased by United in December 1998.

Non-Interest Expense

Total non-interest expense for 1999 was $54.2 million, compared with $43.9 million in 1998 and $34.1 million in 1997. Non-interest expense for 1999 includes $1.8 million of charges related to the merger with 1st Floyd Bank, primarily for employee contractual obligations, write-off of obsolete equipment, and professional fees. The following table presents the components of non-interest expense for the years ended December 31, 1999, 1998, and 1997.

Table 5 - Non-interest Expense
(in thousands)

	Years Ended December 31,				
	1999	% Change	1998	% Change	1997
Salaries	$ 23,571	21%	19,435	29%	15,053
Employee benefits	6,113	19%	5,125	33%	3,861
Occupancy	3,193	17%	2,719	30%	2,086
Furniture and equipment	4,439	41%	3,158	46%	2,169
Communications	1,526	29%	1,180	63%	725
Advertising and public relations	2,331	6%	2,207	2%	2,158
Postage, printing and supplies	2,710	14%	2,372	33%	1,787
Professional fees	1,467	2%	1,432	29%	1,110
Amortization of intangibles	710	39%	509	23%	414
Other expense	6,260	7%	5,827	24%	4,700
	52,320	19%	43,964	29%	34,063
Merger-related expenses	1,845		-		-
Total non-interest expense	$ 54,165	23%	43,964	29%	34,063

Total salaries and benefits for 1999, excluding merger-related expenses, increased by 21% over the 1998 level. This increase was primarily due to staff additions for new branch bank offices, staffing increases at existing branches that experienced growth, and the addition of several senior management positions at the holding company during the second half of 1998 and 1999. United had 778 full-time equivalent employees at December 31, 1999, compared with 687 at year-end 1998.

Total occupancy expense for 1999 increased by 17% compared with 1998. This increase is primarily attributed to the opening of new branch bank offices located in the primary market areas of United during the second half of 1998 and 1999 and the acquisition of Bank of Adairsville.

Total furniture and equipment expense for 1999, excluding merger-related expenses, increased by 41% compared with 1998. This increase is primarily attributed to the depreciation expense for the wide area computer network, the acquisition of Bank of Adairsville, and expense associated with the operation of new branch bank offices.

Communications expense, which includes data circuit costs, local phone service, long-distance service, and cellular service, increased by 29% during 1999 and 63% during 1998. These increases were both primarily due to the new facilities opened since 1997 and new expenses associated with installation and maintenance of frame-relay data circuits that are the communications backbone for United's wide-area computer network.

Postage, printing, and supply expense for 1999 increased by 14% compared with 1998. This increase is a direct result of increases in the number of deposit, loan, and trust customers during the year.

Amortization of intangible assets in 1999 increased 39% compared with 1998. This increase is attributed to the amortization of the goodwill asset related to the acquisition of Bank of Adairsville in March 1999. Additional information regarding United's accounting policy for goodwill and deposit-based intangible assets is included in the notes to the consolidated financial statements.

The efficiency ratio measures a bank's total operating expenses as a percentage of net interest income (before provision for loan losses) and non-interest income, excluding net gains or losses on the sale of securities and merger-related expenses. United's efficiency ratio for 1999 was 66.9%, compared with 68.1% in 1998 and 65.2% in 1997.

During 1999 United recognized $1.8 million of expenses related to the merger with 1st Floyd Bank. These charges consisted of compensation expense ($692,000); equipment write-offs ($424,000); professional fees ($522,000); and other expense ($207,000). At December 31, 1999, $455,000 of the total $1.8 million merger charge was recorded as an accrued liability.

Income Taxes

United had income tax expense of $5.9 million in 1999, compared with $6.0 million in 1998 and $5.0 million in 1997. United's effective tax rates (tax expense expressed as a percentage of pre-tax net income) for 1999, 1998, and 1997 were 30.2%, 31.9%, and 31.1%, respectively. These effective rates are lower than the statutory federal tax rate primarily because of interest income on certain investment securities and loans that is exempt from income taxes. Additional information regarding United's income taxes can be found in note 11 to the consolidated financial statements.

Balance Sheet Review

Total assets at December 31, 1999 were $2.1 billion, an increase of $541 million, or 34%, from December 31, 1998. On an average basis, total assets increased $541 million, or 40%, from 1998 to 1999. Average interest earning assets for 1999 were $1.8 billion, compared with $1.3 million for 1998, an increase of 40%.

Loans

Total loans averaged $1.2 billion in 1999, compared with $956 million in 1998, an increase of 29%. At December 31, 1999, total loans were $1.4 billion, an increase of $339 million, or 32%, from December 31, 1998. Over the past five years, United has experienced strong loan growth in all markets, with particular strength in loans secured by real estate, both residential and non-residential.

The following table presents a summary of the loan portfolio by category over that period.

Table 6 - Loans Outstanding
(in thousands)

	December 31, 1999	1998	1997	1996	1995
Commercial	$ 125,245	109,647	119,262	110,402	68,427
Real estate - construction	161,774	121,900	83,528	55,045	31,663
Real estate - mortgage	969,385	694,561	545,556	390,294	300,666
Consumer	143,956	135,057	124,153	106,504	88,504
Total loans	$ 1,400,360	1,061,165	872,499	662,245	489,260
As a percentage of total loans:					
Commercial	8.9%	10.3%	13.7%	16.7%	14.0%
Real estate - construction	11.6%	11.5%	9.6%	8.3%	6.5%
Real estate - mortgage	69.2%	65.5%	62.5%	58.9%	61.4%
Consumer	10.3%	12.7%	14.2%	16.1%	18.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Substantially all of United's loans are to customers located in Georgia and North Carolina, in the immediate market areas of the banks. This includes loan customers who have a seasonal residence in the banks' market areas. The following table indicates United's loans by specific collateral type or loan purpose as of December 31, 1999:

Table 7 - Loans by Collateral Type or Purpose
(in thousands)

		Percent of Total Loans
Secured by real estate:		
Residential first liens	$ 506,729	36.1%
Residential second liens	27,177	1.9%
Home equity lines of credit	53,191	3.8%
Construction and land development	161,774	11.6%
Non-farm, non-residential	355,269	25.4%
Farmland	16,173	1.2%
Multi-family residential	10,846	0.8%
Total real estate	1,131,159	80.8%
Other loans:		
Commercial and industrial	105,221	7.5%
Agricultural production	9,923	0.7%
States and municpalities	10,101	0.7%
Consumer installment loans	136,983	9.8%
Credit cards and other revolving credit	6,973	0.5%
Total other loans	269,201	19.2%
Total loans	$ 1,400,360	100.0%

As of December 31, 1999, United's 20 largest credit relationships consisted of loans and loan commitments ranging from $2.4 to $10.0 million, with an aggregate total credit exposure of $77 million. All of these credits have been underwritten in a prudent manner and structured to minimize United's potential exposure to loss.

The following table sets forth the maturity distribution of real estate construction and commercial loans, including the interest rate sensitivity for loans maturing in greater than one year, as of December 31, 1999. United's loan policy does not permit automatic roll-over of matured loans.

Table 8 - Loan Portfolio Maturity
(in thousands)

		Maturity				Rate Structure for Loans Maturing Over One Year	
		One Year or Less	One through Five Years	Over Five Years	Total	Fixed Rate	Floating Rate
Commercial	$	61,266	42,493	21,486	125,245	57,214	6,765
Real estate - construction		130,607	31,167	-	161,774	7,581	23,586
Total	$	191,873	73,660	21,486	287,019	64,795	30,351

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. United's loan administration function is charged with monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures at all of the banks.

The provision for loan losses is the annual cost of providing an adequate allowance for anticipated potential future losses on loans. The amount each year is dependent upon many factors including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and economic factors and trends. The evaluation of these factors is performed by United's credit administration department through an analysis of the adequacy of the allowance for loan losses.

Reviews of non-performing, past due loans and larger credits, designed to identify potential charges to the allowance for loan losses, as well as determine the adequacy of the allowance, are conducted on a regular basis during the year. These reviews are performed by the responsible lending officers, as well as a separate loan review department, and consider such factors as the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, growth in the loan portfolio, prevailing and anticipated economic conditions, and other factors.

United does not currently allocate the allowance for loan losses to the various loan categories and there were no significant changes in the estimation methods and assumptions used to determine the adequacy of the allowance for loan losses during 1999.

The following table presents a summary of changes in the allowance for loan losses for each of the past five years.

Table 9

		Years Ended December 31,				
		1999	1998	1997	1996	1995
Balance beginning of period	$	12,680	10,989	8,536	5,316	4,415
Provision for loan losses		5,104	2,612	2,814	1,751	1,128
Allowance for loan losses acquired from subsidiary at acquisition date		1,822	-	-	1,813	-
Amounts charged-off:						
Commercial		357	460	73	329	148
Real estate - construction		4	-	-	-	24
Real estate - residential mortgage		556	233	99	13	337
Consumer		1,936	770	658	361	205
Total loans charged-off		2,853	1,463	830	703	714
Recoveries of charged-off loans:						
Commercial		167	287	22	251	187
Real estate - construction		5	-	-	-	-
Real estate - residential mortgage		323	36	296	49	188
Consumer		474	219	151	59	112
Total recoveries		969	542	469	359	487
Net charge-offs		1,884	921	361	344	227
Balance end of period	$	17,722	12,680	10,989	8,536	5,316
Total loans:						
At year-end	$	1,400,360	1,061,165	872,499	662,245	489,260
Average	$	1,237,892	956,452	773,245	567,456	434,682
As a percentage of average loans:						
Net charge-offs		0.15%	0.10%	0.05%	0.06%	0.05%
Provision for loan losses		0.41%	0.27%	0.36%	0.31%	0.26%
Allowance as a percentage of year-end loans		1.27%	1.19%	1.26%	1.29%	1.09%
Allowance as a percentage of non-performing loans		974%	1174%	964%	527%	220%

Management believes that the allowance for loan losses at December 31, 1999 is sufficient to absorb losses inherent in the loan portfolio as of that date based on the best information available, including the credit risks related to the Year 2000 issue described in detail later in this discussion. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part of their periodic examination of the banks, may require additional charges to the provision for loan losses in future periods if the results of their review warrant.

Non-Performing Assets

Non-performing loans, which included non-accrual loans and accruing loans past due over 90 days, totaled $1.8 million at year-end 1999, compared with $1.1 million at December 31, 1998. At December 31, 1999, the ratio of non-performing loans to total loans was 0.13%, compared with 0.10% at year-end 1998. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled $2.4 million at December 31, 1999, compared with $1.5 million at year-end 1998.

It is the general policy of the banks to place loans on non-accrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current interest income. Depending on management's evaluation of the borrower and loan collateral, interest on a non-accrual loan may be recognized on a cash basis as payments are received. Loans made by the banks to facilitate the sale of other real estate are made on terms comparable to loans of similar risk.

There were no commitments to lend additional funds to loan customers with loans on non-accrual status at December 31, 1999. The table below summarizes United's non-performing assets for each of the last five years.

Table 10 - Non-Performing Assets
(in thousands)

		December 31,				
		1999	1998	1997	1996	1995
Non-accrual loans	$	1,370	612	601	992	2,018
Loans past due 90 days or more and still accruing		450	468	539	628	402
Total non-performing loans		1,820	1,080	1,140	1,620	2,420
Other real estate owned		541	424	386	210	65
Total non-performing assets	$	2,361	1,504	1,526	1,830	2,485
Total non-performing loans as a percentage of total loans		0.13%	0.10%	0.13%	0.24%	0.49%
Total non-performing assets as a percentage of total assets		0.11%	0.09%	0.13%	0.20%	0.34%

At December 31, 1999, United had $5.1 million of loans which were not classified as non-performing but for which known information about the borrowers' financial condition caused management to have concern about the ability of the borrowers to comply with the repayment terms of the loans. These loans were identified through the loan review process described in the ASSET QUALITY AND RISK ELEMENTS section of this discussion above that provides for assignment of a risk rating based on an ten-grade scale to all commercial and commercial real estate loans. Based on the evaluation of current market conditions, loan collateral, other secondary sources of repayment and cash flow generation, management does not anticipate any significant losses related to these loans. These loans are subject to continuing management attention and are considered in the determination of the allowance for loan losses.

Investment Securities

The composition of the securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of income. The 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. During 1999, United expanded its leverage program, which uses borrowed funds to purchase investment securities, by approximately $89 million over year-end 1998.

Total average securities increased 86% during 1999 and 33% during 1998. The following table shows the carrying value of United's securities, by security type, as of December 31, 1999, 1998, and 1997.

Table 11 - Carrying Value of Securities
(in thousands)

	December 31, 1999	1998	1997
Securities held to maturity:			
U.S. Treasury	$ -	-	500
U.S. Government agencies	-	1,885	22,361
State and political subdivisions	-	53,386	42,330
Mortgage-backed securities	-	2,122	4,368
Other securities	-	913	146
Total securites held to maturity	-	58,306	69,705
Securities available for sale:			
U.S. Treasury	32,400	33,080	47,442
U.S. Government agencies	102,730	46,904	51,762
State and political subdivisions	78,824	22,610	12,243
Mortgage-backed securities	297,932	220,636	36,139
Other securities	22,617	10,557	6,190
Total securities available for sale	534,503	333,787	153,776
Total securities	$ 534,503	392,093	223,481

On January 1, 1999, United adopted Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES." As permitted by SFAS No. 133, United transferred all securities classified as held to maturity at January 1, 1999 to available for sale. Accordingly, the carrying value of United's entire securities portfolio at December 31, 1999 is recorded on the balance sheet at its fair market value of $535 million. At year-end 1998, United had $58 million of securities classified as held to maturity. These securities had a fair market value at year-end 1998 of $60 million.

United's investment portfolio consists principally of U.S. Government and agency securities, municipal securities, various equity securities, and U.S. Government sponsored agency mortgage-backed securities. A mortgage-backed security relies on the underlying mortgage pools of loans to provide a cash flow of principal and interest. The actual maturities of these securities will differ from the contractual maturities because the loans underlying the security may prepay with or without prepayment penalties. Decreases in interest rates will generally cause an increase in prepayment levels. In a declining interest rate environment, United may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields. Because the majority of the mortgage-backed securities have adjustable rates, however, the negative effects of changes in interest rates on income and the carrying values of these securities are somewhat mitigated.

During the fourth quarter of 1998, management initiated a leverage program designed to make optimal utilization of United's assets and capital. This program provides for using borrowed funds (principally Federal Home Loan Bank advances) secured by mortgage loans and securities of the banks to purchase additional securities. The securities purchased in conjunction with the leverage program during 1998 and 1999 are primarily mortgage backed pass-through and other mortgage backed securities, including collateralized mortgage obligations. As of December 31, 1999, the leverage program at United added $164 million in total borrowings and earning assets. Management does not expect any increase in the leverage program assets during 2000, and plans to use proceeds from the leverage securities paydowns to fund loan growth and reduce associated leverage program borrowings.

At December 31, 1999, United had 25% of its total investment portfolio in mortgage backed pass-through securities, all of which are issued or backed by Federal agencies, compared with 35% at December 31, 1998. United did not have securities of any issuer in excess of 10% of equity at year-end 1999 or 1998. Other mortgage-backed securities, including collateralized mortgage obligations, represented 14% of the total securities portfolio at December 31, 1999, compared with 29% at year-end 1998. Approximately 81% of the other mortgage-backed securities portfolio was collateralized by mortgage-backed securities issued or backed by Federal agencies as of December 31, 1999.

Deposits

Total average deposits for 1999 were $1.4 billion, an increase of $302 million, or 26% from 1998. Average non-interest bearing demand deposit accounts increased $46 million, or 34%, and average interest bearing transaction accounts increased $69 million, or 27%, from 1998. Average time deposits for 1999 were $872 million, an increase of 24% from 1998.

Time deposits of $100,000 and greater totaled $312 million at December 31, 1999, compared with $220 million at year-end 1998. During 1999, United began to utilize "brokered" time deposits, issued in certificates of less than $100,000, as an alternative source of cost-effective funding. Average brokered time deposits outstanding in 1999 were $23 million; no material amounts of brokered time deposits were outstanding during 1998. Total interest paid on time deposits of $100,000 and greater during 1999 was $13.5 million. The following table sets forth the scheduled maturities of time deposits of $100,000 and greater and brokered time deposits at December 31, 1999.

Table 12 - Maturities of Time Deposits of $100 Thousand and Greater and Brokered Deposits (in thousands)

$100 Thousand and Greater:	
Three months or less	$ 99,463
Over three through six months	77,963
Over six through twelve months	74,866
Over one year	60,074
Total	$ 312,366
Brokered Deposits:	
Three months or less	$ 10,250
Over three through six months	15,250
Over six through twelve months	32,000
Over one year	12,000
Total	$ 69,500

Short-term Borrowings

At December 31, 1999, all of the banks were shareholders in the Federal Home Loan Bank of Atlanta. Through this affiliation, secured advances totaling $288 million were outstanding at rates competitive with time deposits of like maturities. United anticipates continued utilization of this short and long term source of funds to minimize interest rate risk. The Federal Home Loan Bank advances outstanding at December 31, 1999 had both fixed and floating interest rates ranging from 4.35% to 7.81%. Approximately 28% of the Federal Home Loan Bank advances mature prior to December 31, 2000. Additional information regarding Federal Home Loan Bank advances, including scheduled maturities, is provided in note 7 to the consolidated financial statements.

Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant impact on United's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest income to changing interest rates to achieve 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 uses income simulation modeling as the primary tool in measuring interest rate risk and managing interest rate sensitivity. Simulation modeling considers not only the impact of changing market rates of interest on future net interest income, but also such other potential causes of variability as earning asset volume, mix, yield curve relationships, customer preferences, and general market conditions.

Interest rate sensitivity is a function of the repricing characteristics of United's portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest bearing assets and liabilities are subject to change in interest rates either at replacement, repricing, or maturity during the life of the instruments. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their repricing characteristics during periods of changes in market interest rates. Effective interest rate sensitivity management seeks to ensure that both assets and liabilities respond to changes in interest rates within an acceptable timeframe, thereby minimizing the impact of interest rate changes on net interest income. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in United's current portfolio that are subject to repricing at various time horizons: immediate; one to three months; four to twelve months; one to five years; over five years; and on a cumulative basis. The differences are known as interest sensitivity gaps. The following table shows interest sensitivity gaps for these different intervals as of December 31, 1999.

