UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 1999

OR

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

For the Transition Period from ___________ to ___________

Commission file number 0-21656

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

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

P.O. Box 398, 59 Highway 515 Blairsville, Georgia	30512
(Address of principal executive Offices)	(Zip Code)

(706) 745-2151
(Telephone number)

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

YES /XX/ NO / /

Common stock, par value $1 per share: 7,395,605 shares outstanding as of May 11, 1999

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PART I Financial Information
Item 1. Financial Statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(unaudited)

(in thousands)	March 31, 1999	December 31, 1998
ASSETS		
Cash and due from banks	$ 65,416	48,510
Federal funds sold	8,455	7,190
Cash and cash equivalents	73,871	55,700
Securities held to maturity (estimated fair value of $59,106 at December 31, 1998)	-	57,393
Securities available for sale	454,024	314,394
Mortgage loans held for sale	5,480	8,129
Loans, net of unearned income	1,075,811	999,871
Less: Allowance for loan losses	(14,588)	(11,929)
Loans, net	1,061,223	987,942
Premises and equipment, net	42,219	38,538
Accrued interest receivable	14,108	13,332
Other assets	27,444	23,171
Total assets	$ 1,678,369	1,498,599
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 159,103	143,152
Interest bearing demand	302,231	270,532
Savings	66,728	59,340
Time	716,856	690,100
Total deposits	1,244,918	1,163,124
Accrued expenses and other liabilities	10,495	19,574
Federal funds purchased and repurchase agreements	77,809	26,520
Federal Home Loan Bank advances	218,623	176,854
Long-term debt and other borrowings	12,237	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	1,588,582	1,411,849
Stockholders' equity:		
Preferred Stock	-	-
Common stock, $1 par value; 10,000,000 shares authorized; 7,393,605 shares issued and outstanding	7,394	7,394
Capital surplus	24,808	24,808
Retained earnings	55,964	53,240
Accumulated other comprehensive income	1,621	1,308
Total stockholders' equity	89,787	86,750
Total liabilities and stockholders' equity	$ 1,678,369	1,498,599

See notes to consolidated financial statements.

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

(in thousands except, except per share data)	For the Three Months Ended March 31, 1999	1998
Interest income:		
Interest and fees on loans	$ 24,920	21,462
Interest on federal funds sold	139	337
Interest on investment securities:		
Taxable	4,964	2,497
Tax exempt	889	718
Total interest income	30,912	25,014
Interest expense:		
Interest on deposits:		
Demand	2,634	2,096
Savings	431	329
Time	9,825	9,624
Notes payable, subordinated debentures, federal funds purchased and FHLB advances	3,226	1,079
Interest on guaranteed preferred beneficial interests in company's junior subordinated debentures	430	-
Total interest expense	16,546	13,128
Net interest income	14,366	11,886
Provision for loan losses	890	498
Net interest income after provision for loan losses	13,476	11,388
Noninterest income:		
Service charges and fees	1,074	912
Securities gains, net	2	103
Mortgage loan and related fees	448	436
Other non-interest income	803	403
Total noninterest income	2,327	1,854
Noninterest expense:		
Salaries and employee benefits	6,272	5,260
Occupancy	1,953	1,418
Other noninterest expense	2,971	2,534
Total noninterest expense	11,196	9,212
Income before income taxes	4,607	4,030
Income taxes	1,514	1,371
Net Income	$ 3,093	2,659
Basic earnings per share	$ 0.42	0.36
Diluted earnings per share	$ 0.41	0.36
Average shares outstanding	7,394	7,385
Diluted average shares outstanding	7,644	7,596

See notes to consolidated financial statements.

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

	For the Three Months Ended March 31, 1999	1998
	(In Thousands)	
Cash flows from operating activities:		
Net income	$ 3,093	2,659
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, amortization and accretion	1,123	601
Provision for loan losses	890	498
(Gain) on sale of investment securities	(2)	(103)
Change in assets and liabilities, net of purchase acquisitions:		
Interest receivable	(490)	(433)
Other assets	(3,146)	1,379
Accrued expenses and other liabilities	3,331	(648)
Change in mortgage loans held for sale	2,649	(2,752)
Net cash provided by operating activities	(7,579)	1,201
Cash flows from investing activities, net of purchase acquisitions:		
Proceeds from maturities and calls of securities held to maturity	-	4,478
Purchases of securities held to maturity	-	(7,366)
Proceeds from sales of securities available for sale	38	5,728
Proceeds from maturities and calls of securities available for sale	23,659	8,020
Purchases of securities available for sale	(103,047)	(19,702)
Net increase in loans	(60,722)	(21,983)
Net cash inflow (outflow) for branch and bank acquisitions	(2,248)	20,282
Proceeds from sale of other real estate	20	109
Purchase of bank premises and equipment	(1,051)	(2,650)
Net cash used in investing activities	(143,351)	(13,084)
Cash flows from financing activities, net of purchase acquisitions:		
Net increase in demand and savings deposits	38,335	32,141
Net increase in time deposits	11,867	2,125
Net change in federal funds purchased and repurchase agreements	51,289	(27,731)
Net increase in FHLB advances	41,769	6,702
Net change in long-term debt and other borrowings	10,960	(301)
Dividends paid	(277)	(185)
Net cash provided by financing activities	153,943	12,751
Net change in cash and cash equivalents	18,171	868
Cash and cash equivalents at beginning of period	55,700	68,834
Cash and cash equivalents at end of period	$ 73,871	69,702

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Interest	$ 16,376	13,211
Income Taxes	$ 355	1,200

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(unaudited)
(in thousands)

	For the Three Months Ended March	
	1999	1998
NET INCOME	$ 3,093	2,659
OTHER COMPREHENSIVE INCOME, BEFORE TAX:		
Unrealized holding gains (losses) on investment securities	160	184
Unrealized gains (losses) on cash-flow hedge derivatives	327	-
Less reclassification adjustment for gains (losses) on securities available for sale	2	103
Total other comprehensive income, before tax	485	81
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME		
Unrealized holding gains (losses) on investment securities	61	70
Unrealized gains (losses) on cash-flow hedge derivatives	111	-
Less reclassification adjustment for gains (losses) on securities available for sale	-	39
Total income tax expense (benefit) related to other comprehensive income	172	31
Total other comprehensive income, net of tax	313	50
Total comprehensive income	$ 3,406	2,709

See notes to 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 1998 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. In addition, certain 1998 amounts have been reclassified to conform with the 1999 presentation format. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

NOTE 2 - ACQUISITIONS

On January 21, 1999, United entered into a definitive agreement to acquire the stock of Adairsville Bancshares, Inc. ("Adairsville") in Bartow County, Georgia, for cash consideration. This acquisition was closed during March, 1999, and the assets, liabilities and equity of Adairsville are reflected in the consolidated balance sheet of United as of March 31, 1999. The results of operations for Adairsville are not included in the United's consolidated statements of income for the three months ended March 31, 1999 or 1998.

As of March 31, 1999, Adairsville had $35.6 million of total assets, $31.7 million of total liabilities and $3.9 million of total equity. The assets included $13.4 million of securities available for sale and $14.1 million of loans, net of allowance for loan losses. Total liabilities included $31.6 million of deposits, of which $4.5 million were non-interest bearing demand deposits and $27.1 million were interest bearing deposits.

United recorded a goodwill asset in conjunction with this acquisition of $3.2 million that will be recognized through charges to expense over a term of 15 years beginning in April, 1999.

NOTE 3 - RECENTLY ISSUED ACCOUNTING STANDARDS

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 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. Instruments used as fair value hedges account for the change in fair value in the income of the period simultaneous with accounting for the fair value change of the item being hedged. Cash flow hedges account for the change in fair value of the effective portion in comprehensive income rather than income, and foreign currency hedges are accounted for in comprehensive income as part of the translation adjustment. Derivative instruments that are not

intended as a hedge account for the change in fair value in the income of the period of the change. SFAS No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999, but initial application of the statement must be made as of the beginning of the quarter. At March 31, 1999, United's derivative financial instruments had a positive fair market value of $327 thousand. This market valuation was recorded, net of tax, as a component of other comprehensive income on the balance sheet in the amount of $216 thousand.

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. United adopted SFAS No. 133 as of January 1, 1999, and transferred all held to maturity securities to available for sale which increased stockholders' equity by $1.1 million for the net of tax effect for the unrealized gains.