Table 13 - Interest Rate Gap Sensitivity
(in thousands)

	Immediate	One Through Three Months	Four Through Twelve Months	One Through Five Years	Over Five Years and Non-rate Sensitive	Total
Interest earning assets:						
Federal funds sold	$ 23,380	-	-	-	-	23,380
Securities	-	74,762	36,415	180,943	242,383	534,503
Mortgage loans held for sale	-	6,326	-	-	-	6,326
Loans	-	302,510	520,066	433,361	144,423	1,400,360
Total interest earning assets	23,380	383,598	556,481	614,304	386,806	1,964,569
Interest bearing liabilities:						
Demand deposits	-	328,815	-	-	-	328,815
Savings deposits	-	-	73,953	-	-	73,953
Time deposits	-	292,233	519,000	243,385	-	1,054,618
Fed funds purchased/repurchase agreements	31,812	-	-	-	-	31,812
FHLB advances	37,625	20,000	26,750	203,197		287,572
Notes payable	15,365	-	2,142	9	-	17,516
Convertible subordinated debentures	-	-	-	-	3,500	3,500
Trust preferred securities	-	-	-	-	21,000	21,000
Total interest bearing liabilities	84,802	641,048	621,845	446,591	24,500	1,818,786
Non-interest bearing sources of funds	-	-	-	-	192,006	192,006
Interest sensitivity gap	(61,422)	(257,450)	(65,364)	167,713	170,300	(46,223)
Cumulative sensitivity gap	$ (61,422)	(318,872)	(384,236)	(216,523)	(46,223)	-

As seen in the preceding table, during the first year 74% of interest bearing liabilities will reprice compared with 49% of all interest earning assets. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and its supporting liability can vary significantly while the timing of repricing for both the asset and the liability remains the same, thus impacting net interest income. This characteristic is referred to as basis risk and generally relates to the possibility that the repricing characteristics of short-term assets tied to United's prime lending rate are different from those of short-term funding sources such as certificates of deposit.

Varying interest rate environments can create unexpected changes in prepayment levels of assets and liabilities that are not reflected in the interest rate sensitivity analysis. These prepayments may have significant impact on United's net interest margin. Because of these factors, an interest sensitivity gap analysis may not provide an accurate assessment of United's exposure to changes in interest rates.

Table 13 indicates United is in a liability sensitive or negative gap position for the first twelve months. This liability sensitive position would generally indicate that United's net interest income would decrease should interest rates rise and would increase should interest rates fall. Due to the factors cited previously, current simulation results indicate only minimal sensitivity to parallel shifts in interest rates; however, no assurance can be given that United is not at risk from interest rate increases or decreases. Management also evaluates the condition of the economy, the pattern of market interest rates and other economic data to determine the appropriate mix and repricing characteristics of assets and liabilities necessary to optimize the net interest margin.

The following table presents the expected maturity of the total securities by maturity date and average yields based on amortized cost (for all obligations on a fully taxable basis) at December 31, 1999. The composition and maturity/repricing distribution of the securities portfolio is subject to change depending on rate sensitivity, capital and liquidity needs.

Table 14 - Expected Maturity of Securities Available for Sale
(in thousands)

	One Year or Less	Over One Year Through Five Years	Over Five Years Through Ten Years	Over Ten Years	Total
U.S. Treasury	9,252	23,148	-	-	32,400
U.S. Government agencies	4,405	61,903	33,202	3,220	102,730
State and political subdivisions	5,324	32,280	24,749	16,471	78,824
Other securities	-	-	-	320,549	320,549
Total securities available for sale	18,981	117,331	57,951	340,240	534,503
Percent of total	3.6%	22.0%	10.8%	63.6%	100.0%
Weighted average yield	5.66%	6.37%	7.47%	6.07%	6.27%

Includes mortgage-backed securities.
Based on amortized cost.

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 during 1999, 1998, and 1997. Derivative financial instruments can be a cost and capital effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts include interest rate swaps under which United pays a variable rate and receives a fixed rate, 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 contract rate. To minimize the credit risk of derivative financial instruments, United requires all contract counterparties to have an investment grade or better credit rating.

The cost of the cap contracts is included in other assets in the consolidated balance sheet and is being amortized on a straight-line basis over the five-year term of the contracts. At December 31, 1999, the cap contracts had an aggregate remaining book value of $373,000.

The following table presents United's cap contracts outstanding at December 31, 1999.

Table 15 - Cap Contracts as of December 31, 1999
(in thousands)

Maturity	Notional Amount	Contract Index	Contract Rate	Fair Value
August 31, 2001	5,000	Prime	10.00%	9
August 27, 2001	20,000	Prime	10.00%	46
September 18, 2003	10,000	3 Month LIBOR	5.50%	476
January 4, 2004	10,000	Prime	7.75%	506
Total	45,000			1,037

The following table presents United's swap contracts outstanding at December 31, 1999.

Table 16 - Swap Contracts as of December 31, 1999
(in thousands)

Maturity	Notional Amount	Rate Received	Rate Paid	Fair Value
April 2, 2001	15,000	8.41%	8.50%	(169)
April 5, 2001	10,000	9.50%	8.50%	15
May 8, 2001	10,000	8.26%	8.50%	(138)
June 7, 2001	10,000	8.69%	8.50%	(96)
July 27, 2001	10,000	8.85%	8.50%	(70)
October 12, 2001	10,000	9.11%	8.50%	(57)
June 7, 2002	10,000	9.05%	8.50%	(114)
June 14, 2002	10,000	9.12%	8.50%	(102)
June 24, 2002	20,000	8.80%	8.50%	(304)
July 29, 2002	25,000	9.04%	8.50%	(281)
August 10, 2002	10,000	9.60%	8.50%	(51)
December 23, 2002	10,000	9.19%	8.50%	(164)
Total/weighted average	150,000	8.95%	8.50%	(1,531)

Based on prime rate at December 31, 1999.

Effective January 1, 1999, United adopted SFAS No. 133, which requires 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 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 December 31, 1999, United's derivative financial instruments had an aggregate negative fair value of $494,000.

United requires all 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 minimal and should not have any material unintended impact on United's financial condition or results of operations.

Liquidity Management

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs of United and to take advantage of income 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. Liquidity is defined as the ability of a bank to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining United's ability to meet the daily cash flow requirements of the banks' customers, both depositors and borrowers.

The primary objectives of asset/liability management are to provide for adequate liquidity to meet the needs of customers and to maintain an optimal balance between interest-sensitive assets and interest-sensitive liabilities, so that United can also meet the investment requirements of its shareholders as market interest rates change. Daily monitoring of the sources and use of funds is necessary to maintain a position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities. Mortgage loans held for sale totaled $6.3 million at December 31, 1999, and typically turn over every 45 days as the closed loans are sold to investors in the secondary market. Real estate-construction and commercial loans that mature in one year or less amounted to $192 million, or 14%, of the total loan portfolio at December 31, 1999. Other short-term investments such as federal funds sold are additional sources of liquidity.

The liability section of the balance sheet provides liquidity through depositors' interest bearing and non-interest bearing deposit accounts. Federal funds purchased, Federal Home Loan Bank advances and securities sold under agreements to repurchase are additional sources of liquidity and represent United's incremental borrowing capacity. These sources of liquidity are short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

As disclosed in United's consolidated statements of cash flows included in the consolidated financial statements, net cash provided by operating activities was $26.8 million during 1999. The major sources of cash provided by operating activities are net income partially offset by funding of mortgage loans held for sale and changes in other assets and other liabilities. Net cash used in investing activities of $478.7 million consisted primarily of a net increase in loans of $325.8 million and securities purchases of $244.9 million funded largely by sales, maturities, and paydowns of securities of $99.4 million and additional net borrowings from the Federal Home Loan Bank of $100.7 million. Net cash provided by financing activities provided the remainder of funding sources for 1999. The $502.1 million of net cash provided by financing activities consisted primarily of a $381 million net increase in deposits and a net increase in Federal Home Loan Bank advances of $100.7 million.

In the opinion of management, United's liquidity position at December 31,1999, is sufficient to meet its expected cash flow requirements. Reference should be made to the consolidated statements of cash flows appearing in the consolidated financial statements for a three-year analysis of the changes in cash and cash equivalents resulting from operating, investing and financing activities.

Capital Resources and Dividends

Shareholders' equity at December 31, 1999 was $96.2 million, an increase of $2.4 million, or 2.6%, from December 31, 1998. Excluding the change in the capital category of accumulated other comprehensive income (loss), shareholders' equity increased by 13.3%. Accumulated other comprehensive income (loss) is not included in the calculation of regulatory capital adequacy ratios. For additional information on accumulated other comprehensive income (loss), please refer to the statements of other comprehensive income, which are included with the consolidated financial statements. Dividends of $1.5 million, or $0.20 per share, were declared on common stock in 1999, an increase of 33% per share from the amount declared per share in 1998. The dividend payout ratios for 1999 and 1998 were 11.8% and 9.4%, respectively. United has historically retained the majority of its earnings to provide a cost-effective source of capital for continued growth and expansion. In recognition that cash dividends are an important component of shareholder value, however, management has instituted a dividend program that provides for increased cash dividends when earnings and capital levels permit.

In July 1998, a statutory business trust, United Community Capital Trust, was created by United which issued guaranteed preferred beneficial interests in United's junior subordinated deferrable interest debentures, called Trust Preferred Securities, to institutional investors in the amount of $21 million. This issuance represented the guaranteed preferred beneficial interests in $21.7 million in junior subordinated deferrable interest debentures, called Subordinated Debentures, issued by United to United Community Capital Trust. For regulatory purposes, the Trust Preferred Securities will be treated as Tier I capital of United. The subordinated debentures are the sole assets of United Community Capital Trust and bear an interest rate of 8.125% with a maturity date of July 15, 2028, which may be shortened to a date not earlier than July 15, 2008. If the subordinated debentures are redeemed in part or in whole prior to July 15, 2008, the redemption price of the Subordinated Debentures and the Trust Preferred Securities will include a premium ranging from 4.06% in 2008 to 0.41% in 2017.

In March 1997, United completed an offering to the public of 300,000 shares of United common stock registered under the Securities Act of 1933, pursuant to which $6.5 million in additional capital was raised after deducting certain issuance costs. United used the proceeds of the offering primarily to invest additional capital in United Community Bank, Carolina Community Bank, and Towns County Bank to support the asset growth that the banks were experiencing.

On December 31, 1996, United completed a private placement of convertible subordinated payable-in-kind debentures due December 31, 2006. The debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum as quoted in the WALL STREET JOURNAL, payable on a quarterly basis.

The debentures may be redeemed, in whole or in part, on or after January 1, 1998, at the option of United upon at least 20 days and not more than 60 days notice, at a redemption price equal to 100% of the principal amount of the debentures to be redeemed plus interest accrued and unpaid as of the date of redemption. The holders of the debentures have the right, excercisable at any time up to December 31, 2006, to convert such debentures at the principal amount thereof into shares of common stock of United at the conversion price of $25 per share, subject to adjustment for stock splits and stock dividends.

The Board of Governors of the Federal Reserve System has issued guidelines for the implementation of risk-based capital requirements by U.S. banks and bank holding companies. These risk-based capital guidelines take into consideration risk factors, as defined by regulators, associated with various categories of assets, both on and off balance sheet. Under the guidelines, capital strength is measured in two tiers which are used in conjunction with risk adjusted assets to determine the risk based capital ratios. The guidelines require an 8% total risk-based capital ratio, of which 4% must be Tier I capital.

United's Tier I capital, which consists of shareholders' equity and qualifying trust preferred securities less other comprehensive income, goodwill, and deposit-based intangibles, totaled to $117 million at December 31, 1999. Tier II capital components include supplemental capital components such as a qualifying allowance for loan losses and qualifying subordinated debt. Tier I capital plus Tier II capital components is referred to as Total Risk-based Capital and was $137 million at December 31, 1999. The percentage ratios, as calculated under the guidelines, were 8.44% and 9.95% for Tier I and Total Risk-based Capital, respectively, at December 31, 1999.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as period end shareholders' equity and qualifying trust preferred securities, less other comprehensive income, goodwill, and deposit-based intangibles divided by average assets adjusted for goodwill and deposit-based intangibles. Although a minimum leverage ratio of 4% is required for the highest-rated bank holding companies which are not undertaking significant expansion programs, the Federal Reserve Board requires a bank holding company to maintain a leverage ratio greater than 4% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve Board. The Federal Reserve Board uses the leverage and risk-based capital ratios to assess capital adequacy of banks and bank holding companies. United's leverage ratios at December 31, 1999 and 1998 were 5.52% and 7.11%, respectively.

All three of the capital ratios of United and the banks currently exceed the minimum ratios required in 1999 as defined by federal regulators. United monitors these ratios to ensure that United and the banks remain within regulatory guidelines. Further information regarding the actual and required capital ratios of United and the banks is provided in note 13 to the consolidated financial statements.

Impact 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 investments in fixed assets or inventories. Inflation has an important impact on the growth of total assets and the resulting need to increase equity capital at higher than normal rates to maintain an appropriate equity to assets ratio.

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

Year 2000

The "Year 2000" issue refers to potential problems that could result from the improper processing of dates and date-dependent calculations by computers and other microchip-embedded technology. In simple terms, problems with Year 2000 can result from a computer's inability to recognize a two-digit date field (00) as representing Year 2000 and, incorrectly, recognize the year as 1900 which could disrupt normal business operations. In recognition of the seriousness of this issue, United established a Year 2000 Committee in January 1998. The committee was chaired by United's Chief Information Officer and reported directly to United's board of directors on a quarterly basis.

United complied with all aspects of a Year 2000 directive issued in May 1997 by the Federal Financial Institutions Examination Council that established key milestones that all financial institutions needed to meet with regard to Year 2000 testing and remediation. None of United's systems, including systems provided to United by third parties, sustained a failure related to Year 2000 and no contingency plans were subject to implementation as a result of system failure. In addition, there was no material impact on the liquidity of United or the banks resulting from excessive deposit withdrawal activity. Although management is not aware of any Year 2000 failures experienced by commercial loan customers, such problems could take several months to surface in the form of increased loan delinquencies. Management believes that the allowance for loan losses at December 31, 1999 is sufficient to absorb losses inherent in the loan portfolio, including losses related to failure of borrowers to adequately prepare the direct and indirect impact a Year 2000 computer failure had on their business.

The following table sets forth United's budget for the Year 2000 issue and actual amounts expended as of December 31, 1999. All amounts shown are pre-tax. In addition, the table indicates the percentage of each budget line category that was recognized as current period expense through December 1999, and the percentage that was recorded as a new asset(s) with expense recognized over the useful life of the asset through charges to depreciation expense. Management does not expect any additional expenditures related to Year 2000.

Table 17 - Year 2000 Budget
(in thousands)

	Budget	% of Total Budget	Actual Costs Incurred as of 31-Dec-99	% of Budget Expended as of 31-Dec-99	% of Costs to Be: Expensed	Amortized
Consulting	$ 175	9%	34	19%	100%	0%
Inventory	70	4%	60	86%	100%	0%
Testing	82	4%	28	34%	100%	0%
Remediation	1,520	80%	1,344	88%	15%	85%
Resources	53	3%	36	68%	100%	0%
Total	$1,900	100%	1,502	79%	12%	88%

In accordance with recently issued accounting guidelines on how Year 2000 costs should be recognized for financial statement purposes, United recognized as current period expense all costs associated with the consulting, inventory, testing and resources components of the Year 2000 budget. The costs associated with remediation, which comprised approximately 90% of the Year 2000 expenditures, are primarily related to the installation of a new wide-area desktop computer network that replaced virtually all of the desktop computers, file servers and peripheral equipment. In addition to being Year 2000 compliant, the new network provides United with a uniform standard desktop computer configuration, internal and external e-mail capability, Internet access and savings on telephone communication costs through utilization of the network communications backbone for voice communication. United intends to leverage this new network technology to increase the levels of employee productivity and improve operating efficiency. The costs of the network component of the Year 2000 remediation budget is being recognized over a useful life of three years at a cost of approximately $450,000 per year starting in the first quarter of 1999. This annual cost does not include any of the anticipated savings that United expects to achieve through improved operating efficiency and reduced telecommunications costs.

United funded the costs associated with preparing for Year 2000 out of its normal operating cash flows. No major information technology initiatives were postponed as a result of Year 2000 preparation that would have materially impacted United's financial condition or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

United's net interest income and the fair value of its financial instruments (interest earning assets and interest bearing liabilities) are influenced by changes in market interest rates. United actively manages its exposure to interest rate fluctuations through policies established by its Asset/Liability Management Committee. The Asset/Liability Management Committee meets regularly and is responsible for approving asset/liability management policies, developing and implementing strategies to improve balance sheet positioning and net interest income and assessing the interest rate sensitivity of the banks.

United uses an interest rate simulation model to monitor and evaluate the impact of changing interest rates on net interest income. The estimated impact on United's net interest income sensitivity over a one-year time horizon as of December 31, 1999 is indicated in the table below. The table assumes an immediate and sustained parallel shift in interest rates of 200 basis points and no change in the composition of United's balance sheet.

Net Interest Income Sensitivity
December 31, 1999
(in thousands)

	Principal/Notional Amounts of Earning Assets, Interest Bearing Liabilities and Derivatives at December 31, 1999	Percentage Increase (Decrease) in Interest Income/Expense Given Immediate and Sustained Parallel Interest Rate Shifts	
		Down 200 Basis Points	Up 200 Basis Points
Assets repricing in:			
One year or less	$ 963,549		
Over one year	1,001,110		
Total	$ 1,964,659	-7.41%	7.30%
Liabilities repricing in:			
One year or less	$ 1,347,695		
Over one year	471,091		
Total	$ 1,818,786	12.62%	11.88%
Derivative hedge instruments	$ 195,000		
Net interest income sensitivity		-0.81%	1.49%

United's Asset/Liability Management Committee policy requires that a 200 basis point shift in interest rates not result in a decrease of net interest income of more than 10%. The information presented in the tables above is based on the same assumptions set forth in United's Asset/Liability Management Committee policy.

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.

Description of Securities

The following is a summary of material provisions of United's common stock, preferred stock, and debentures:

GENERAL. The authorized capital stock of United currently consists of 10,000,000 shares of common stock, $1.00 par value per share. If an amendment to the United Restated Articles of Incorporation to be presented at the United annual meeting is approved, the authorized capital stock of United will consist of 50,000,000 shares of common stock, $1.00 par value per share and 10,000,000 shares of preferred stock, $1.00 par value per share. As of May 1, 2000, 8,442,990 shares, including 140,000 shares deemed outstanding pursuant to outstanding debentures and presently exercisable options to acquire 267,122 shares of United's common stock, were issued and outstanding, and no shares of preferred stock were issued and outstanding.