Note 4 - Earnings Per Share

(unaudited)

(In thousands, except per share data)	For the Three Months Ended March 31, 1999	1998
Basic earnings per share:		
Weighted average shares outstanding	7,394	7,385
Net income	3,093	2,659
Basic earnings per share	0.42	0.36
Diluted earnings per share:		
Weighted average shares outstanding	7,394	7,385
Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period	110	71
Effect of conversion of subordinated debt	140	140
Total weighted average shares and common stock equivalents outstanding	7,644	7,596
Net income, as reported	3,093	2,659
Income effect of conversion of subordinated debt, net of tax	43	47
Net income, adjusted for effect of conversion of subordinated debt, net of tax	3,136	2,706
Diluted earnings per share	0.41	0.36

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

FORWARD-LOOKING STATEMENTS

This discussion contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although United believes that the assumptions underlying the forward-looking statements contained in the discussion are reasonable, any of the assumptions could be inaccurate, and therefore, no assurance can be made that any of the forward-looking statements included in this discussion will be accurate. Factors that could cause actual results to differ from results discussed in forward-looking statements include, but are not limited to: economic conditions (both generally and in the markets where United operates); competition from other providers of financial services offered by United; government regulation and legislation; changes in interest rates; material unforeseen changes in the financial stability and liquidity of United's credit customers; material unforeseen complications related to the Year 2000 issues for United, its suppliers, customers and governmental agencies; and other risks detailed in United's filings with the Securities and Exchange Commission, all of which are difficult to predict and which may be beyond the control of United. United undertakes no obligation to revise forward-looking statements to reflect events or changes after the date of this discussion or to reflect the occurrence of unanticipated events.

OVERVIEW

United Community Banks, Inc. ("United") is a bank holding company registered under the Bank Holding Company Act of 1956. United has seven commercial bank subsidiaries that operate primarily in North Georgia and Western North Carolina (the "Banks"). As of March 31, 1999 United had 29 bank branches in operation. Total assets at March 31, 1999 were $1.68 billion, compared with $1.50 billion at December 31, 1998. The increase in total assets of approximately $180 million represents an annualized growth rate of 49% and includes $35.6 million of assets related to the acquisition of Adairsville Bancshares ("Adairsville") described in the Recent Developments section below. Excluding the Adairsville acquisition, the annualized asset growth rate for the first quarter of 1999 was 39%.

RECENT DEVELOPMENTS

On January 21, 1999, United entered into a definitive agreement to acquire the stock of Adairsville Bancshares, Inc. in Bartow County, Georgia. This acquisition was closed on March 15, 1999 and was accounted for as a purchase transaction. As of March 31, 1999 Adairsville had $35.6 million of total assets and $3.9 million of total equity. United recorded a goodwill asset in conjunction with this acquisition of $3.2 million that will be recognized through charges to expense over a term of 15 years.

INCOME SUMMARY

For the three months ended March 31,1999, United reported net income of $3.1 million, or $.41 per diluted share, compared to $2.7 million, or $.36 per diluted share, for the same period in 1998. The first quarter results for 1999 provided an annualized return on assets and equity of .80% and 14.18%, respectively, compared to .93% and 14.18%, respectively, for the same period in 1998.

Net income for the three months ended March 31, 1999 increased 16.3% compared to the same period in 1998. The following table summarizes the components of income and expense for the first quarter of 1999 and 1998 and the changes in those components for the periods presented.

TABLE 1 - CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31
(Unaudited)

In thousands

	1999	1998	Change Amount	Change Percent
Interest income	$ 30,912	25,014	5,898	23.6%
Interest expense	16,546	13,128	3,418	26.0%
Net interest income	14,366	11,886	2,480	20.9%
Provision for loan losses	890	498	392	78.7%
Net interest income after provision for loan losses	13,476	11,388	2,088	18.3%
Non-interest income	2,327	1,854	473	25.5%
Non-interest expense	11,196	9,212	1,984	21.5%
Income before taxes	4,607	4,030	577	14.3%
Income tax expense	1,514	1,371	143	10.4%
Net income	$ 3,093	2,659	434	16.3%

NET INTEREST INCOME

Net interest income is the largest source of United's operating income. Net interest income on a tax-equivalent basis was $14.8 million for the three months ended March 31, 1999, compared with $12.3 million for the same period in 1998, an increase of 21%. The increase in net interest income is primarily attributable to increases in outstanding average securities of $191 million, or 88%, and average outstanding loans of $194 million, or 23%, for the three months ended March 31, 1999 as compared to the prior year.

The increase in average outstanding securities is primarily the result of United's leverage program that was initiated during the fourth quarter of 1998. The leverage program was designed to make optimal utilization of United's capital by using borrowed funds to purchase additional securities. The leverage borrowings are principally advances from the Federal Home Loan Bank (FHLB) that are secured by mortgage loans and other investment securities. The securities purchased under the leverage program are primarily mortgage-backed pass-through and other mortgage backed securities, including collateralized mortgage obligations. At March 31, 1999 United had approximately $148 million of earning assets and corresponding borrowings in the leverage program.

For the three months ended March 31, 1999, the net interest margin (net interest income as a percentage of average interest earning assets) on a tax-equivalent basis was 4.14%, 45 basis points less that the net interest margin for the comparable prior year period. This compression of the margin is primarily due to continued competitive pressure on loan pricing and the leverage program described above.

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, 1999 and 1998.

TABLE 2 - AVERAGE CONSOLIDATED BALANCE SHEETS AND NET INTEREST ANALYSIS

For the Three Months Ended March 31
Unaudited
Fully tax-equivalent basis
(in thousands)

	1999			1998		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income	$ 1,034,809	24,945	9.78%	840,712	21,486	10.36%
Taxable investments	334,218	4,964	6.02%	159,619	2,497	6.34%
Tax-exempt investments	74,712	1,334	7.24%	58,526	1,077	7.46%
Federal funds sold and other interest income	9,606	139	5.87%	24,730	337	5.53%
Total interest-earning assets / interest income	1,453,345	31,382	8.76%	1,083,587	25,397	9.51%
Non-interest-earning assets:						
Allowance for loan losses	(12,326)			(10,479)		
Cash and due from banks	44,152			35,801		
Premises and equipment	39,549			30,662		
Other assets	35,929			31,359		
Total assets	$ 1,560,649			1,170,930		
Liabilities and Stockholders'						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	$ 280,557	2,634	3.81%	209,338	2,096	4.06%
Savings deposits	61,354	431	2.85%	48,513	329	2.75%
Certificates of deposit	706,118	9,825	5.64%	648,883	9,624	6.02%
Total interest-bearing deposits	1,048,029	12,890	4.99%	906,734	12,049	5.39%
Federal Home Loan Bank advances	199,616	2,533	5.15%	42,742	626	5.94%
Federal funds purchased and repurchase agreements	47,522	561	4.79%	7,819	128	6.64%
Long-term debt and other borrowings	27,283	562	8.38%	15,915	325	8.28%
Total borrowed funds	274,421	3,656	5.41%	66,476	1,079	6.58%
Total interest-bearing liabilities interest expense	1,322,450	16,546	5.07%	973,210	13,128	5.47%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	145,149			113,740		
Other liabilities	4,585			7,600		
Total liabilities	1,472,184			1,094,550		
Stockholders' equity	88,465			76,380		
Total liabilities and stockholders' equity	$ 1,560,649			1,170,930		
Net interest-rate spread			3.69%			4.04%
Impact of non-interest bearing sources and other changes in balance sheet composition			0.45%			0.55%
Net interest income / margin on interest-earning assets		14,836	4.14%		12,269	4.59%

Interest income on tax-exempt securities and loans has been increased by 50% to reflect comparable interest on taxable securities.
For computational purposes, includes non-accrual loans and mortgage loans held for sale.
Includes Trust Preferred Securities.
Tax equivalent net interest income as a percentage of average earning assets.

The following table shows the relative impact on net interest income of changes in the average outstanding balances (volume) of earning assets and interest bearing liabilities and the rates earned and paid by United on such assets and liabilities. Variances resulting from a combination of changes in rate and volume are allocated in proportion to the absolute dollar amounts of the change in each category.