COMMON STOCK. All voting rights are vested in the holders of the common stock. Each holder of common stock is entitled to one vote per share on any issue requiring a vote at any meeting. The shares do not have cumulative voting rights. All shares of United common stock are entitled to share equally in any dividends that United's board of directors may declare on United common stock from sources legally available for distribution. The determination and declaration of dividends is within the discretion of United's board of directors. Upon liquidation, holders of United common stock will be entitled to receive on a pro rata basis, after payment or provision for payment of all debts and liabilities of United, all assets of United available for distribution, in cash or in kind.

The outstanding shares of United common stock are, and the shares of United common stock to be issued by United in connection with the merger will be, duly authorized, validly issued, fully paid, and nonassessable.

PREFERRED STOCK. United is authorized to issue 10,000,000 shares of preferred stock, issuable in specified series and having specified voting, dividend, conversion, liquidation, and other rights and preferences as United's board of directors may determine. The preferred stock could be issued for any lawful corporate purpose without further action by United shareholders. The issuance of any preferred stock having conversion rights might have the effect of diluting the interests of United's other shareholders. In addition, shares of preferred stock could be issued with certain rights, privileges, and preferences which would deter a tender or exchange offer or discourage the acquisition of control of United. The board of directors presently has no plans to issue any preferred stock.

DEBENTURES. Debentures in the principal amount of $3,500,000 that are due on December 31, 2006, are outstanding as of May 1, 2000. These debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum as quoted in THE WALL STREET JOURNAL, payable on April 1, July 1, October 1, and January 1 of each year commencing on April 1, 1998, to holders of record at the close of business on the 15th day of the month immediately preceding the interest payment date. Interest is computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as applicable. Interest on the debentures is payable, at the option of the board of directors of United, in cash or in an additional debenture with the same terms as the outstanding debentures.

The debentures may be redeemed, in whole or in part, from time to time on or after January 1, 1999, at the option of United upon at least 20 days and not more than 60 days notice, at a redemption price equal to 100% of the principal amount of the debentures to be redeemed plus interest accrued and unpaid as of the date of redemption. The holder of any debentures not called for redemption will have the right, exercisable at any time up to December 31, 2006, to convert those debentures at the principal amount thereof into shares of United common stock at the conversion price of $25.00 per share, subject to adjustment for stock splits and stock dividends. The debentures are unsecured obligations of United and are subordinate in right of payment to all obligations of United to its other creditors, except obligations ranking on a parity with or junior to the debentures. The debentures were not issued pursuant to an indenture, and no trustee acts on behalf of debenture holders.

TRANSFER AGENT AND REGISTRAR. The Transfer Agent and Registrar for United's common stock and the debentures is SunTrust Bank, 58 Edgewood Avenue, Room 2000, Atlanta, Georgia 30303.

LEGAL OPINIONS

Kilpatrick Stockton LLP counsel to United, will provide an opinion as to the (a) legality of the United common stock to be issued in connection with the North Point merger and (b) the income tax consequences of the North Point merger. As of the date of this proxy statement/prospectus, members of Kilpatrick Stockton LLP own an aggregate of 2,000 shares of United common stock.

EXPERTS FOR UNITED AND NORTH POINT

The audited consolidated financial statements of United and its subsidiaries included or incorporated by reference in this proxy statement/prospectus and elsewhere in the registration statement have been audited by Porter Keadle Moore LLP, certified public accountants, as indicated in their related audit reports, and are included on the authority of that firm as experts in giving those reports.

The audited consolidated financial statements of North Point included in this proxy statement/prospectus and elsewhere in the registration statement have been audited by Mauldin & Jenkins, LLC, independent certified public accountants, as indicated in their related audit reports, and are included on the authority of that firm as experts in giving those reports.

OTHER MATTERS THAT MAY COME BEFORE THE NORTH POINT MEETING

Management of North Point knows of no matters other than those stated above that are to be brought before the meetings. If any other matters should be presented for consideration and voting, however, it is the intention of the persons named in the respective enclosed proxies to vote in accordance with their judgment as to what is in the best interest of North Point.

INDEX TO FINANCIAL DATA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Point Bancshares, Inc. and Subsidiary
Dawsonville, Georgia

We have audited the accompanying consolidated balance sheets of NORTH POINT BANCSHARES, INC. AND SUBSIDIARY as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Point Bancshares, Inc. and subsidiary as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ MAULDIN & JENKINS, LLC

Atlanta, Georgia
February 11, 2000, except for Note 16
as to which the date is March 3, 2000

NORTH POINT BANCSHARES, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

Assets	1999	1998
Cash and due from banks	$ 4,268,780	$ 3,689,204
Interest-bearing deposits in banks	2,981,000	1,990,000
Federal funds sold	4,180,000	6,340,000
Securities available-for-sale	25,371,787	20,334,308
Securities held-to-maturity (fair value $3,784,371 and $4,832,239)	3,762,312	4,701,141
Loans	62,212,476	54,546,899
Less allowance for loan losses	1,196,321	844,379
Loans, net	61,016,155	53,702,520
Premises and equipment	2,746,140	1,938,640
Other assets	2,152,249	1,184,627
TOTAL ASSETS	$ 106,478,423	$ 93,880,440
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing demand	$ 17,738,035	$ 16,403,479
Interest-bearing demand	26,990,521	21,043,825
Savings	5,349,760	5,643,648
Time, $100,000 and over	16,324,953	12,282,921
Other time	30,161,356	28,741,569
Total deposits	96,564,625	84,115,442
Other borrowings	389,302	25,008
Other liabilities	344,041	368,237
TOTAL LIABILITIES	97,297,968	84,508,687
Commitments and contingent liabilities		
Stockholders' equity		
Common stock, par value $5; 5,000,000 shares authorized, 428,385 and 342,708 issued and outstanding	2,141,925	1,713,540
Capital surplus	1,985,091	1,985,091
Retained earnings	5,629,760	5,563,657
Accumulated other comprehensive income (loss)	(576,321)	109,465
TOTAL STOCKHOLDERS' EQUITY	9,180,455	9,371,753
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 106,478,423	$ 93,880,440

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NORTH POINT BANCSHARES, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
INTEREST INCOME			
Loans	$ 5,972,797	$ 5,965,847	$ 5,032,816
Taxable securities	1,331,696	1,163,460	1,322,346
Nontaxable securities	287,978	236,637	232,097
Deposits in other banks	136,152	79,521	58,680
Federal funds sold	396,947	230,671	185,863
Other investments	30,758	17,648	11,081
TOTAL INTEREST INCOME	8,156,328	7,693,784	6,842,883
INTEREST EXPENSE			
Deposits	3,621,042	2,993,253	2,792,901
Other borrowings	8,161	10,199	9,040
	3,629,203	3,003,452	2,801,941
NET INTEREST INCOME	4,527,125	4,690,332	4,040,942
PROVISION FOR LOAN LOSSES	620,000	200,000	175,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,907,125	4,490,332	3,865,942
OTHER INCOME			
Service charges on deposit accounts	451,007	484,551	474,507
Loss on sale of securities available-for-sale	0	0	(2,021)
Other service charges and fees	69,800	56,382	54,061
Other operating income	104,039	112,659	99,188
Total other income	624,846	653,592	625,735
OTHER EXPENSES			
Salaries and employee benefits	1,642,029	1,429,959	1,316,192
Equipment expenses	200,714	209,403	211,429
Occupancy expenses	148,006	139,373	137,127
Other operating expenses	1,079,125	913,725	825,581
Total other expenses	3,069,874	2,692,460	2,490,329
INCOME BEFORE INCOME TAXES	1,462,097	2,451,464	2,001,348
INCOME TAX EXPENSE	453,547	814,165	662,344
NET INCOME	$ 1,008,550	$ 1,637,299	$ 1,339,004
BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ 2.35	$ 3.82	$ 3.13

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NORTH POINT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
NET INCOME	$ 1,008,550	$ 1,637,299	$ 1,339,004
OTHER COMPREHENSIVE INCOME (LOSS):			
Net unrealized holding gains (losses) on securities available-for-sale arising during period, net of tax (benefits) of $(353,284), $38,235, and $24,341, respectively	(685,786)	74,221	44,601
Reclassification adjustment for losses realized in net income, net of tax (benefit) of $(667)	-	-	1,354
Other comprehensive income (loss)	(685,786)	74,221	45,955
COMPREHENSIVE INCOME	$ 322,764	$ 1,711,520	$ 1,384,959

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NORTH POINT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1999, 1998 and 1997

	Common Stock Shares	Common Stock Par Value	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 1996	285,590	$1,427,950	$1,985,091	$ 3,661,173	$ (10,711)	$ 7,063,503
Net income	-	-	-	1,339,004	-	1,339,004
Cash dividends declared, $.88 per share	-	-	-	(376,979)	-	(376,979)
20% stock dividend	57,118	285,590	-	(285,590)	-	-
Other comprehensive income	-	-	-	-	45,955	45,955
Balance, December 31, 1997	342,708	1,713,540	1,985,091	4,337,608	35,244	8,071,483
Net income	-	-	-	1,637,299	-	1,637,299
Cash dividends declared, $.96 per share	-	-	-	(411,250)	-	(411,250)
Other comprehensive income	-	-	-	-	74,221	74,221
Balance, December 31, 1998	342,708	1,713,540	1,985,091	5,563,657	109,465	9,371,753
Net income	-	-	-	1,008,550	-	1,008,550
Cash dividends declared, $ 1.20 per share	-	-	-	(514,062)	-	(514,062)
25% stock dividend	85,677	428,385	-	(428,385)	-	-
Other comprehensive loss	-	-	-	-	(685,786)	(685,786)
Balance, December 31, 1999	428,385	$2,141,925	$1,985,091	$ 5,629,760	$(576,321)	$ 9,180,455

See Notes to Consolidated Financial Statements.

NORTH POINT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 1,008,550	$ 1,637,299	$ 1,339,004
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	78,151	78,151	78,151
Depreciation	149,528	139,037	163,508
Provision for loan losses	620,000	200,000	175,000
Deferred income taxes	(152,100)	(55,541)	(55,927)
Loss on sales of securities available-for-sale	0	0	2,021
Increase in interest receivable	(216,218)	(41,806)	(113,304)
Increase (decrease) in interest payable	36,645	20,709	(18,921)
Decrease in income taxes payable	(67,280)	(70,441)	(111,638)
Other operating activities	(15,460)	5,676	40,587
Net cash provided by operating activities	1,441,816	1,913,084	1,498,481
INVESTING ACTIVITIES			
Purchases of securities available-for-sale	(18,922,053)	(13,298,729)	(8,915,404)
Proceeds from maturities of securities available-for-sale	12,845,504	7,352,886	3,791,959
Proceeds from sales of securities available-for-sale	0	0	1,244,560
Purchases of securities held-to-maturity	(114,046)	0	(100,000)
Proceeds from maturities of securities held-to-maturity	1,052,875	7,952,472	4,737,671
Net (increase) decrease in Federal funds sold	2,160,000	(2,280,000)	(2,500,000)
Net increase in interest-bearing deposits in banks	(991,000)	(797,000)	(198,000)
Net increase in loans	(8,346,907)	(6,777,643)	(7,492,399)
Proceeds from sale of other real estate owned	111,000	334,500	0
Purchase of premises and equipment	(957,028)	(433,834)	(139,207)
Net cash used in investing activities	(13,161,655)	(7,947,348)	(9,570,820)
FINANCING ACTIVITIES			
Net increase in deposits	12,449,183	7,719,212	6,852,788
Net increase (decrease) in other borrowings	364,294	(383,193)	198,282
Dividends paid	(514,062)	(411,250)	(376,979)
Net cash provided by financing activities	12,299,415	6,924,769	6,674,091
Net increase (decrease) in cash and due from banks	579,576	890,505	(1,398,248)
Cash and due from banks at beginning of year	3,689,204	2,798,699	4,196,947
Cash and due from banks at end of year	$ 4,268,780	$ 3,689,204	$ 2,798,699

NORTH POINT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
SUPPLEMENTAL DISCLOSURES			
Cash paid for:			
Interest	$ 3,592,558	$ 2,982,743	$ 2,820,862
Income taxes	$ 672,927	$ 940,147	$ 829,909
NONCASH TRANSACTION			
Unrealized (gains) losses on securities available-for-sale	$ 1,039,070	$ (112,456)	$ (69,629)
Principal balances of loans transferred to other real estate owned	$ 413,272	$ 275,500	$ 0

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

North Point Bancshares, Inc., (the "Company") is a bank holding company whose business is conducted by its wholly-owned subsidiary, Dawson County Bank (the "Bank"). The Bank is a commercial bank located in Dawsonville, Dawson County, Georgia. The Bank provides a full range of banking services in its primary market area of Dawson County, Georgia and the surrounding counties.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its subsidiary. Significant intercompany transactions and accounts are eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of other real estate owned, and deferred tax assets.

CASH AND DUE FROM BANKS

Cash on hand, cash items in process of collection, and amounts due from banks are included in cash and due from banks.

The Company maintains amounts due from banks which, at times, may exceed Federally insured limits. The Company has not experienced any losses in such accounts.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SECURITIES

Securities are classified based on management's intention on the date of purchase. Securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. All other debt securities are classified as available-for-sale and recorded at fair value with net unrealized gains and losses reported in other comprehensive income (loss). Equity securities without a readily determinable fair value are classified as available-for-sale and recorded at cost.

Interest and dividends on securities, including amortization of premiums and accretion of discounts, are included in interest income. Realized gains and losses from the sale of securities are determined using the specific identification method.

LOANS

Loans are reported at their outstanding principal balance less unearned income and the allowance for loan losses. Interest income is accrued based on the principal balance outstanding.

Loan origination fees and certain direct costs of most loans are recognized at the time the loan is recorded. Loan origination fees incurred for other loans are deferred and recognized as income over the life of the loan. Because net origination loan fees and costs are not material, the results of operations are not materially different than the results which would be obtained by accounting for loan fees and costs in accordance with generally accepted accounting principles.

The allowance for loan losses is maintained at a level that management believes to be adequate to absorb potential losses in the loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries are credited to the allowance. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, past loan loss experience, current economic conditions, volume, growth, composition of the loan portfolio, and other risks inherent in the portfolio. This evaluation is inherently subjective as it requires material estimates that are susceptible to significant change including the amounts and timing of future cash flows expected to be received on impaired loans. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses, and may require the Company to record additions to the allowance based on their judgment about information available to them at the time of their examinations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LOANS (CONTINUED)

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Interest income is subsequently recognized only to the extent cash payments are received.

A loan is impaired when it is probable the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Individually identified impaired loans are measured based on the present value of payments expected to be received, using the contractual loan rate as the discount rate. Alternatively, measurement may be based on observable market prices or, for loans that are solely dependent on the collateral for repayment, measurement may be based on the fair value of the collateral. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance is established as a component of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses.

PREMISES AND EQUIPMENT

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation computed principally by the straight-line method over the estimated useful lives of the assets.

OTHER REAL ESTATE OWNED

Other real estate owned represents properties acquired through foreclosure. Other real estate owned is held for sale and is carried at the lower of the recorded amount of the loan or fair value of the properties less estimated selling costs. Any write-down to fair value at the time of transfer to other real estate owned is charged to the allowance for loan losses. Subsequent gains or losses on sale and any subsequent adjustment to the value are recorded as other expenses. The carrying amount of other real estate owned as of December 31, 1999 and 1998 was $247,272 and $ --, respectively.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PENSION PLAN

The Company recognizes pension costs as paid, the results of which are not materially different than the results which would be obtained by accounting for net periodic pension costs in accordance with generally accepted accounting principles.

INCOME TAXES

Income tax expense consists of current and deferred taxes. Current income tax provisions approximate taxes to be paid or refunded for the applicable year. Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Recognition of deferred tax balance sheet amounts is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences will be realized. A valuation allowance would be recorded for those deferred tax items for which it is more likely than not that realization would not occur.

The Company and the Bank file a consolidated income tax return. Each entity provides for income taxes based on its contribution to income taxes (benefits) of the consolidated group.

EARNINGS PER SHARE

Earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding. As of December 31, 1999, 1998 and 1997, the weighted average number of shares was 428,385 adjusted for stock dividends declared.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPREHENSIVE INCOME

Statement of Financial Accounting Standards ("SFAS") No. 130 describes comprehensive income as the total of all components of comprehensive income, including net income. Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income. Currently, the Company's other comprehensive income (loss) consists of unrealized gains and losses on available-for-sale securities.

RECENT DEVELOPMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The effective date of this statement has been deferred by SFAS No. 137 until fiscal years beginning after June 15, 2000. However, the statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt this statement effective January 1, 2001. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities in the balance sheet at fair value. For derivatives that are not designated as hedges, the gain or loss must be recognized in earnings in the period of change. For derivatives that are designated as hedges, changes in the fair value of the hedged assets, liabilities, or firm commitments must be recognized in earnings or recognized in other comprehensive income until the hedged item is recognized in earnings, depending on the nature of the hedge. The ineffective portion of a derivative's change in fair value must be recognized in earnings immediately. Management has not yet determined what effect the adoption of SFAS No. 133 will have on the Company's earnings or financial position.

There are no other recent accounting pronouncements that have had, or are expected to have, a material effect on the Company's financial statements.

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NOTE 2. SECURITIES

The amortized cost and fair value of securities are summarized as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
SECURITIES AVAILABLE-FOR-SALE				
DECEMBER 31, 1999:				
U. S. GOVERNMENT AND AGENCY SECURITIES	$20,850,538	$ 537	$ (670,319)	$20,180,756
STATE AND MUNICIPAL SECURITIES	3,089,172	7,820	(140,936)	2,956,056
MORTGAGE-BACKED SECURITIES	2,213,290	1,768	(72,084)	2,142,974
EQUITY SECURITIES	92,001	--	--	92,001
	$26,245,001	$ 10,125	$ (883,339)	$25,371,787
December 31, 1998:				
U. S. Government and agency securities	$15,841,108	$ 123,045	$ (19,317)	$15,944,836
State and municipal securities	2,513,785	56,026	(4,858)	2,564,953
Mortgage-backed securities	1,721,558	10,960	--	1,732,518
Equity securities	92,001	--	--	92,001
	$20,168,452	$ 190,031	$ (24,175)	$20,334,308
SECURITIES HELD-TO-MATURITY				
DECEMBER 31, 1999:				
U. S. GOVERNMENT AND AGENCY SECURITIES	$ 247,031	$ 719	$ --	$ 247,750
STATE AND MUNICIPAL SECURITIES	3,110,776	25,887	(6,904)	3,129,759
MORTGAGE-BACKED SECURITIES	404,505	2,357	--	406,862
	$ 3,762,312	$ 28,963	$ (6,904)	$ 3,784,371
December 31, 1998:				
U. S. Government and agency securities	$ 743,441	$ 10,591	$ --	$ 754,032
State and municipal securities	3,451,796	118,212	(695)	3,569,313
Mortgage-backed securities	505,904	4,716	(1,726)	508,894
	$ 4,701,141	$ 133,519	$ (2,421)	$ 4,832,239

NOTE 2. SECURITIES (CONTINUED)

The amortized cost and fair value of securities as of December 31, 1999 by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or prepaid without penalty. Therefore, these securities and equity securities are not included in the maturity categories in the following summary.