TABLE 3 - CHANGE IN INTEREST INCOME AND EXPENSE ON A TAX EQUIVALENT BASIS
UNAUDITED

Unaudited
(in thousands)

	1999 Compared to 1998 Increase (decrease) in interest income and expense due to changes in:		
	Volume	Rate	Total
Interest-earning assets:			
Loans	$ 4,735	(1,275)	3,460
Taxable investments	2,599	(132)	2,467
Tax-exempt investments	290	(33)	257
Federal funds sold and other interest income	(218)	20	(198)
Total interest-earning assets	7,406	(1,420)	5,986
Interest-bearing liabilities:			
Transaction accounts	676	(138)	538
Savings deposits	90	12	102
Certificates of deposit	818	(619)	199
Total interest-bearing deposits	1,584	(745)	839
FHLB advances	2,001	(94)	1,907
Federal funds purchased and repurchase agreements	478	(45)	433
Long-term debt and other borrowings	235	4	239
Total borrowed funds	2,714	(135)	2,579
Total interest-bearing liabilities	4,298	(880)	3,418
Increase (decrease) in net interest income	$ 3,108	(540)	2,568

/TABLE

PROVISION FOR LOAN LOSS

The provision for loan losses was $890 thousand, or 0.35% of average loans on an annualized basis, for the three months ended March 31, 1999, compared with $498 thousand, or 0.24% of average loans, for the same period in 1998. Net loan charge-offs for the three months ended March 31, 1999 were $53 thousand, or 0.021% of average loans on an annualized basis, compared to $48 thousand, or .023% of average loans on an annualized basis, for the same period in 1998. The provision for loan losses and allowance for loan losses reflect management's consideration of the various risks in the loan portfolio. Additional discussion of loan quality and the allowance for loan losses in provided in the ASSET QUALITY discussion section of this report.

NON-INTEREST INCOME

Non-interest income for the three months ended March 31, 1999 was $2.3 million, an increase of $473 thousand, or 26%, over the comparable 1998 period. Excluding net gains on the sale of securities, non-interest income for the three months ended March 31, 1999 increased by $574 thousand, or 33%, compared to the same period in 1998.

Service charges on deposit accounts totaled $1.07 million for the first three months of 1999, an increase of $162 thousand, or 18%, compared to the same period in 1998. 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 1999 totaled $448 thousand, compared to $436 thousand for the same period in 1998.

Excluding the recognition of an additional $83 thousand of mortgage servicing rights amortization during the first quarter of 1999, mortgage banking revenue increased by $95 thousand compared to the first quarter of 1998. The increased amortization of mortgage servicing rights was necessary because of a continued high level of prepayments within the serviced loan portfolio.

Other non-interest income totaled $803 thousand for the three months ended March 31,1999, an increase of $400 thousand, or 99%, compared to the same period in 1998. Excluding a gain on the sale of loans of $45 thousand, other non-interest income increased by 89% for the first three months of 1999. The increase in other non-interest income exclusive of the gain on the sale of loans is attributed to increases in several areas. Trust and brokerage revenue increased by $68 thousand, or 93%, compared with the first quarter of 1998. This increase is attributed to the increase in trust assets under management resulting from management's strategic focus on trust business opportunities. Credit insurance revenue for the first quarter of 1999 totaled $217 thousand, an increase of 161% compared to the same period in 1998. This improvement is primarily attributed to continued loan growth at United's consumer finance company subsidiary, United Family Finance Company, which opened its fourth branch office in December, 1998. ATM related revenues increased by $48 thousand, or 84%, compared to the first quarter of 1998, primarily as the result of increases in the number of off-site ATMs deployed and the surcharge for foreign withdrawal transactions. The improvement in non-interest income also reflects earnings of approximately $96 thousand on life insurance contracts purchased by United in December 1998.

NON-INTEREST EXPENSE

For the three months ended March 31, 1999, non-interest expense totaled $11.2 million, an increase of $2.0 million, or 22%, from the same period in 1998. The efficiency ratio, which is a measure of operating expenses as a percentage of operating revenues excluding one-time gains, was 67.3% for the three months ended March 31,1999, compared to 67.6% for the same period in 1998.

The increase in non-interest expense is primarily attributed to United's recent internal growth, which included the opening or acquisition of four new branch offices, the addition of several new senior management positions and the purchase of new computer equipment that is utilized throughout the entire company since March 31, 1998. Comparing the three month period ended March 31, 1999 with the same period in 1998, compensation and benefit expense increased $1.0 million, or 19%; total occupancy expense (which includes equipment expense) increased $535 thousand, or 38%; and, total other operating expense increased $437 thousand, or 17%.

INCOME TAXES

Income tax expense increased by $143 thousand, or 10.4%, during the first three months of 1999 as compared to the same period in 1998. The effective tax rate for the three months ended March 31, 1999 was 32.9 %, compared to 34.0 % for comparable 1998 period. The decrease in the effective tax rate is primarily attributed to an increase in the relationship of tax-exempt interest income to total pre-tax income for the first three months of 1999 as compared to the same period in 1998.

SECURITIES

Average securities for the first quarter of 1999 were $408.9 million, an increase of $190.8 million, or 88%, over the comparable 1998 period. This significant increase is primarily attributed to United's leverage program that was initiated during the fourth quarter of 1998 and designed to make optimal utilization of United's assets and capital. This program provides for using borrowed funds (principally FHLB advances) secured by mortgage loans and securities to purchase additional securities. The securities purchased in conjunction with the leverage program are primarily mortgage-backed securities, including collateralized mortgage obligations. The leverage program generates additional income for United by virtue of the positive spread between the leverage assets and associated borrowings. As of March 31, 1999, United had $148 million of securities and related borrowings as a result of the leverage program, compared with $75 million at year-end 1998. Management expects the leverage program to represent between 10% and 15% of total consolidated assets during the remainder of 1999.

Effective January 1, 1999, United adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 provides the adopting entity the option of transferring any securities classified as held to maturity into the available for sale or trading classifications (without calling into question the entity's intent to hold the securities to maturity in the future) as of the date of initial application. United transferred all held to maturity securities to available for sale on January 1, 1999, which increased stockholders' equity by $1.1 million for the net of tax effect for the unrealized gains.

LOANS

United experienced annualized loan growth of 31% for the three month period ended March 31, 1999. Outstanding loans, net of unearned income, totaled $1.08 billion at March 31, 1999, compared to $1.00 billion at December 31, 1998. The loan growth experienced during the first three months of 1999 is attributed to continued robust economic conditions in United's market areas and corresponding strong demand for residential construction, residential mortgage, consumer and commercial loans. Average loans for the three months ended March 31, 1999 were $1.03 billion compared to $836 million for the comparable 1998 period, representing an increase of 23%. The average tax-equivalent yield on loans for the three months ended March 31, 1999 was 9.78%, compared to 10.36% for the same period in 1998. This decline is primarily attributed a general decrease in market interest rates during the fourth quarter of 1998, which included a reduction in the prime rate from 8.50% to 7.75%, in addition to continued competitive pricing pressures.

ASSET QUALITY

Non-performing assets, which includes non-accrual loans, loans past-due 90 days or more and still accruing interest and other real estate owned totaled $2.5 million at March 31, 1999, compared to $1.4 million at December 31, 1998. Excluding assets acquired from Adairsville, total non-performing assets at March 31, 1999 were $1.4 million. Non-performing loans at March 31, 1999 consist primarily of loans secured by real estate that are generally well secured and in the process of collection. Other real estate owned at March 31, 1999 totaled $775 thousand, compared to $376 thousand at December 31, 1998, and included ten 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 4 - NON-PERFORMING ASSETS
(in thousands)

	March 31, 1999	December 31, 1998	March 31, 1998
Non-accrual loans	$ 1,316	518	1,351
Loans past due 90 days or more and still accruing	413	464	502
Total non-performing loans	1,729	982	1,853
Other real estate owned	775	376	917
Total non-performing assets	$ 2,504	1,358	2,770
Total non-performing loans as a percentage of total loans	0.16%	0.10%	0.22%
Total non-performing assets as a percentage of total assets	0.15%	0.09%	0.23%

As of March 31, 1999 United had $4.9 million of outstanding loans that were not included in the past-due or non-accrual categories, but for which management had knowledge that the borrowers were having financial difficulties. Although these difficulties are serious enough for management to be uncertain of the borrowers' ability to comply with the original repayment terms of the loans, no losses are anticipated at this time in connection with them based on current market conditions, cash flow generation and collateral values. These loans are subject to routine management review and are considered in determining the adequacy of the allowance for loan losses.

The allowance for loan losses ("ALL") at March 31, 1999 totaled $14.6 million, an increase of $2.7 million, or 22%, from December 31, 1998. The ALL acquired from Adairsville represented $1.8 million of the total $2.7 million increase. Although the level of non-performing loans within the Adairsville portfolio was considerably higher than United (as a percentage of total loans), a thorough due diligence review of the portfolio was conducted by United prior to closing. Management believes that the ALL recorded on the balance sheet of Adairsville as of the date of acquisition is sufficient.