	SECURITIES AVAILABLE-FOR-SALE		SECURITIES HELD-TO-MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 1,349,600	$ 1,345,948	$ 515,000	$ 514,158
Due from one year to five years	16,561,713	16,033,003	1,864,031	1,876,728
Due from five years to ten years	4,733,397	4,558,531	675,352	679,013
Due after ten years	1,295,000	1,199,330	303,424	307,610
Mortgage-backed securities	2,213,290	2,142,974	404,505	406,862
Equity securities	92,001	92,001	--	--
	$26,245,001	$25,371,787	$3,762,312	$3,784,371

Securities with a carrying value of $17,171,093 and $12,247,226 at December 31, 1999 and 1998, respectively, were pledged to secure public deposits and for other purposes.

Gross realized losses on sales of securities available-for-sale for the year ended December 31, 1997 amounted to $2,021. There were no sales of securities during 1999 or 1998.

NOTE 3. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of loans is summarized as follows:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Commercial, financial and agricultural	$ 8,068,000	$ 5,484,000
Real estate - construction	12,556,000	8,299,000
Real estate - mortgage	33,380,000	27,059,000
Consumer	6,214,000	12,512,000
Other	2,045,204	1,247,667
	62,263,204	54,601,667
Unearned income	(50,728)	(54,768)
Allowance for loan losses	(1,196,321)	(844,379)
Loans, net	$ 61,016,155	$ 53,702,520

Changes in the allowance for loan losses are as follows:

	YEARS ENDED DECEMBER 31, 1999	1998	1997
BALANCE, BEGINNING OF YEAR	$ 844,379	$ 710,259	$ 574,186
Provision for loan losses	620,000	200,000	175,000
Loans charged off	(300,200)	(86,857)	(85,608)
Recoveries of loans previously charged off	32,142	20,977	46,681
BALANCE, END OF YEAR	$ 1,196,321	$ 844,379	$ 710,259

NOTE 3. LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The total recorded investment in impaired loans was $706,288 and $473,502 at December 31, 1999 and 1998, respectively. There were no loans which had related allowances for loan losses determined in accordance with SFAS No. 114, ("Accounting by Creditors for Impairment of a Loan") at December 31, 1999 and 1998. The average recorded investment in impaired loans for 1999 and 1998 was $143,057 and $174,420, respectively. Interest income recognized for cash payments received on impaired loans was not material for the years ended 1999, 1998, and 1997.

The Company has granted loans to certain directors, executive officers, and their related entities. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan involved. Changes in related party loans for the year ended December 31, 1999 are as follows:

BALANCE, BEGINNING OF YEAR	$ 616,371
Advances	845,023
Repayments	(666,199)
BALANCE, END OF YEAR	$ 795,195

NOTE 4. PREMISES AND EQUIPMENT

Premises and equipment is summarized as follows:

	DECEMBER 31,	
	1999	1998
Land	$ 770,000	$ 770,000
Buildings and improvements	1,973,469	1,387,893
Equipment	1,908,034	1,536,582
	4,651,503	3,694,475
Accumulated depreciation	(1,905,363)	(1,755,835)
	$ 2,746,140	$ 1,938,640

NOTE 5. DEPOSITS

At December 31, 1999, the amount of scheduled maturities of time deposits are as follows:

2000	$ 39,153,309
2001	5,647,000
2002	797,000
2003	675,000
2004	214,000
	$ 46,486,309

As of December 31, 1999, the Company had a concentration of deposits with one depositor totaling $9,273,783. In addition, the Company had $1,762,958 in related party deposits as of December 31, 1999.

NOTE 6. OTHER BORROWINGS

Other borrowings consist of the following:

	DECEMBER 31,	
	1999	1998
Treasury, tax and loan note option account, with interest at .25% less than the Federal funds rate, due on demand	$389,302	$25,008

NOTE 7. INCOME TAXES

Income tax expense consists of the following:

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Current	$ 605,647	$ 869,706	$ 718,271
Deferred	(152,100)	(55,541)	(55,927)
Income tax expense	$ 453,547	$ 814,165	$ 662,344

NOTE 7. INCOME TAXES (CONTINUED)

The Company's income tax expense differs from the amounts computed by applying the Federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	YEARS ENDED DECEMBER 31,					
	1999		1998		1997	
	AMOUNT	PERCENT	Amount	Percent	Amount	Percent
Income taxes at statutory rate	$ 497,113	34 %	$ 833,498	34 %	$ 680,458	34 %
Tax-exempt interest	(148,317)	(10)	(118,070)	(5)	(100,796)	(5)
Disallowed interest expense	20,060	1	16,153	1	13,519	--
State income taxes (benefits)	(12,919)	--	42,198	2	46,429	3
Goodwill amortization	26,572	2	26,571	1	26,571	1
Other items, net	71,038	4	13,815	--	(3,837)	--
Income tax expense	$ 453,547	31 %	$ 814,165	33 %	$ 662,344	33 %

The components of deferred income taxes are as follows:

	DECEMBER 31,	
	1999	1998
Deferred tax assets:		
Loan loss reserves	$379,854	$247,031
Securities available-for-sale	296,893	--
Other	26,338	--
	703,085	247,031
Deferred tax liabilities:		
Depreciation	53,632	43,478
Securities available-for-sale	--	56,391
Other	--	3,093
	53,632	102,962
Net deferred tax assets	$649,453	$144,069

NOTE 8. EMPLOYEE BENEFITS

The Company has a defined benefit pension plan covering substantially all employees. Plan benefits are based on an employee's years of service and cumulative earnings. The Company's funding policy is to make contributions annually equal to the minimum amount as determined by the plan sponsor. Contributions charged to expense were $102,000, $92,777, and $91,999 for the years ended December 31, 1999, 1998 and 1997, respectively, which amounts were not materially different from periodic pension costs as determined in accordance with generally accepted accounting principles.

The following sets forth the plan's funded status for the plan years ended September 30, 1999, 1998, and 1997, respectively.

	1999	1998	1997
Change in benefit obligations:			
Benefit obligation at beginning of year	$ 740,021	$ 666,383	$ 578,386
Service cost	49,162	42,462	39,453
Interest cost	64,577	57,066	49,427
Actuarial gain (loss)	13,650	(25,890)	(883)
Benefits paid	--	--	--
Benefit obligation at end of year	867,410	740,021	666,383
Change in plan assets:			
Fair value of plan assets at beginning of year	579,552	500,978	402,896
Return on plan assets	15,640	(14,203)	6,083
Employer contribution	102,000	92,777	91,999
Benefits paid	--	--	--
Fair value of plan assets at end of year	697,192	579,552	500,978
Funded status	(170,218)	(160,469)	(165,405)
Unrecognized net transition obligation	140,393	152,092	163,791
Unrecognized net loss	107,969	60,129	28,535
Prepaid pension cost not included in balance sheet	$ 78,144	$ 51,752	$ 26,921

NOTE 8. EMPLOYEE BENEFITS (CONTINUED)

The components of net periodic pension cost are as follows:

	YEARS ENDED SEPTEMBER 30,		
	1999	1998	1997
Service cost	$ 49,162	$ 42,462	$ 39,453
Interest cost	64,577	57,066	49,427
Actual return on plan assets	(19,847)	(15,001)	(6,932)
Amortization of unrecognized net transition obligation	11,699	11,699	11,699
Deferred investment loss	(29,983)	(28,280)	(28,569)
	$ 75,608	$ 67,946	$ 65,078

Assumptions used were as follows:

	1999	1998	1997
Annual discount rate	8 %	8 %	8 %
Expected long-term rate of return on plan assets	8 %	8 %	8 %
Rate of increase in compensation	4 %	4 %	4 %

In 1998, the Company adopted a 401(k) retirement plan covering substantially all employees. Contributions to the plan charged to expense during 1999 and 1998 amounted to $25,525 and $19,496, respectively.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Company has entered into off-balance-sheet financial instruments which are not reflected in the financial statements. These financial instruments include commitments to extend credit and standby letters of credit. Such financial instruments are included in the financial statements when funds are disbursed or the instruments become payable. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. A summary of the Company's commitments is as follows:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Commitments to extend credit	$11,312,834	$11,991,000
Standby letters of credit	1,016,067	535,500
	$12,328,901	$12,526,500

Commitments to extend credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to customers. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include real estate and improvements, marketable securities, accounts receivable, inventory, equipment, and personal property.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral held varies as specified above and is required in instances which the Company deems necessary.

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management of the Company, any liability resulting from such proceedings would not have a material effect on the Company's financial statements.

NOTE 10. CONCENTRATIONS OF CREDIT

The Company originates primarily commercial, residential, and consumer loans to customers in Dawson County and surrounding counties. The ability of the majority of the Company's customers to honor their contractual loan obligations is dependent on the economy in Dawson County.

NOTE 10. CONCENTRATIONS OF CREDIT (CONTINUED)

Seventy-four percent of the Company's loan portfolio is secured by real estate, of which a substantial portion is secured by real estate in the Company's primary market area. Accordingly, the ultimate collectibility of the loan portfolio is susceptible to changes in market conditions in the Company's primary market area. The other significant concentrations of credit by type of loan are set forth in Note 3.

The Company, as a matter of policy, does not generally extend credit to any single borrower or group of related borrowers in excess of 25% of the Bank's statutory capital, or approximately $1,650,000.

NOTE 11. REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 1999, approximately $540,000 of retained earnings were available for dividend declaration without regulatory approval.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The holding company is not subject to prompt corrective action provisions.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. Management believes, as of December 31, 1999, the Company and Bank met all capital adequacy requirements to which they are subject.

NOTE 11. REGULATORY MATTERS (CONTINUED)

As of December 31, 1999, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company and Bank's actual capital amounts and ratios are presented in the following table.

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	(DOLLARS IN THOUSANDS)					
AS OF DECEMBER 31, 1999:						
TOTAL CAPITAL TO RISK WEIGHTED ASSETS:						
CONSOLIDATED	$10,613	15.56%	$5,453	8%	$ N/A	N/A
BANK	$10,568	15.50%	$5,453	8%	$6,816	10%
TIER I CAPITAL TO RISK WEIGHTED ASSETS:						
CONSOLIDATED	$ 9,757	14.31%	$2,727	4%	$ N/A	N/A
BANK	$ 9,712	14.25%	$2,727	4%	$4,090	6%
TIER I CAPITAL TO AVERAGE ASSETS:						
CONSOLIDATED	$ 9,757	9.13%	$4,275	4%	$ N/A	N/A
BANK	$ 9,712	9.09%	$4,275	4%	$5,343	5%
As of December 31, 1998:						
Total Capital to Risk Weighted Assets:						
Consolidated	$ 9,895	17.45%	$4,536	8%	$ N/A	N/A
Bank	$ 9,852	17.34%	$4,545	8%	$5,682	10%
Tier I Capital to Risk Weighted Assets:						
Consolidated	$ 9,184	16.20%	$2,268	4%	$ N/A	N/A
Bank	$ 9,140	16.09%	$2,272	4%	$3,408	6%
Tier I Capital to Average Assets:						
Consolidated	$ 9,184	9.85%	$3,729	4%	$ N/A	N/A
Bank	$ 9,140	9.80%	$3,731	4%	$4,663	5%

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow models. Those models are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The use of different methodologies may have a material effect on the estimated fair value amounts. Also, the fair value estimates presented herein are based on pertinent information available to management as of December 31, 1999 and 1998. Such amounts have not been revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

CASH, DUE FROM BANKS, INTEREST-BEARING DEPOSITS IN BANKS, AND FEDERAL FUNDS SOLD:

The carrying amounts of cash, due from banks, interest-bearing deposits in banks, and Federal funds sold approximate their fair value.

SECURITIES:

Fair values for securities are based on available quoted market prices. The carrying values of equity securities with no readily determinable fair value approximate fair values.

LOANS:

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. For other loans, the fair values are estimated using discounted cash flow models, using current market interest rates offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow models or based on the fair value of the underlying collateral.

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NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

DEPOSITS:

The carrying amounts of demand deposits, savings deposits, and variable-rate certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using discounted cash flow models, using current market interest rates offered on certificates with similar remaining maturities.

OTHER BORROWINGS:

Other borrowings consist of short term obligations under a treasury, tax and loan note option account which is due on demand. The carrying amounts approximate their fair values.

ACCRUED INTEREST:

The carrying amounts of accrued interest approximate their fair values.

Fair values of the Company's off-balance-sheet financial instruments are based on fees charged to enter into similar agreements. However, commitments to extend credit and standby letters of credit do not represent a significant value to the Company until such commitments are funded. The Company has determined that these instruments do not have a distinguishable fair value and no fair value has been assigned.

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

ACCRUED INTEREST (CONTINUED):

The estimated fair values and related carrying amounts of the Company's financial instruments were as follows:

	DECEMBER 31, 1999		December 31, 1998	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
Financial assets:				
Cash, due from banks, interest-bearing deposits in banks, and Federal funds sold	$11,429,780	$11,429,780	$12,019,204	$12,019,204
Securities available-for-sale	25,371,787	25,371,787	20,334,308	20,334,308
Securities held-to-maturity	3,762,312	3,784,371	4,701,141	4,832,239
Loans	61,016,155	62,356,054	53,702,520	54,738,647
Accrued interest receivable	1,163,588	1,163,588	947,370	947,370
Financial liabilities:				
Deposits	96,564,625	96,367,570	84,115,442	84,456,649
Other borrowings	389,302	389,302	25,008	25,008
Accrued interest payable	331,929	331,929	295,284	295,284

NOTE 13. STOCK DIVIDEND

On June 12, 1997 and January 14, 1999, the Company effected a one-for-five and a one-for-four stock split, respectively, both in the form of a stock dividend. Stockholders of record as of July 1, 1997 and January 20, 1999 received one additional share for every five shares they owned and one additional share for every four shares they owned on those dates, respectively. An amount equal to the par value of common shares declared was transferred from retained earnings to common stock. Earnings per share of common stock and all per share amounts presented herein have been adjusted to give effect to both splits.

NOTE 14. SUPPLEMENTAL FINANCIAL DATA

Components of other operating expenses in excess of 1% of total revenue are as follows:

	DECEMBER 31,		
	1999	1998	1997
Advertising	$104,490	$ 68,916	$ 58,242
Printing, stationery and supplies	117,195	82,861	87,007
Data processing services	189,119	159,761	137,365

NOTE 15. PARENT COMPANY FINANCIAL INFORMATION

The following information presents the condensed balance sheets of North Point Bancshares, Inc. as of December 31, 1999 and 1998 and the condensed statements of income and cash flows for the three years ended December 31, 1999:

CONDENSED BALANCE SHEETS

	1999	1998
ASSETS		
Cash	$ 39,335	$ 41,751
Investment in subsidiary	9,135,365	9,249,606
Goodwill, net	--	78,151
Other assets	26,182	2,571
Total assets	$9,200,882	$9,372,079
LIABILITIES	$ 20,427	$ 326
STOCKHOLDERS' EQUITY	9,180,455	9,371,753
Total liabilities and stockholders' equity	$9,200,882	$9,372,079

NOTE 15. PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

CONDENSED STATEMENTS OF INCOME

	1999	1998	1997
INCOME			
Interest	$ 1,360	$ 1,278	$ 1,073
Dividends from subsidiary	516,000	420,000	384,000
Total income	517,360	421,278	385,073
EXPENSE			
Salaries	3,000	3,000	3,000
Goodwill amortization	78,151	78,151	78,151
Other expense	2,715	5,085	4,232
Total expense	83,866	86,236	85,383
Income before income tax expense (benefits) and equity in undistributed income of subsidiary	433,494	335,042	299,690
INCOME TAX EXPENSE (BENEFITS)	(3,513)	3,165	(5,066)
Income before equity in undistributed income of subsidiary	437,007	331,877	304,756
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARY	571,543	1,305,422	1,034,248
Net income	$ 1,008,550	$1,637,299	$ 1,339,004

NOTE 15. PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS

	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 1,008,550	$ 1,637,299	$ 1,339,004
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	78,151	78,151	78,151
Undistributed income of subsidiary	(571,543)	(1,305,422)	(1,034,248)
Other operating activities	(3,512)	7,848	(5,067)
Net cash provided by operating activities	511,646	417,876	377,840
FINANCING ACTIVITIES			
Dividends paid	(514,062)	(411,250)	(376,979)
Net cash used in financing activities	(514,062)	(411,250)	(376,979)
Net increase (decrease) in cash	(2,416)	6,626	861
Cash at beginning of year	41,751	35,125	34,264
Cash at end of year	$ 39,335	$ 41,751	$ 35,125

NOTE 16. BUSINESS COMBINATION

On March 3, 2000, the Company entered into an definitive agreement with United Community Bank, Inc. ("United") of Blairsville, Georgia. Under this agreement, the Company will merge with and into United. Upon consummation of the merger, each share of Company stock will be converted into and exchanged for the right to receive approximately 2.25 shares of United common stock. Consummation is subject to certain conditions, including regulatory and stockholder approval and will be accounted for as a pooling of interests.

NOTE 16. BUSINESS COMBINATION (CONTINUED)

Also, on March 3, 2000, United entered into a definitive agreement to acquire Independent Bancshares, Inc. ("Independent"), a $145 million one-bank holding company for Independent Bank & Trust, located in Powder Springs, Georgia. Each share of Independent stock will be converted into and exchanged for the right to receive approximately .4211 shares of United common stock.

The following unaudited proforma data summarizes operating data as if the combinations had been consummated on January 1, 1997.

	As of and for the year ended (in thousands, except share amounts)		
	1999	1998	1997
Total assets	$2,383,486	$1,812,585	$1,410,071
Stockholders' equity	118,887	115,415	99,571
Net income	16,692	15,510	13,197
Basic income per share	1.70	1.59	1.41
Diluted income per share	1.67	1.56	1.40

NORTH POINT BANCSHARES, INC. AND SUBSIDIARY
Unaudited Consolidated Balance Sheet
(in thousands)

		March 31, 2000	December 31, 1999
ASSETS			
Cash and due from banks	$	7,295	7,250
Federal funds sold		-	4,180
Cash and cash equivalents		7,295	11,430
Securities held to maturity (estimated fair value of $3,550 and $3,784)		3,544	3,762
Securities available for sale		25,111	25,372
Loans, net of unearned income		75,336	62,212
Less: Allowance for loan losses		(1,210)	(1,196)
Loans, net		74,126	61,016
Premises and equipment, net		2,796	2,746
Other assets		2,238	2,152
Total assets	$	115,110	106,478
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand	$	18,536	17,738
Interest bearing demand		31,175	26,991
Savings		5,643	5,350
Time		48,284	46,486
Total deposits		103,638	96,565
Accrued expenses and other liabilities		595	344
Other borrowings		1,488	389
Total liabilities		105,721	97,298
Stockholders' equity:			
Common stock ($5 par value; 5,000,000 shares authorized; 428,385 shares issued and outstanding)		2,142	2,142
Capital surplus		1,985	1,985
Retained earnings		5,861	5,629
Accumulated other comprehensive income		(599)	(576)
Total stockholders' equity		9,389	9,180
Total liabilities and stockholders' equity	$	115,110	106,478
Outstanding common shares		428,385	428,385
Book value per common share	$	21.92	21.43

See notes to unaudited consolidated financial statements.

NORTH POINT BANCSHARES, INC. AND SUBSIDIARY
Unaudited Consolidated Statements of Income
(in thousands except, except per share data)

	For the Three Months Ended March 31, 2000	1999
Interest income:		
Interest and fees on loans	$ 1,670	1,431
Interest on federal funds sold	99	132
Interest on investment securities:		
Tax exempt	70	70
Taxable	416	300
Total interest income	2,255	1,933
INTEREST EXPENSE:		
Interest on deposits:		
Demand	384	253
Savings	41	43
Time	632	571
Other borrowings	3	2
Total interest expense	1,060	869
Net interest income	1,195	1,064
Provision for loan losses	20	30
Net interest income after provision for loan losses	1,175	1,034
NONINTEREST INCOME:		
Service charges and fees	116	99
Securities gains, net	-	-
Other non-interest income	66	63
Total noninterest income	182	162
NONINTEREST EXPENSE:		
Salaries and employee benefits	452	390
Occupancy	102	81
Other noninterest expense	260	205
Total noninterest expense	814	676
Income before income taxes	543	520
Income taxes	151	160
NET INCOME	$ 392	360
Basic earnings per share	$ 0.92	0.84
Diluted earnings per share	$ 0.92	0.84
Average shares outstanding	428	428
Diluted average shares outstanding	428	428

See notes to unaudited consolidated financial statements.

NORTH POINT BANCSHARES, INC. AND SUBSIDIARY
Unaudited Statement of 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	428	428
Net income	392	360
Basic earnings per share	0.92	0.84
Diluted earnings per share	0.92	0.84

NORTH POINT BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income (Unaudited)
(in thousands)

	For the Three Months Ended March 31	
	2000	1999
Net income	$ 392	360
Other comprehensive income (loss), before tax:		
Unrealized holding gains (losses) on investment securities available for sale	(34)	(154)
Less reclassification adjustment for gains on investment securities available for sale	-	-
Total other comprehensive income (loss), before tax	(34)	(154)
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME		
Unrealized holding gains (losses) on investment securities	(11)	(51)
Less reclassification adjustment for gains on investment securities available for sale	-	-
Total income tax expense (benefit) related to other comprehensive income (loss)	(11)	(51)
Total other comprehensive income (loss), net of tax	(23)	(103)
Total comprehensive income	$ 369	257

NORTH POINT BANCSHARES, INC. AND SUBSIDIARY
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	For the Three Months Ended March 31 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 392	360
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, amortization and accretion	40	(7)
Provision for loan losses	20	30
Change in assets and liabilities:		
Interest receivable	83	136
Other assets	(301)	(204)
Accrued expenses and other liabilities	260	71
NET CASH PROVIDED BY OPERATING ACTIVITIES	494	386
CASHFLOWS FROM INVESTING ACTIVITIES, NET OF PURCHASE ACQUISITIONS:		
Proceeds from maturities and calls of securities held to maturity	218	588
Proceeds from maturities and calls of securities available for sale	734	5,025
Purchases of securities available for sale	(500)	(8,175)
Net increase in loans	(13,124)	(1,749)
Proceeds from sale of other real estate	-	-
Purchase of bank premises and equipment	(1)	(71)
NET CASH USED IN INVESTING ACTIVITIES	(12,673)	(4,382)
CASHFLOWS FROM FINANCING ACTIVITIES, NET OF PURCHASE ACQUISITIONS		
Net change in demand and savings deposits	5,275	6,133
Net change in time deposits	1,798	1,926
Net change in long-term debt and other borrowings	1,099	177
Dividends paid	(128)	(128)
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,044	8,108
Net change in cash and cash equivalents	(4,135)	4,112
Cash and cash equivalents at beginning of period	11,430	12,019
Cash and cash equivalents at end of period	$ 7,295	16,131
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 1,054	864
Income Taxes	$ 146	170

NOTE 1 - Significant Accounting Policies

The accounting and financial reporting policies of North Point Bancshares, Inc. ("North Point") and its subsidiary conform to generally accepted accounting principles and general banking industry practices. The preceding consolidated financial statements as of March 31, 2000 have not been audited and all material intercompany balances and transactions have been eliminated. A more detailed description of North Point's accounting policies is included in the 1999 audited consolidated financial statements.

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.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
United Community Banks, Inc.
Blairsville, Georgia

We have audited the consolidated balance sheets of United Community Banks, Inc. and subsidiaries as of December 31, 1999 and 1998 and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Community Banks, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

\s\ PORTER KEADLE MOORE, LLP

Atlanta, Georgia
February 25, 2000, except for note 20
as to which the date is March 3, 2000

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 1999 and 1998

Assets

	1999	1998
	(In Thousands)	
Cash and due from banks, including reserve requirements of $25,890 and $18,205	$ 89,231	51,102
Federal funds sold	23,380	13,010
Cash and cash equivalents	112,611	64,112
Securities held to maturity (estimated fair value of $60,018)	-	58,306
Securities available for sale	534,503	333,787
Mortgage loans held for sale	6,326	8,129
Loans	1,400,360	1,061,166
Less allowance for loan losses	17,722	12,680
Loans, net	1,382,638	1,048,486
Premises and equipment, net	47,365	41,247
Accrued interest receivable	17,861	14,019
Other assets	30,136	23,313
Total assets	$ 2,131,440	1,591,399

Liabilities and Stockholders' Equity

	1999	1998
Liabilities:		
Deposits:		
Demand	$ 192,006	152,201
Interest-bearing demand	328,815	295,549
Savings	73,953	65,323
Time	1,054,618	725,250
Total deposits	1,649,392	1,238,323
Accrued expenses and other liabilities	24,378	20,089
Federal funds purchased and repurchase agreements	31,812	26,520
Federal Home Loan Bank advances	287,572	186,854
Long-term debt and other borrowings	17,516	1,277
Convertible subordinated debentures	3,500	3,500
Guaranteed preferred beneficial interests in company's junior subordinated debentures (Trust Preferred Securities)	21,000	21,000
Total liabilities	2,035,170	1,497,563
Commitments		
Stockholders' equity:		
Preferred stock	-	-
Common stock, $1 par value; 10,000,000 shares authorized; 8,034,268 and 8,003,722 shares issued and outstanding	8,034	8,004
Capital surplus	30,310	29,999
Retained earnings	66,606	54,500
Accumulated other comprehensive income (loss)	(8,680)	1,333
Total stockholders' equity	96,270	93,836
Total liabilities and stockholders' equity	$ 2,131,440	1,591,399

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
	(In Thousands Except Per Share Data)		
Interest income:			
Interest and fees on loans	$ 119,542	99,057	80,537
Interest on federal funds sold	1,050	1,645	1,723
Interest on investment securities:			
Taxable	25,285	12,260	9,609
Tax exempt	3,863	3,252	2,319
Total interest income	149,740	116,214	94,188
Interest expense:			
Interest on deposits:			
Demand	12,236	10,200	7,230
Savings	2,008	1,520	1,238
Time	48,415	41,423	36,309
	62,659	53,143	44,777
Other borrowings	19,107	6,861	3,693
Total interest expense	81,766	60,004	48,470
Net interest income	67,974	56,210	45,718
Provision for loan losses	5,104	2,612	2,814
Net interest income after provision for loan losses	62,870	53,598	42,904
Non-interest income:			
Service charges and fees	5,161	4,227	3,681
Securities gain, net	543	804	737
Mortgage loan and other related fees	1,638	1,822	1,157
Other non-interest income	3,494	2,276	1,625
Total non-interest income	10,836	9,129	7,200
Non-interest expense:			
Salaries and employee benefits	30,366	24,560	18,914
Occupancy	9,582	7,057	4,980
Other non-interest expense	14,217	12,347	10,169
Total non-interest expense	54,165	43,964	34,063
Income before income taxes	19,541	18,763	16,041
Income taxes	5,893	5,990	4,987
Net income	$ 13,648	12,773	11,054
Basic income per share	$ 1.70	1.60	1.42
Diluted income per share	$ 1.66	1.57	1.40

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
		(In Thousands)	
Net income	$ 13,648	12,773	11,054
Other comprehensive income:			
Unrealized holding gains (losses) on investment securities available for sale	(15,608)	1,581	2,272
Less reclassification adjustment for gains on sales of investment securities available for sale	543	804	737
Total other comprehensive income (loss), before income taxes	(16,151)	777	1,535
Income tax expense (benefit) related to other comprehensive income:			
Unrealized holding gains (losses) on investment securities available for sale	(5,932)	601	864
Less reclassification adjustment for gains (losses) on sales of investment securities available for sale	206	306	280
Total income tax expense (benefit) related to other comprehensive income	(6,138)	295	584
Total other comprehensive income (loss), net of tax	(10,013)	482	951
Total comprehensive income	$ 3,635	13,255	12,005

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 1999, 1998 and 1997

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
	(In Thousands Except Share and Per Share Data)					
Balance, December 31, 1996, as previously reported	7,084,621	$ 7,085	18,516	32,162	(88)	57,675
Adjustment in connection with pooling of interests	508,393	509	3,733	452	(12)	4,682
Balance, December 31, 1996, as restated	7,593,014	7,594	22,249	32,614	(100)	62,357
Change in unrealized gain on securities available for sale, net of tax	-	-	-	-	951	951
Cash dividends declared, ($.10 per share)	-	-	-	(759)	-	(759)
Net income	-	-	-	11,054	-	11,054
Proceeds from common stock offering, net of offering cost	300,000	300	6,177	-	-	6,477
Proceeds from resale of treasury stock of pooled entity	484	-	6	-	-	6
Balance, December 31, 1997	7,893,498	7,894	28,432	42,909	851	80,086
Change in unrealized gain on securities available for sale, net of tax	-	-	-	-	482	482
Cash dividends declared, ($.15 per share)	-	-	-	(1,182)	-	(1,182)
Net income	-	-	-	12,773	-	12,773
Proceeds from common stock offering, net of offering costs	101,724	102	1,458	-	-	1,560
Proceeds from exercise of stock options	8,500	8	109	-	-	117
Balance, December 31, 1998	8,003,722	8,004	29,999	54,500	1,333	93,836
Change in unrealized gain (loss) on securities available for sale, net of tax	-	-	-	-	(10,013)	(10,013)
Cash dividends declared, ($.20 per share)	-	-	-	(1,542)	-	(1,542)
Net income	-	-	-	13,648	-	13,648
Proceeds from exercise of stock options, including disqualified disposition tax benefit	30,546	30	311	-	-	341
Balance, December 31, 1999	8,034,268	$ 8,034	30,310	66,606	(8,680)	96,270

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
		(In Thousands)	
Cash flows from operating activities:			
Net income	$ 13,648	12,773	11,054
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	5,135	3,027	2,542
Provision for loan losses	5,104	2,612	2,814
Deferred income tax benefit	(1,616)	(766)	(404)
Gain on sale of securities available for sale	(543)	(810)	(737)
Change in assets and liabilities, net of effects of purchase acquisitions:			
Other assets and accrued interest receivable	(4,859)	(411)	(4,470)
Accrued expenses and other liabilities	6,292	(10,561)	725
Mortgage loans held for sale	1,803	(4,167)	2,765
Net cash provided by operating activities	24,964	1,697	14,289
Cash flows from investing activities, net of effects of purchase acquisitions:			
Cash acquired from (paid for) acquisitions and branch purchases	(2,757)	20,282	-
Proceeds from maturities and calls of securities held to maturity	-	25,439	18,009
Purchases of securities held to maturity	-	(14,087)	(10,564)
Proceeds from sales of securities available for sale	8,131	44,193	36,683
Proceeds from maturities and calls of securities available for sale	91,280	68,363	22,470
Purchases of securities available for sale	(241,019)	(268,590)	(121,996)
Net increase in loans	(325,833)	(186,254)	(210,706)
Purchases of premises and equipment	(8,318)	(14,842)	(9,875)
Purchases of life insurance contracts	-	(8,117)	-
Transaction costs associated with Trust Preferred Securities	-	(959)	-
Net cash used in investing activities	(478,516)	(334,572)	(275,979)
Cash flows from financing activities, net of effects of purchase acquisitions:			
Net change in demand and savings deposits	64,998	119,487	67,709
Net change in time deposits	316,005	61,683	156,897
Net change in federal funds purchased and repurchase agreements	5,292	(6,901)	33,421
Proceeds from notes payable and other borrowings	16,239	-	4,747
Proceeds from FHLB advances	201,625	221,249	16,636
Proceeds from Trust Preferred Securities	-	21,000	-
Repayments of notes payable	-	(12,792)	(1,131)
Repayments of FHLB advances	(100,907)	(78,715)	(7,389)
Proceeds from exercise of stock options	216	117	-
Proceeds from sale of common stock	-	1,560	6,477
Proceeds from resale of treasury stock of pooled entity	-	-	6
Cash paid for dividends	(1,417)	(1,089)	(825)
Net cash provided by financing activities	502,051	325,599	276,548
Net change in cash and cash equivalents	48,499	(7,276)	14,858
Cash and cash equivalents at beginning of period	64,112	71,388	56,530
Cash and cash equivalents at end of period	$ 112,611	64,112	71,388

See accompanying notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by United Community Banks, Inc. ("United") and its subsidiaries and the methods of applying these principles conform with generally accepted accounting principles and with general practices within the banking industry. The following is a description of the more significant of those policies.

ORGANIZATION AND BASIS OF PRESENTATION

United is an eight-bank holding company whose business is conducted by its wholly-owned bank subsidiaries. United is subject to regulation under the Bank Holding Company Act of 1956. The consolidated financial statements include the accounts of United Community Banks, Inc. and its wholly-owned commercial bank subsidiaries, United Community Bank, Blairsville, Georgia ("UCB"), Carolina Community Bank, Murphy, North Carolina ("Carolina"), Peoples Bank of Fannin County, Blue Ridge, Georgia ("Peoples"), Towns County Bank, Hiawassee, Georgia ("Towns"), White County Bank, Cleveland, Georgia ("White"), First Clayton Bank and Trust, Clayton, Georgia ("Clayton"), Bank of Adairsville, Adairsville, Georgia ("Adairsville"), 1st Floyd Bank, Rome, Georgia ("Floyd") (collectively, the "Banks") 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 years' financial statements have been reclassified to conform to the current financial statement presentations.

The Banks are commercial banks that serve markets throughout North Georgia and Western North Carolina and provide a full range of customary banking services. The Banks are insured and subject to the regulation of the Federal Deposit Insurance Corporation ("FDIC").

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with these valuations, management obtains independent appraisals for significant properties.

A substantial portion of United's loans are secured by real estate located in North Georgia and Western North Carolina. Accordingly, the ultimate collectibility of a substantial portion of United's loan portfolio is susceptible to changes in the real estate market conditions of this market area.

INVESTMENT SECURITIES

United classifies its securities in one of three categories: held to maturity, available for sale, or trading. Trading securities are bought and held principally for the purpose of selling them in the near term. United does not have investments classified in the trading category. Held to maturity securities are those securities for which United has the ability and intent to hold until maturity. All other securities are classified as available for sale.

Available for sale securities are recorded at fair value. Held to maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses, net of the related tax effect, on securities available for sale are excluded from income and are reported as a separate component of stockholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held to maturity to available for sale are recorded as a separate component of stockholders' equity. The unrealized holding gains or losses included in the separate component of stockholders' equity for securities transferred from available for sale to held to maturity are maintained and amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization or accretion of premium or discount on the associated security.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INVESTMENT SECURITIES, continued

A decline in the market value of any available for sale or held to maturity investment below cost that is deemed other than temporary is charged to income and establishes a new cost basis for the security.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available for sale and held to maturity are included in income and are derived using the specific identification method for determining the cost of securities sold.

MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income of the period in which the change occurs. No market valuation allowances were required at December 31, 1999 or 1998.

LOANS AND ALLOWANCE FOR LOAN LOSSES

All loans are stated at principal amount outstanding. Interest on loans is primarily calculated by using the simple interest method on daily balances of the principal amount outstanding.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. Generally, payments on nonaccrual loans are applied to principal.

A loan is impaired when, based on current information and events, it is probable that all amounts due, according to the contractual terms of the loan, will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest income on impaired loans is recognized using the cash-basis method of accounting during the time within the period in which the loans were impaired. The Banks had no material amounts of impaired loans at December 31, 1999 or 1998.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance represents an amount, which, in management's judgment, will be adequate to absorb probable losses on existing loans that may become uncollectible.

Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectibility of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, overall portfolio quality, and review of specific problem loans. In determining the adequacy of the allowance for loan losses, management uses a loan grading system that rates loans in ten different categories. Grades seven through ten are assigned allocations of loss based on the standard regulatory loss percentages set forth in the FDIC Interagency Policy Statement on the Allowance for Loan and Lease Losses issued in 1993. Loans graded one through six are allocated loss ranges based on historical loss experience for the previous five years. The combination of these results are compared quarterly to the recorded allowance for loan losses and material deficiencies are adjusted by increasing the provision for loan losses. Management has a devoted internal loan review department that is independent of the lending function to challenge and corroborate the loan grading system and provide additional analysis in determining the adequacy of the allowance for loan losses and the future provisions for estimated loan losses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United's allowance for loan losses. Such agencies may require United to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed currently. The range of estimated useful lives for buildings and improvements is 15 to 40 years, and for furniture and equipment, 3 to 10 years.

GOODWILL AND DEPOSIT-BASED INTANGIBLES

Goodwill, arising from the excess cost over the fair value of net assets acquired of purchased bank subsidiaries, is amortized on a straight-line basis over periods not exceeding 25 years. Deposit assumption premiums paid in connection with branch bank purchases are being amortized over 15 years, the estimated life of the deposit base acquired. On an ongoing basis, management reviews the valuation and amortization periods of goodwill and the deposit assumption premiums to determine if events and circumstances require the remaining lives to be reduced.

MORTGAGE SERVICING RIGHTS

United's mortgage banking division accounts for mortgage servicing rights as a separate asset regardless of whether the servicing rights are acquired through purchase or origination. United's mortgage servicing rights represent the unamortized cost of purchased and originated contractual rights to service mortgages for others in exchange for a servicing fee and ancillary loan administration income. Mortgage servicing rights are amortized over the period of estimated net servicing income and are periodically adjusted for actual and anticipated prepayments of the underlying mortgage loans. Impairment analysis is performed quarterly after stratifying the rights by interest rate. Impairment, defined as the excess of the asset's carrying value over its current fair value, is recognized through a valuation allowance. At December 31, 1999 and 1998, no valuation allowances were required for United's mortgage servicing rights.

United recognized approximately $15,000 in servicing assets during 1997, and recognized amortization expense relating to servicing assets of approximately $315,000, $387,000, and $144,000 during 1999, 1998 and 1997, respectively.

INCOME TAXES

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

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of United's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 1999, United adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards for hedging activities and for derivative instruments including derivative instruments embedded in other contracts. It requires the fair value recognition of derivatives as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. The change in fair value of instruments used as fair value hedges is accounted for in the income of the period simultaneous with accounting for the fair value change of the item being hedged. The change in fair value of the effective portion of cash flow hedges is accounted for in comprehensive income rather than income, and the change in fair value of foreign currency hedges is accounted for in comprehensive income as part of the translation adjustment. The change in fair value of derivative instruments that are not intended as a hedge is accounted for in the income of the period of the change. At the date of initial application, an entity may transfer any held to maturity security into the available for sale or trading categories without calling into question the entity's intent to hold other securities to maturity in the future. In 1999, the Banks transferred all held to maturity investment securities to available for sale under this provision of SFAS No. 133. The held to maturity securities had amortized cost of $58.3 million and net unrealized gains of $1.8 million. The result of the transfer was to increase stockholders' equity by $1.1 million, which represented the net of tax effect of the unrealized gains associated with the held to maturity investments transferred.

OTHER

Property (other than cash deposits) held by the Banks in a fiduciary or agency capacity for customers is not included in the consolidated balance sheets since such items are not assets of the Banks.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INCOME PER SHARE

United is required to report on the face of the statements of income, income per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic income 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 income per common share. Additionally, United must reconcile the amounts used in the computation of both basic income per share and diluted income per share. Income per common share amounts for the years ended December 31, 1999, 1998 and 1997 are as follows (dollars and shares in thousands, except for per share data):

FOR THE YEAR ENDED DECEMBER 31, 1999

	Net Income (Numerator)	Weighted Average Common Shares (Denominator)	Per Share Amount
Basic income per share	$ 13,648	8,020	$ 1.70
Effect of dilutive securities:			
Stock options	-	156	
Convertible debentures	191	140	
Diluted income per share	$ 13,839	8,316	$ 1.66

FOR THE YEAR ENDED DECEMBER 31, 1998

	Net Income (Numerator)	Weighted Average Common Shares (Denominator)	Per Share Amount
Basic income per share	$ 12,773	7,973	$ 1.60
Effect of dilutive securities:			
Stock options	-	133	
Convertible debentures	187	140	
Diluted income per share	$ 12,960	8,246	$ 1.57

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INCOME PER SHARE, continued

FOR THE YEAR ENDED DECEMBER 31, 1997

	Net Income (Numerator)	Weighted Average Common Shares (Denominator)	Per Share Amount
Basic income per share	$ 11,054	7,810	$ 1.42
Effect of dilutive securities:			
Stock options	-	81	
Convertible debentures	189	140	
Diluted income per share	$ 11,243	8,031	$ 1.40

(1) MERGERS AND ACQUISITIONS

Effective August 27, 1999, the Company acquired, for 632,890 shares of its $1 par value common stock and approximately $8,700 paid for fractional shares, all of the outstanding common stock of 1st Floyd Bankshares, Inc., a $115 million one-bank holding company, located in Rome, Georgia. The acquisition was accounted for as a pooling of interests and accordingly, the consolidated financial statements for all periods presented have been restated to include the financial position and results of operations as if the combination had occurred on January 1, 1997.

The following is a reconciliation of the amounts of net interest income and net earnings previously reported with the restated amounts (in thousands):

	1999	1998	1997
Net interest income:			
The Company, as previously reported in 1998 and 1997	$ 63,298	52,499	43,232
Floyd	4,676	3,711	2,486
As restated	$ 67,974	56,210	45,718
Net income:			
The Company, as previously reported in 1998 and 1997	$ 13,231	12,152	10,735
Floyd	417	621	319
As restated	$ 13,648	12,773	11,054

United recorded merger, integration and restructuring charges of $1.8 million during 1999 associated with the acquisition of 1st Floyd Bankshares, Inc. The components of the charges are shown below (in thousands):

Severance and related costs	$ 692
Premises and equipment write-downs	424
Professional fees	522
Other merger-related expenses	207
Total	$ 1,845

(1) MERGERS AND ACQUISITIONS, continued

The following table presents a summary of activity with respect to the merger-related accrual (in thousands):

Balance at beginning of year	$	-
Merger-related charge		1,845
Cash payments		(956)
Noncash write-downs		(434)
Balance at end of year	$	455

On March 15, 1999, United acquired all the outstanding common stock of Adairsville Bancshares, Inc., the parent company of Bank of Adairsville, Adairsville, Georgia, for $7.1 million plus certain acquisition costs. United accounted for this transaction using the purchase method, and accordingly, the original purchase price was allocated to assets and liabilities acquired based upon their fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired (goodwill) was approximately $2.9 million and is being amortized over 15 years using the straight-line method.

On January 30, 1998, Peoples assumed deposits of $23.4 million and purchased certain assets totaling $3.7 million of a branch in Ellijay, Georgia.

Effective September 12, 1997, United acquired, for 646,257 shares of its $1 par value common stock and approximately $7,000 paid for fractional shares, all of the outstanding common stock of First Clayton Bancshares, Inc., a $73 million one-bank holding company, located in Clayton, Georgia. The acquisition was accounted for as a pooling of interests.

(2) CASH FLOWS

United paid approximately $78 million, $59 million and $47 million in interest on deposits and other liabilities during 1999, 1998 and 1997, respectively. In connection with United's 1999 acquisition of Adairsville, assets having a fair value of $36 million were acquired and liabilities totaling $32 million were assumed.

	For the Years Ended December 31,			
		1999	1998	1997
Schedule of noncash investing and financing activities (in thousands):				
Change in unrealized gains (losses) on securities available for sale, net of tax	$	(10,013)	482	951
Change in dividends payable	$	125	93	(66)
Deposit liabilities assumed in branch acquisition	$	-	23,399	-
Assets acquired in branch acquisition, other than cash and cash equivalents	$	-	3,246	-
Investment securities purchase obligations	$	14,500	10,645	-
Transfer of securities held to maturity to available for sale	$	58,306	-	-
Income tax benefit of disqualified disposition of shares under option	$	125	-	-

(3) INVESTMENT SECURITIES

Investment securities at December 31, 1999 and 1998, are as follows (in thousands):

December 31, 1999				
SECURITIES AVAILABLE FOR SALE:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ 32,674	28	302	32,400
U.S. Government agencies	105,219	2	2,491	102,730
State and political subdivisions	81,116	253	2,545	78,824
Mortgage-backed securities	305,951	449	8,468	297,932
Other	23,403	-	786	22,617
Total	$ 548,363	732	14,592	534,503

December 31, 1998				
SECURITIES AVAILABLE FOR SALE:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ 32,090	990	-	33,080
U.S. Government agencies	46,421	492	9	46,904
State and political subdivisions	22,305	369	64	22,610
Mortgage-backed securities	220,171	945	480	220,636
Other	10,615	1	59	10,557
Total	$ 331,602	2,797	612	333,787
SECURITIES HELD TO MATURITY:				
U.S. Government agencies	$ 1,885	9	5	1,889
State and political subdivisions	53,386	1,691	33	55,044
Mortgage-backed securities	2,122	55	5	2,172
Other	913	-	-	913
Total	$ 58,306	1,755	43	60,018

(3) INVESTMENT SECURITIES, continued

The amortized cost and estimated fair value of the securities portfolio at December 31, 1999, by contractual maturity, is presented in the following table. Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale	
	Amortized Cost	Estimated Fair Value
U.S. Treasuries:		
Within 1 year	$ 9,246	9,252
1 to 5 years	23,428	23,148
	$ 32,674	32,400
U.S. Government agencies:		
Within 1 year	$ 4,450	4,405
1 to 5 years	63,670	61,903
5 to 10 years	33,611	33,202
More than 10 years	3,488	3,220
	$ 105,219	102,730
State and political subdivisions:		
Within 1 year	$ 5,322	5,324
1 to 5 years	32,469	32,280
5 to 10 years	25,420	24,749
More than 10 years	17,905	16,471
	$ 81,116	78,824
Other:		
More than 10 years	$ 23,403	22,617
Total securities other than mortgage-backed securities:		
Within 1 year	$ 19,018	18,981
1 to 5 years	119,567	117,331
5 to 10 years	59,031	57,951
More than 10 years	44,796	42,308
Mortgage-backed securities	305,951	297,932
	$ 548,363	534,503

There were no sales of securities held to maturity during 1999, 1998 and 1997. Proceeds from sales of securities available for sale during 1999, 1998 and 1997 were $8 million, $44 million and $37 million, respectively. Gross gains of $646,000, $807,000 and $767,000 for 1999, 1998 and 1997, respectively, along with gross losses of $103,000, $3,000 and $30,000 for 1999, 1998 and 1997, respectively, were realized on those sales. Income tax expense recognized on these gains and losses was $206,000, $306,000 and $280,000 in 1999, 1998 and 1997, respectively.

Securities with a carrying value of $141 million and $102 million at December 31, 1999 and 1998, respectively, were pledged to secure public deposits and Federal Home Loan Bank advances.

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

Major classifications of loans at December 31, 1999 and 1998, are summarized as follows (in thousands):

	1999	1998
Commercial, financial and agricultural	$ 121,325	109,647
Real estate - construction	161,020	121,900
Real estate - mortgage	971,543	694,561
Consumer	146,472	135,058
Total loans	1,400,360	1,061,166
Less allowance for loan losses	17,722	12,680
Loans, net	$ 1,382,638	1,048,486

The Banks grant loans and extensions of credit to individuals and a variety of firms and corporations located primarily in counties in North Georgia and Western North Carolina. Although the Banks have diversified loan portfolios, a substantial portion of the loan portfolios is collateralized by improved and unimproved real estate and is dependent upon the real estate market.

During 1999 and 1998, certain executive officers and directors of United and its Banks, including their immediate families and companies with which they are associated, maintained a variety of banking relationships with the Banks. Total loans outstanding to these persons at December 31, 1999 and 1998 amounted to $39,559,000 and $22,755,000, respectively. The change from December 31, 1998 to December 31, 1999 reflects payments amounting to $25,188,000 and advances of $41,992,000. Such loans are made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements, and do not represent more than normal credit risk.

Changes in the allowance for loan losses are summarized as follows (in thousands):

	1999	1998	1997
Balance at beginning of year	$ 12,680	10,989	8,536
Allowance for loan losses acquired from Adairsville	1,822	-	-
Provisions charged to income	5,104	2,612	2,814
Loans charged off	(2,854)	(1,463)	(830)
Recoveries of loans previously charged off	970	542	469
Balance at end of year	$ 17,722	12,680	10,989

United serviced approximately $55.0 million and $73.6 million of mortgage loans for others at December 31, 1999 and 1998, respectively.

(5) PREMISES AND EQUIPMENT

Premises and equipment at December 31, 1999 and 1998, are summarized as follows (in thousands):

	1999	1998
Land and land improvements	$ 10,662	8,187
Building and improvements	25,217	19,074
Furniture and equipment	25,449	20,714
Construction in progress	2,881	5,907
	64,209	53,882
Less accumulated depreciation	16,844	12,635
	$ 47,365	41,247

Depreciation expense was approximately $4.2 million, $2.8 million and $2.2 million in 1999, 1998 and 1997, respectively.

(6) TIME DEPOSITS

The aggregate amount of time deposit accounts with a minimum denomination of $100,000 was approximately $312,000,000 and $219,968,000 at December 31, 1999 and 1998, respectively.

At December 31, 1999, contractual maturities of time deposits are summarized as follows (in thousands):

Maturing In:	
2000	$ 829,681
2001	186,062
2002	28,983
2003	7,990
2004	1,512
Thereafter	390
	$ 1,054,618

(7) Federal Home Loan Bank Advances

The Banks have advances from the Federal Home Loan Bank ("FHLB") with monthly interest payments and principal payments due at various maturity dates and interest rates ranging from 4.35% to 7.81% at December 31, 1999. The FHLB advances are collateralized by first mortgage loans, mortgage-backed securities and FHLB stock.

Advances from FHLB outstanding at December 31, 1999 mature as follows (in thousands):

Year	
2000	$ 80,682
2001	10,308
2002	56,433
2003	37,469
2004	39,255
Thereafter	63,425
	$ 287,572

(8) LONG-TERM DEBT AND OTHER BORROWINGS

Long-term debt and other borrowings at December 31, 1999 and 1998 consisted of the following (in thousands):

		1999	1998
Note payable, due at maturity with monthly interest payments through March 2001, secured by common stock of the Bank Subsidiaries. Interest is variable based on the prime rate less 1.25%. The loan agreement contains covenants and restrictions pertaining to the maintenance of certain financial ratios, limitations on the incurrence of additional debt, and the declaration of dividends or other capital transactions. As of December 31, 1999, the Company had violated certain financial covenants; however, the Company has obtained a waiver of these violations.	$	15,365	-
Commercial paper of Finance, due at maturity during 2000 and unsecured. Interest is from 6.50% to 7.00% and is payable monthly.		2,151	1,277
	$	17,516	1,277

(9) CONVERTIBLE SUBORDINATED DEBENTURES

On December 31, 1996, United completed a private placement of convertible subordinated debentures due December 31, 2006 (the "Debentures"). The Debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum, payable in quarterly installments. The Debentures may be redeemed, in whole or in part at the option of United upon at least 20 days and not more than 60 days notice, at a redemption price equal to 100% of the principal amount of the Debentures to be redeemed plus interest accrued and unpaid as of the date of redemption. The holders of the Debentures not called for redemption will have the right, exercisable at any time up to December 31, 2006, to convert such Debenture at the principal amount thereof into shares of common stock of United at the conversion price of $25 per share, subject to adjustment for stock splits and stock dividends.

Certain directors and executive officers of United held convertible debentures totaling $2,800,000 at December 31, 1999 and 1998.

(10) TRUST PREFERRED SECURITIES

In July, 1998, United formed a wholly owned Delaware statutory business trust, United Community Capital Trust ("United Trust"), which issued $21 million of guaranteed preferred beneficial interests in United's junior subordinated deferrable interest debentures that qualify as Tier 1 capital under Federal Reserve Board guidelines. All of the common securities of United Trust are owned by United. The proceeds from the issuance of the Common Securities and the Trust Preferred Securities were used by United Trust to purchase $21.7 million of junior subordinated debentures of United which carry a fixed interest rate of 8.125 percent. The proceeds received by United from the sale of the junior subordinated debentures were used to prepay line of credit borrowings of approximately $11.8 million and for further investments in the Banks. The debentures represent the sole asset of United Trust. The debentures and related income statement effects are eliminated in United's financial statements.

The Trust Preferred Securities accrue and pay distributions semiannually at a fixed rate of 8.125 percent per annum of the stated liquidation value of $1,000 per capital security. United has entered into contractual arrangements which, taken collectively, fully and unconditionally guarantee payment of: (i) accrued and unpaid distributions required to be paid on the Trust Preferred Securities; (ii) the redemption price with respect to any Trust Preferred Securities called for redemption by United Trust, and (iii) payments due upon a voluntary or involuntary dissolution, winding up or liquidation of United Trust.

(10) TRUST PREFERRED SECURITIES, continued

The Trust Preferred Securities are mandatorily redeemable upon maturity of the debentures on July 15, 2028, or upon earlier redemption as provided in the indenture. United has the right to redeem the debentures purchased by United Trust: (i) in whole or in part, on or after July 15, 2008, and (ii) in whole (but not in part) at any time within 90 days following the occurrence and during the continuation of a tax event, investment company event or capital treatment time (as defined in the offering circular). As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the principal amount, any accrued but unpaid interest, plus a premium ranging from 4.06 percent in 2008 to 0.41 percent in 2017.

(11) INCOME TAXES

During 1999, 1998 and 1997, United made income tax payments of approximately $6.9 million, $6.3 million and $5.8 million, respectively.

The components of income tax expense for the years ended December 31, 1999, 1998 and 1997 are as follows (in thousands):

	1999	1998	1997
Current	$ 7,509	6,756	5,391
Deferred (reduction)	(1,616)	(766)	(404)
	$ 5,893	5,990	4,987

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate (34 percent) to income before income taxes are as follows (in thousands):

	1999	1998	1997
Pretax income at statutory rates	$ 6,644	6,379	5,454
Add (deduct):			
Tax-exempt interest income	(1,360)	(1,158)	(878)
Nondeductible interest expense	256	224	147
Other	353	545	264
	$ 5,893	5,990	4,987

The following summarizes the sources and expected tax consequences of future taxable deductions (income) which comprise the net deferred tax asset at December 31, 1999 and 1998 (in thousands):

	1999	1998
Deferred tax assets:		
Allowance for loan losses	$ 6,823	4,848
Net operating loss and credit carryforwards	561	-
Unrealized loss of securities available for sale	5,099	-
Other	253	122
Gross deferred tax assets	12,736	4,970
Deferred tax liabilities:		
Premises and equipment	(1,983)	(1,567)
Unrealized gain on securities available for sale	-	(879)
Other	(216)	(423)
Gross deferred tax liabilities	(2,199)	(2,869)
Net deferred tax asset	$ 10,537	2,101

(12) EMPLOYEE BENEFIT PLANS

United has contributory employee benefit plans covering substantially all employees, subject to certain minimum service requirements. United's contribution to the plans is determined annually by the Board of Directors and amounted to approximately $1,215,000, $1,025,000 and $803,000 in 1999, 1998, and 1997, respectively. The companies acquired in 1999 sponsored certain defined contribution employee benefit plans that have been or will be merged into the existing plan of United. Under these plans, the acquired companies recognized expenses of approximately $113,000, $77,000 and $25,000 in 1999, 1998 and 1997, respectively.

During 1998, United initiated a defined post-retirement benefit plan to provide retirement benefits to certain executive officers and other key employees and to provide death benefits for their designated beneficiaries. Under this plan, United purchased split-dollar whole life insurance contracts on the lives of each participant. At December 31, 1999 and 1998, the cash surrender value of the insurance contracts was approximately $8.6 million and $8.1 million, respectively. Expenses incurred for benefits were approximately $204,000 during 1999. No expenses were incurred for benefits during 1998.

(13) REGULATORY MATTERS

United and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, action by regulators that, if undertaken, could have a direct material effect on the Banks' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Banks must meet specific capital guidelines that involve quantitative measures of the Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Banks' capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Banks to maintain minimum amounts and ratios of total and Tier 1 capital (as defined) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 1999, that the Banks meet all capital adequacy requirements to which they are subject.

Minimum ratios required by the Banks to ensure capital adequacy are 8% for total capital to risk weighted assets and 4% each for Tier 1 capital to risk weighted assets and Tier 1 capital to average assets. Minimum ratios required by the Banks to be well capitalized under prompt corrective action provisions are 10% for total capital to risk weighted assets, 6% for Tier 1 capital to risk weighted assets and 5% for Tier 1 capital to average assets. Minimum amounts required for capital adequacy purposes and to be well capitalized under prompt corrective action provisions are presented below for United and its most significant subsidiaries (in thousands). Prompt corrective action provisions do not apply to bank holding companies.

	Minimum Total Risk Based		Minimum Tier 1 Risk Based		Minimum Tier 1 Leverage	
1999	Capital Adequacy	Prompt Corrective Action	Capital Adequacy	Prompt Corrective Action	Capital Adequacy	Prompt Corrective Action
Consolidated	$ 110,443	N/A	55,221	N/A	75,471	N/A
UCB	31,744	39,680	15,872	23,808	24,370	30,463
Carolina	30,176	37,720	15,088	22,632	22,933	28,666
1998						
Consolidated	$ 88,550	N/A	44,275	N/A	59,805	N/A
UCB	27,819	34,774	13,910	20,864	18,811	23,514
Carolina	22,814	28,517	11,407	17,110	16,965	21,207

(13) REGULATORY MATTERS, continued

Actual capital amounts and ratios for United and its most significant Banks as of December 31, 1999 and 1998, are as follows (in thousands):

	Actual Total Risk Based		Actual Tier 1 Risk Based		Actual Tier 1 Leverage	
1999	Actual Amount	Ratio	Actual Amount	Ratio	Actual Amount	Ratio
Consolidated	$ 137,298	9.95%	116,536	8.44%	116,536	5.52%
UCB	43,825	11.05%	38,865	9.80%	38,865	6.38%
Carolina	39,521	10.48%	34,991	9.28%	34,991	6.10%
1998						
Consolidated	$ 122,468	11.06%	106,269	9.60%	106,269	7.11%
UCB	39,272	11.29%	35,209	10.13%	35,209	7.49%
Carolina	30,374	10.65%	26,808	9.40%	26,808	6.32%

As of December 31, 1999 and 1998, the most recent notification from the FDIC categorized each of the Banks as well capitalized under the regulatory framework for prompt corrective action.

(14) COMMITMENTS

The Banks are parties to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, letters of credit and financial guarantees. 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 the Banks have 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, letters of credit and financial guarantees written is represented by the contractual amount of these instruments. The Banks use the same credit policies in making commitments and conditional obligations as for on-balance-sheet instruments. In most cases, collateral or other security is required to support financial instruments with credit risk.

The following table summarizes, as of December 31, 1999 and 1998, the contract amount of off-balance sheet instruments (in thousands):

	1999	1998
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 212,099	136,281
Standby letters of credit	$ 6,523	8,698

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

(14) Commitments, continued

Standby letters of credit and financial guarantees written are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to local businesses. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks hold real estate, certificates of deposit, equipment and automobiles as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments varies.

United maintains an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that the net interest margin is not, on a material basis, adversely affected by movements in interest rates. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. United views this strategy as a prudent management of interest rate sensitivity, such that earnings are not exposed to undue risk presented by changes in interest rates.

Derivative instruments that are used as part of United's interest rate risk-management strategy include interest rate contracts (swaps and caps). As a matter of policy, United does not use highly leveraged derivative instruments for interest rate risk management. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. Interest rate cap agreements provide for a variable cash flow if interest rates exceed the cap rate, based on a notional principal amount and maturity date.

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair-value gain in a derivative. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes United, and, therefore, creates a repayment risk for United. When the fair value of a derivative contract is negative, United owes the counterparty and, therefore, it has no repayment risk. United minimizes the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by United.

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

As described more fully in the summary of significant accounting policies, United adopted SFAS No. 133 during 1999. All of United's derivative financial instruments are classified as highly effective fair value hedges. United enters into interest-rate swaps and caps to convert a portion of its fixed rate loans and a portion of its fixed-rate liabilities to variable.

For the year ended December 31, 1999, there were no material amounts recognized which represented the ineffective portion of fair-value hedges. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness, unless otherwise noted.

(15) PREFERRED STOCK

United may issue preferred stock in one or more series as established by resolution of the Board of Directors, up to a maximum of 10,000,000 shares. Each resolution shall include the number of shares issued, preferences, special rights and limitations as determined by the Board of Directors. At December 31, 1999 and 1998, there were no preferred shares issued or outstanding.

(16) STOCKHOLDERS' EQUITy

Dividends paid by the Banks are the primary source of funds available to United for payment of dividends to its stockholders and other needs. Applicable federal and state statutes and regulations impose restrictions on the amount of dividends that may be declared by the Banks. At December 31, 1999, approximately $23 million of the Banks' net assets were available for payment of dividends without prior approval from the regulatory authorities. In addition to the formal statutes and regulations, regulatory authorities also consider the adequacy of each Bank's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends from the Banks.

During 1997, United issued 300,000 shares of common stock for approximately $6,477,000, net of offering costs. The proceeds from this sale of stock were used to inject capital into the Banks and for general corporate purposes.

During 1995, the Board of Directors adopted the Key Employee Stock Option Plan. Under this plan, options can be granted for shares of United's common stock at a price equal to the fair market value at the date of grant. At December 31, 1999, no shares were available for grant under this plan. Floyd also previously adopted a stock option plan for its key employees. This plan had provisions similar to United's plan. Holders of options under the Floyd plan were issued options in connection with the merger of United and Floyd at the exchange ratio of .8477 per option held. All option amounts detailed below have been restated to reflect the options outstanding under Floyd's plan.

SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, entities to compute the fair value of options at the date of grant and to recognize such costs as compensation expense immediately if there is no vesting period or ratably over the vesting period of the options. United has chosen not to adopt the cost recognition principles of this statement and accounts for stock options under Accounting Principles Board Opinion No. 25 and its related interpretations. No compensation expense has been recognized in 1999, 1998 or 1997 related to the stock option plan. Had compensation cost been determined based upon the fair value of the options at the grant dates consistent with the method of SFAS No. 123, United's income and income per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

			1999	1998	1997
Net income	As reported	$	13,648	12,773	11,054
	Pro forma	$	13,277	12,562	10,798
Basic income per share	As reported	$	1.70	1.60	1.42
	Pro forma	$	1.66	1.58	1.38
Diluted income per share	As reported	$	1.66	1.57	1.40
	Pro forma	$	1.62	1.55	1.37

The fair value of each option granted is estimated on the date of grant using the minimum value method with the following weighted average assumptions used for grants in 1999, 1998 and 1997: dividend yield of 1%, risk free interest rate of 6% and an expected life of 10 years.

(16) STOCKHOLDERS' EQUITY, continued

A summary of activity in United's stock option plan is presented below:

	Option Shares	Weighted Average Option Price Per Share	Range of Price Per Share
Options outstanding at December 31, 1996	92,000	$ 13.65	$ 10.00 - 18.00
Options granted in 1997	146,671	$ 17.77	$ 11.80 - 22.51
Options outstanding at December 31, 1997	238,671	$ 16.18	$ 10.00 - 22.51
Options granted in 1998	63,477	$ 28.08	$ 15.34 - 32.50
Options exercised in 1998	(8,500)	$ 13.95	$ 10.00 - 22.00
Options forfeited in 1998	(3,500)	$ 20.40	$ 18.00 - 22.00
Options outstanding at December 31, 1998	290,148	$ 18.80	$ 10.00 - 32.50
Options granted in 1999	82,300	$ 37.75	$ 37.75 - 40.00
Options exercised in 1999	(30,546)	$ 12.15	$ 10.00 - 30.00
Options forfeited in 1999	(1,000)	$ 26.80	$ 22.00 - 30.00
Options outstanding at December 31, 1999	340,902	$ 24.37	$ 10.00 - 40.00

Options on 214,562, 124,404, and 102,104 shares were exercisable at December 31, 1999, 1998 and 1997, respectively. The weighted average grant-date fair value of options granted in 1999, 1998 and 1997 was $15.65, $9.65 and $5.90, respectively. Such options have a weighted average remaining contractual life of approximately 7 years as of December 31, 1999.

(17) SUPPLEMENTAL FINANCIAL DATA

Components of other non-interest expenses in excess of 1% of total interest and non-interest income for the years ended December 31, 1999, 1998 and 1997 included advertising expenses of $1,673,000, $1,484,000, and $1,566,000, respectively.

(18) UNITED COMMUNITY BANKS, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

	1999	1998
	(IN THOUSANDS)	
Assets		
Cash	$ 247	424
Investment in subsidiaries	128,402	109,780
Other assets	11,361	8,982
	$ 140,010	119,186
Liabilities and Stockholders' Equity		
Other liabilities	$ 3,225	200
Notes payable	15,365	-
Convertible subordinated debentures	3,500	3,500
Junior subordinated debentures	21,650	21,650
Stockholders' equity	96,270	93,836
	$ 140,010	119,186

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
		(In Thousands)	
Income:			
Dividends from subsidiaries	$ 4,000	3,927	1,210
Other	4,955	2,868	730
Total income	8,955	6,795	1,940
Expenses:			
Interest	2,671	1,560	1,045
Other	10,397	5,638	2,097
Total expense	13,068	7,198	3,142
Loss before income tax benefit and equity in undistributed income of subsidiaries	(4,113)	(403)	(1,202)
Income tax benefit	2,684	1,410	823
Income (loss) before equity in undistributed income of subsidiaries	(1,429)	1,007	(379)
Equity in undistributed income of subsidiaries	15,077	11,766	11,433
Net income	$ 13,648	12,773	11,054

(18) UNITED COMMUNITY BANKS, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION, continued

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
		(IN THOUSANDS)	
Cash flows from operating activities:			
Net income	$ 13,648	12,773	11,054
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed income of the subsidiaries	(15,077)	(11,766)	(11,433)
Depreciation, amortization and accretion	779	387	300
Change in:			
Other assets	503	1,600	(2,567)
Other liabilities	3,138	(736)	(27)
Net cash provided by (used in) operating activities	2,991	2,258	(2,673)
Cash flows from investing activities:			
Purchase of premises and equipment	(737)	(2,173)	(1,273)
Capital contributions to the subsidiaries	(9,300)	(7,899)	(5,250)
Purchase of bank subsidiary	(7,191)	-	-
Purchase of investments	(104)	-	-
Net cash used in investing activities	(17,332)	(10,072)	(6,523)
Cash flows from financing activities:			
Proceeds from junior subordinated debentures	-	21,650	-
Proceeds from notes payable	15,365	-	3,400
Repayments of notes payable	-	(12,722)	(1,131)
Proceeds from exercise of stock options	216	118	-
Proceeds from sale of common stock	-	-	6,477
Proceeds from resale of treasury stock of pooled entity	-	-	6
Dividends paid	(1,417)	(1,089)	(825)
Net cash provided by financing activities	14,164	7,957	7,927
Net change in cash	(177)	143	(1,269)
Cash at beginning of year	424	281	1,550
Cash at end of year	$ 247	424	281

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of United's financial instruments are detailed below. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of United or its Banks, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by United since purchase, origination, or issuance.

Cash and Cash Equivalents

For cash, due from banks and federal funds sold the carrying amount is a reasonable estimate of fair value.

Securities Held to Maturity and Securities Available for Sale

Fair values for investment securities are based on quoted market prices.

Loans and Mortgage Loans Held for Sale

The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

Cash Surrender Value of Life Insurance

The carrying value of cash surrender value of life insurance is a reasonable estimate of fair value.

Deposits

The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Federal Funds Purchased and Repurchase Agreements

The carrying amount of federal funds purchased and repurchase agreements is a reasonable estimate of fair value.

Federal Home Loan Bank Advances

The fair value of United's fixed rate borrowings are estimated using discounted cash flows, based on United's current incremental borrowing rates for similar types of borrowing arrangements. For variable rate borrowings the carrying amount is a reasonable estimate of fair value.

Long-Term Debt and Convertible Subordinated Debentures

Long-term debt and convertible subordinated debentures are made using variable rates; thus, the carrying amount is a reasonable estimate of fair value.

Trust Preferred Securities

The fair value of United's trust preferred securities is estimated using discounted cash flows, based on United's current incremental borrowing rates for similar types of borrowing arrangements.

Interest Rate Swaps, Floors and Caps

The fair value of interest rate swaps, floors and caps is obtained from dealer quotes. These values represent the estimated amount United would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees Written

Because commitments to extend credit and standby letters of credit are made using variable rates or are commitments recently made, the contract value is a reasonable estimate of fair value.

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Limitations

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 any premium or discount that could result from offering for sale at one time United's entire holdings of a particular financial instrument. Because no market exists for a significant portion of United's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. 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.

The carrying amount and estimated fair values of United's financial instruments at December 31, 1999 and 1998 are as follows (in thousands):

	December 31, 1999		December 31, 1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 112,611	112,611	64,112	64,112
Securities held to maturity	-	-	58,306	60,018
Securities available for sale	534,503	534,503	333,787	333,787
Mortgage loans held for sale	6,326	6,326	8,129	8,129
Loans, net	1,382,638	1,378,299	1,048,486	1,051,252
Cash surrender value of life insurance	8,550	8,550	8,130	8,130
Liabilities:				
Deposits	1,649,392	1,648,947	1,238,323	1,240,000
Federal funds purchased and repurchase agreements	31,812	31,812	26,520	26,520
Federal Home Loan Bank advances	287,572	287,126	186,854	182,485
Long-term debt and other borrowings	17,516	17,516	1,277	1,277
Convertible subordinated debentures	3,500	3,500	3,500	3,500
Trust Preferred Securities	21,000	17,188	21,000	19,336
Interest rate contracts	113	113	-	-
Unrecognized financial instruments:				
Commitments to extend credit	212,099	212,099	136,281	136,281
Standby letters of credit	6,523	6,523	8,698	8,698
Interest rate contracts	$ -	-	437	448

(20) SUBSEQUENT EVENTS

On March 3, 2000, United entered into a definitive agreement to acquire North Point Bancshares, Inc. (North Point), a $107 million one-bank holding company for Dawson County Bank, located in Dawsonville, Georgia for approximately 958,000 shares of its common stock. Also on March 3, 2000, United entered into an agreement to acquire Independent Bancshares, Inc. (Independent), a $145 million one-bank holding company for Independent Bank & Trust, located in Powder Springs, Georgia for approximately 872,000 shares of its common stock. These agreements are subject to approval of applicable regulatory authorities and shareholders and will be accounted for as pooling of interests. As such, historical financial information presented in future reports will be restated to include North Point and Independent.

The following unaudited pro forma data summarizes operating data as if the combinations had been consummated on January 1, 1997:

	As of and for the year ended (in thousands, except per share amounts)		
	1999	1998	1997
Total assets	$ 2,383,486	1,812,585	1,410,071
Stockholders' equity	$ 118,908	115,415	99,571
Net income	$ 16,692	15,510	13,197
Basic income per share	$ 1.70	1.59	1.41
Diluted income per share	$ 1.67	1.56	1.40

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 870,595 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

APPENDIX A

AGREEMENT AND PLAN OF MERGER BETWEEN UNITED AND NORTH POINT

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of this 3rd day of March, 2000, by and between UNITED COMMUNITY BANKS, INC. ("United") and NORTH POINT BANCSHARES, INC. ("North Point"), both Georgia corporations (said corporations are hereinafter collectively referred to as the "Constituent Corporations").

R E C I T A L S:

WHEREAS, the authorized capital stock of United consists of 10,000,000 shares of Common Stock, $1.00 par value per share (the "United Stock"), of which 8,429,090 shares are issued and outstanding; and

WHEREAS, the authorized capital stock of North Point consists of 5,000,000 shares of Common Stock, $5.00 par value per share, of which 428,385 shares are issued and outstanding ("North Point Stock"); and

WHEREAS, the respective Boards of Directors of the Constituent Corporations deem it advisable and in the best interests of each such corporation and its shareholders that North Point merge with United, with United being the surviving corporation; and

WHEREAS, the respective Boards of Directors of the Constituent Corporations, by resolutions duly adopted, have unanimously approved and adopted this Agreement, and the Board of Directors of North Point, by resolution duly adopted, has directed that this Agreement be submitted to the shareholders of North Point for their approval; and

WHEREAS, United has agreed to issue shares of United Stock which shareholders of North Point will be entitled to receive, according to the terms and conditions contained herein, on or after the Effective Date (as defined herein) of the merger provided for herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which as legally sufficient consideration are hereby acknowledged, the parties hereto have agreed and do hereby agree, as follows:

1. MERGER.

Pursuant to and with the effects provided in the applicable provisions of Article 11 of the Georgia Business Corporation Code, as amended (Chapter 2 of Title 14 of the Official Code of Georgia), North Point (hereinafter sometimes referred to as the "Merged Corporation") shall be merged with and into United (the "Merger"). United shall be the surviving corporation (the "Surviving Corporation") and shall continue under the name "United Community Banks, Inc." On the Effective Date (as defined herein) of the Merger, the individual existence of the Merged Corporation shall cease and terminate.

2. ACTIONS TO BE TAKEN.

The acts and things required to be done by the Georgia Business Corporation Code in order to make this Agreement effective, including the submission of this Agreement to the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in said Code, shall be attended to and done by the proper officers of the Constituent Corporations with the assistance of counsel as soon as practicable.

3. EFFECTIVE DATE.

The Merger shall be effective upon the approval of this Agreement by the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in the Georgia Business Corporation Code (the "Effective Date").

4. ARTICLES OF INCORPORATION AND BYLAWS OF THE SURVIVING CORPORATION.

(a) The Articles of Incorporation of United, as heretofore amended, shall on the Effective Date be the Articles of Incorporation of the Surviving Corporation.

(b) Until altered, amended or repealed, as therein provided, the Bylaws of United as in effect on the Effective Date shall be the Bylaws of the Surviving Corporation.

5. MANNER AND BASIS OF CONVERTING SHARES OF CAPITAL STOCK; CAPITAL STRUCTURE OF THE SURVIVING CORPORATION.

The manner and basis of converting the shares of capital stock of each of the Constituent Corporations into shares of the Surviving Corporation shall be as follows:

(a) Upon the Effective Date each of the shares of North Point Stock outstanding on the Effective Date shall be converted into fully paid and nonassessable shares of United Stock at the rate of 2.2368 shares of United Stock for each outstanding share of North Point Stock. If either party should change the number of its outstanding shares as a result of a stock split, stock dividend, or similar recapitalization with respect to such shares prior to the Effective Date then the shares to be issued hereunder to holders of North Point Stock shall be proportionately adjusted.

(b) No scrip or fractional share certificates of United Stock shall be issued in connection with the Merger and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to have any of the rights of a shareholder with respect to such fractional interest. In lieu of any fractional interest, there shall be paid in cash an amount (computed to the nearest cent) equal to such fraction multiplied by $38.00.

(c) As soon as practicable after the Effective Date, each holder as of the Effective Date of any of the shares of North Point Stock, upon presentation and surrender of the certificates representing such shares to United, shall be entitled to receive in exchange therefor a certificate representing the number of shares of United Stock to which such shareholder shall be entitled according to the terms of this Agreement. Until such surrender, each such outstanding certificate which prior to the Effective Date represented North Point Stock shall be deemed for all corporate purposes to evidence ownership of the number of shares of United Stock into which the same shall have been converted and the right to receive payment for fractional shares.

(d) Upon the Effective Date, each share of United Stock issued and outstanding immediately prior to the Effective Date shall continue unchanged and shall continue to evidence a share of common stock of the Surviving Corporation.

6. TERMINATION OF SEPARATE EXISTENCE.

Upon the Effective Date, the separate existence of the Merged Corporation shall cease and the Surviving Corporation shall possess all of the rights, privileges, immunities, powers and franchises, as well of a public nature as of a private nature, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest of or belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed, and the title to any real estate or any interest therein, vested in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger. The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities, obligations and penalties of each of the Constituent Corporations; and any claim existing or action or proceeding, civil or criminal, pending by or against either of said Constituent Corporations may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in its place, and any judgment rendered against either of the Constituent Corporations may thenceforth be enforced against the Surviving Corporation; and neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the Merger.

7. FURTHER ASSIGNMENTS.

If at any time the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other things are necessary or desirable to vest in said corporation, according to the terms hereof, the title to any property or rights of the Merged Corporation, the proper officers and directors of the Merged Corporation shall and will execute and make all such proper assignments and assurances and do all things necessary and proper to vest title in such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement.

8. CONDITIONS PRECEDENT TO CONSUMMATION OF THE MERGER.

This Agreement is subject to, and consummation of the Merger is conditioned upon, the fulfillment as of the Effective Date of each of the following conditions:

(a) Approval of this Agreement by the affirmative vote of the holders of a majority of the outstanding voting shares of North Point Stock; and

(b) All the terms, covenants, agreements, obligations and conditions of the Agreement and Plan of Reorganization (the "Acquisition Agreement") of even date herewith by and between North Point and United to be complied with, satisfied and performed on or prior to the Closing Date (as defined therein), shall have been complied with, satisfied and performed in all material respects unless accomplishment of such covenants, agreements, obligations and conditions has been waived by the party benefited thereby.

9. TERMINATION.

This Agreement may be terminated and the Merger abandoned in accordance with the terms of the Acquisition Agreement, at any time before or after adoption of this Agreement by the directors of either of the Constituent Corporations, notwithstanding favorable action on the Merger by the shareholders of the Merged Corporation, but not later than the issuance of the certificate of merger by the Secretary of State of Georgia with respect to the Merger in accordance with the provisions of the Georgia Business Corporation Code.

10. COUNTERPARTS; TITLE; HEADINGS.

This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The title of this Agreement and the headings herein set out are for the convenience of reference only and shall not be deemed a part of this Agreement.

11. AMENDMENTS; ADDITIONAL AGREEMENTS.

At any time before or after approval and adoption by the shareholders of North Point, this Agreement may be modified, amended or supplemented by additional agreements, articles or certificates as may be determined in the judgment of the respective Boards of Directors of the Constituent Corporations to be necessary, desirable or expedient to further the purposes of this Agreement, to clarify the intention of the parties, to add to or modify the covenants, terms or conditions contained herein or to effectuate or facilitate any governmental approval of the Merger or this Agreement, or otherwise to effectuate or facilitate the consummation of the transactions contemplated hereby; provided, however, that no such modification, amendment or supplement shall reduce to any extent the consideration into which shares of North Point Stock shall be converted in the Merger pursuant to Section 5 hereof.

IN WITNESS WHEREOF, the Constituent Corporations have each caused this Agreement to be executed on their respective behalfs and their respective corporate seals to be affixed hereto as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

(CORPORATE SEAL)

By: /s/ Christopher J. Bledsoe

Christopher J. Bledsoe
Senior Vice President

ATTEST:

/s/ Patrick J. Rusnak

Vice President

NORTH POINT BANCSHARES, INC.

(CORPORATE SEAL)

By: /s/ Don D. Gordon

Name: Don D. Gordon
Title: President

/s/ Jimmy C. Bruce

Secretary

APPENDIX B

GEORGIA DISSENTER'S RIGHTS STATUTES

14-2-1301. DEFINITIONS.

As used in this article, the term:

(1) "Beneficial shareholder" means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(2) "Corporate action" means the transaction or other action by the corporation that creates dissenters' rights under Code Section 14-2-1302.

(3) "Corporation" means the issuer of shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(4) "Dissenter" means a shareholder who is entitled to dissent from corporate action under Code Section 14-2-1302 and who exercises that right when and in the manner required by Code Sections 14-2-1320 through 14-2-1327.

(5) "Fair value," with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action.

(6) "Interest" means interest from the effective date of the corporate action until the date of payment, at a rate that is fair and equitable under all the circumstances.

(7) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(8) "Shareholder" means the record shareholder or the beneficial shareholder. (Code 1981, section 14-2-1301, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1993, p. 1231, section 16.)

14-2-1302. RIGHT TO DISSENT.

(a) A record shareholder of the corporation is entitled to dissent from, and obtain payment of the fair value of his shares in the event of, any of the following corporate actions:

(1) Consummation of a plan of merger to which the corporation is a party:

(A) If approval of the shareholders of the corporation is required for the merger by Code Section 14-2-1103 or 14-2-1104 or the articles of incorporation and the shareholder is entitled to vote on the merger; or

(B) If the corporation is a subsidiary that is merged with its parent under Code Section 14-2-1104;

(2) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(3) Consummation of a sale or exchange of all or substantially all of the property of the corporation if a shareholder vote is required on the sale or exchange pursuant to Code Section 14-2-1202, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale;

(4) An amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter's shares because it:

(A) Alters or abolishes a preferential right of the shares;

(B) Creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares;

(C) Alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities;

(D) Excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights;

(E) Reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under Code Section 14-2-604; or

(F) Cancels, redeems, or repurchases all or part of the shares of the class; or

(5) Any corporate action taken pursuant to a shareholder vote to the extent that Article 9 of this chapter, the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

(b) A shareholder entitled to dissent and obtain payment for his shares under this article may not challenge the corporate action creating his entitlement unless the corporate action fails to comply with procedural requirements of this chapter or the articles of incorporation or bylaws of the corporation or the vote required to obtain approval of the corporate action was obtained by fraudulent and deceptive means, regardless of whether the shareholder has exercised dissenter's rights.

(c) Notwithstanding any other provision of this article, there shall be no right of dissent in favor of the holder of shares of any class or series which, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at a meeting at which a plan of merger or share exchange or a sale or exchange of property or an amendment of the articles of incorporation is to be acted on, were either listed on a national securities exchange or held of record by more than 2,000 shareholders, unless:

(1) In the case of a plan of merger or share exchange, the holders of shares of the class or series are required under the plan of merger or share exchange to accept for their shares anything except shares of the surviving corporation or another publicly held corporation which at the effective date of the merger or share exchange are either listed on a national securities exchange or held of record by more than 2,000 shareholders, except for scrip or cash payments in lieu of fractional shares; or

(2) The articles of incorporation or a resolution of the board of directors approving the transaction provides otherwise. (Code 1981, section 14-2-1302, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1989, p. 946, section 58.)

14-2-1303. DISSENT BY NOMINEES AND BENEFICIAL OWNERS.

A record shareholder may assert dissenters' rights as to fewer than all the shares registered in his name only if he dissents with respect to all shares beneficially owned by any one beneficial shareholder and notifies the corporation in writing of the name and address of each person on whose behalf he asserts dissenters' rights. The rights of a partial dissenter under this Code section are determined as if the shares as to which he dissents and his other shares were registered in the names of different shareholders. (Code 1981, section 14-2-1303, enacted by Ga. L. 1988, p. 1070, section 1.)

14-2-1320. NOTICE OF DISSENTERS' RIGHTS.

(a) If proposed corporate action creating dissenters' rights under Code Section 14-2-1302 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this article and be accompanied by a copy of this article.

(b) If corporate action creating dissenters' rights under Code Section 14-2-1302 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in Code Section 14-2-1322 no later than ten days after the corporate action was taken. (Code 1981, section 14-2-1320, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1993, p. 1231, section 17.)

14-2-1321. NOTICE OF INTENT TO DEMAND PAYMENT.

(a) If proposed corporate action creating dissenters' rights under Code Section 14-2-1302 is submitted to a vote at a shareholders' meeting, a record shareholder who wishes to assert dissenters' rights:

(1) Must deliver to the corporation before the vote is taken written notice of his intent to demand payment for his shares if the proposed action is effectuated; and

(2) Must not vote his shares in favor of the proposed action.

(b) A record shareholder who does not satisfy the requirements of subsection (a) of this Code section is not entitled to payment for his shares under this article. (Code 1981, section 14-2-1321, enacted by Ga. L. 1988, p. 1070, section 1.)

14-2-1322. DISSENTERS' NOTICE.

(a) If proposed corporate action creating dissenters' rights under Code Section 14-2-1302 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of Code Section 14-2-1321.

(b) The dissenters' notice must be sent no later than ten days after the corporate action was taken and must:

(1) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

(2) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(3) Set a date by which the corporation must receive the payment demand, which date may not be fewer than 30 nor more than 60 days after the date the notice required in subsection (a) of this Code section is delivered; and

(4) Be accompanied by a copy of this article. (Code 1981, section 14-2-1322, enacted by Ga. L. 1988, p. 1070, section 1.)

14-2-1323. DUTY TO DEMAND PAYMENT.

(a) A record shareholder sent a dissenters' notice described in Code Section 14-2-1322 must demand payment and deposit his certificates in accordance with the terms of the notice.

(b) A record shareholder who demands payment and deposits his shares under subsection (a) of this Code section retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

(c) A record shareholder who does not demand payment or deposit his share certificates where required, each by the date set in the dissenters' notice, is not entitled to payment for his shares under this article. (Code 1981, section 14-2-1323, enacted by Ga. L. 1988, p. 1070, section 1.)

14-2-1324. SHARE RESTRICTIONS.

(a) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under Code Section 14-2-1326.

(b) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action. (Code 1981, section 14-2-1324, enacted by Ga. L. 1988, p. 1070, section 1.)

14-2-1325. OFFER OF PAYMENT.

(a) Except as provided in Code Section 14-2-1327, within ten days of the later of the date the proposed corporate action is taken or receipt of a payment demand, the corporation shall by notice to each dissenter who complied with Code Section 14-2-1323 offer to pay to such dissenter the amount the corporation estimates to be the fair value of his or her shares, plus accrued interest.

(b) The offer of payment must be accompanied by:

(1) The corporation's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(2) A statement of the corporation's estimate of the fair value of the shares;

(3) An explanation of how the interest was calculated;

(4) A statement of the dissenter's right to demand payment under Code Section 14-2-1327; and

(5) A copy of this article.

(c) If the shareholder accepts the corporation's offer by written notice to the corporation within 30 days after the corporation's offer or is deemed to have accepted such offer by failure to respond within said 30 days, payment for his or her shares shall be made within 60 days after the making of the offer or the taking of the proposed corporate action, whichever is later. (Code 1981, section 14-2-1325, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1989, p. 946, section 59; Ga. L. 1993, p. 1231, section 18.)

14-2-1326. FAILURE TO TAKE ACTION.

(a) If the corporation does not take the proposed action within 60 days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

(b) If, after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it must send a new dissenters' notice under Code Section 14-2-1322 and repeat the payment demand procedure. (Code 1981, section 14-2-1326, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1990, p. 257, section 20.)

14-2-1327. PROCEDURE IF SHAREHOLDER DISSATISFIED WITH PAYMENT OR OFFER.

(a) A dissenter may notify the corporation in writing of his own estimate of the fair value of his shares and amount of interest due, and demand payment of his estimate of the fair value of his shares and interest due, if:

(1) The dissenter believes that the amount offered under Code Section 14-2-1325 is less than the fair value of his shares or that the interest due is incorrectly calculated; or

(2) The corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within 60 days after the date set for demanding payment.

(b) A dissenter waives his or her right to demand payment under this Code section and is deemed to have accepted the corporation's offer unless he or she notifies the corporation of his or her demand in writing under subsection (a) of this Code section within 30 days after the corporation offered payment for his or her shares, as provided in Code Section 14-2-1325.

(c) If the corporation does not offer payment within the time set forth in subsection (a) of Code Section 14-2-1325:

(1) The shareholder may demand the information required under subsection (b) of Code Section 14-2-1325, and the corporation shall provide the information to the shareholder within ten days after receipt of a written demand for the information; and

(2) The shareholder may at any time, subject to the limitations period of Code Section 14-2-1332, notify the corporation of his own estimate of the fair value of his shares and the amount of interest due and demand payment of his estimate of the fair value of his shares and interest due. (Code 1981, section 14-2-1327, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1989, p. 946, section 60; Ga. L. 1990, p. 257, section 21; Ga. L. 1993, p. 1231, section 19.)

14-2-1330. COURT ACTION.

(a) If a demand for payment under Code Section 14-2-1327 remains unsettled, the corporation shall commence a proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the 60 day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(b) The corporation shall commence the proceeding, which shall be a nonjury equitable valuation proceeding, in the superior court of the county where a corporation's registered office is located. If the surviving corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(c) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled parties to the proceeding, which shall have the effect of an action quasi in rem against their shares. The corporation shall serve a copy of the petition in the proceeding upon each dissenting shareholder who is a resident of this state in the manner provided by law for the service of a summons and complaint, and upon each nonresident dissenting shareholder either by registered or certified mail or by publication, or in any other manner permitted by law.

(d) The jurisdiction of the court in which the proceeding is commenced under subsection (b) of this Code section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them or in any amendment to it. Except as otherwise provided in this chapter, Chapter 11 of Title 9, known as the "Georgia Civil Practice Act," applies to any proceeding with respect to dissenters' rights under this chapter.

(e) Each dissenter made a party to the proceeding is entitled to judgment for the amount which the court finds to be the fair value of his shares, plus interest to the date of judgment. (Code 1981, section 14-2-1330, enacted by Ga. L. 1988, p. 1070, section 1; Ga. L. 1989, p. 946, section 61; Ga. L. 1993, p. 1231, section 20.)

14-2-1331. COURT COSTS AND COUNSEL FEES.

(a) The court in an appraisal proceeding commenced under Code Section 14-2-1330 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, but not including fees and expenses of attorneys and experts for the respective parties. The court shall assess the costs against the corporation, except that the court may assess the costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under Code Section 14-2-1327.

(b) The court may also assess the fees and expenses of attorneys and experts for the respective parties, in amounts the court finds equitable;

(1) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of Code Sections 14-2-1320 through 14-2-1327; or

(2) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this article.

(c) If the court finds that the services of attorneys for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these attorneys reasonable fees to be paid out of the amounts awarded the dissenters who were benefited. (Code 1981, section 14-2-1331, enacted by Ga. L. 1988, p. 1070, section 1.)

14-2-1332. LIMITATION OF ACTIONS.

No action by any dissenter to enforce dissenters' rights shall be brought more than three years after the corporate action was taken, regardless of whether notice of the corporate action and of the right to dissent was given by the corporation in compliance with the provisions of Code Section 14-2-1320 and Code Section 14-2-1322. (Code 1981, section 14-2-1332, enacted by Ga. L. 1988, p. 1070, section 1.)

PROXY

NORTH POINT BANCSHARES, INC.
DAWSONVILLE, GEORGIA

THIS PROXY IS SOLICITED BY NORTH POINT'S BOARD OF DIRECTORS

WHEN THIS PROXY IS PROPERLY EXECUTED AND RETURNED, AND NOT REVOKED, THE SHARES OF COMMON STOCK IT REPRESENTS WILL BE VOTED AT THE MEETING IN ACCORDANCE WITH THE CHOICE SPECIFIED BELOW, AND IF NO CHOICE IS SPECIFIED, IT WILL BE VOTED FOR APPROVAL OF THE AGREEMENT AND PLAN OF REORGANIZATION AND AGREEMENT AND PLAN OF MERGER BETWEEN UNITED COMMUNITY BANKS, INC. AND NORTH POINT BANCSHARES, INC., DATED MARCH 3, 2000.

The undersigned shareholder of North Point Bancshares, Inc. hereby appoints __________ or ____________________, or either of them, with full power of substitution to each, the proxies of the undersigned to vote, as designated below, the shares of the undersigned at the special meeting of shareholders of North Point Bancshares, Inc. to be held on __________________, 2000, and at any adjournments thereof;

(a) PROPOSAL TO APPROVE THE MERGER AGREEMENT, providing for the merger of North Point with and into United, pursuant to which each outstanding share of common stock of North Point will be converted, subject to certain terms, conditions, and adjustments as described in the merger agreement, into 2.2368 shares of common stock of United, and instead of the issuance of fractional shares of United, United will pay cash in an amount equal to the fraction multiplied by $38.00.

FOR |_| AGAINST |_| ABSTAIN |_|

(b) IN ACCORDANCE WITH THEIR BEST JUDGMENT with respect to any other matters which may properly come before the meeting and any adjournment thereof.

Please date and sign this Proxy exactly as your name appears below:

Dated: ______________________, 2000

[LABEL] ____

____

NOTE: When signing as attorney, trustee, administrator, executor, or guardian, please give your full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. In the case of joint tenants, each joint owner must sign.