The ratio of ALL to total loans at March 31, 1999 of 1.36%, compared to 1.19% at December 31, 1998. Of the total 17 basis point increase, 16 basis points are the result of acquiring the $1.8 million of ALL of Adairsville discussed above. At March 31, 1999 and December 31, 1998 the ratio of ALL to total non-performing loans was 844% and 1215%, respectively.

The following table provides an analysis of the changes in the ALL for the three month periods ended March 31, 1999 and 1998.

TABLE 5 - SUMMARY OF LOAN LOSS EXPERIENCE
(in thousands)

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
Balance beginning of period	$ 11,929	10,352
Provision for loan losses	890	498
Balance acquired from subsidiary at acquisition	1,822	-
Loans charged-off	(129)	(103)
Charge-off recoveries	76	55
Net charge-offs	(53)	(48)
Balance end of period	$ 14,588	10,802

Total loans:	March 31, 1999	December 31, 1998
At period end	$ 1,075,811	999,871
Average (three months for 1999)	$ 1,029,565	899,957
As a percentage of average loans:		
Net charge-offs (annualized basis for 1999)	0.02%	0.09%
Provision for loan losses (annualized basis for 1999)	0.35%	0.26%
Allowance as a percentage of period end loans	1.36%	1.19%
Allowance as a percentage of non-performing loans	844%	1215%

Management believes that the ALL at March 31, 1999 is sufficient to absorb losses inherent in the loan portfolio, including the loan portfolio acquired from Adairsville. This assessment is based upon the best available information and does involve a degree of uncertainty and matters of judgement. Accordingly, the adequacy of the loan loss reserve cannot be determined with precision and could be susceptible to significant change in future periods. Further discussion of the allowance for loan losses is included in the Year 2000 section of this discussion.

DEPOSITS AND BORROWED FUNDS

Total average non-interest bearing deposits for the three months ended March 31, 1999 were $145.1 million, an increase of $31.4 million, or 28%, from the same period in 1998. For the three months ended March 31, 1999, total average interest bearing deposits were $1.05 billion, an increase of $141.3 million, or 16%, from the comparable 1998 period. United acquired $31.6 million of total deposits with the Adairsville transaction, of which $4.5 million were non-interest bearing and $27.1 were interest bearing.

Total average borrowed funds for the three months ended March 31, 1999 were $274.4 million, an increase of $207.9 million, or 313%, from the comparable 1998 period. Most of this increase is attributed to increased net borrowings from the FHLB. Approximately 75% of the increase in average borrowed funds is in conjunction with United's leverage program and used to fund the purchase of investment securities classified as available for sale. The remaining borrowings were primarily used to fund loan growth. At March 31, 1999, United had aggregate FHLB borrowings of approximately $219 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 the Asset/Liability Management Committee ("ALCO"), which is comprised of members of United's senior management team. The ALCO meets regularly to evaluate the impact of market interest rates on the assets, liabilities, net interest margin, capital and liquidity of United and to determine the appropriate strategic plans to address the impact of these factors.

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

In order to assist in achieving a desired level of interest rate sensitivity, United has entered into off-balance sheet contracts that are considered derivative financial instruments. Derivative financial instruments can be a cost and capital effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts include interest rate swaps contracts in which United pays a variable rate and receives a fixed rate on a notional amount; options to purchase interest rate swap contracts (commonly referred to as "swaptions"); 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. At March 31, 1999 United had two cap contracts each with a notional amount of $10 million and maturity dates of September 2003 and January 2004, respectively. In addition, United had one swaption contract as of March 31, 1999. United exercised its option under the swaption contract subsequent to March 31, 1999 which resulted in a swap agreement with a notional amount of $10 million that matures in April 2001. In order to minimize the credit risk of derivative financial instruments, United requires that all contract counterparties have an investment grade or better credit rating.

Effective January 1, 1999, United adopted SFAS No. 133, which requires that all derivative financial instruments be included and recorded at fair value on the balance sheet. Management expects all derivative financial instruments utilized by United for interest rate risk management to qualify as effective cash flow hedges under the provisions of SFAS No. 133. This provides for any gain or loss (net of tax) to be recorded as a component of other comprehensive income in the equity section of the balance sheet. At March 31, 1999, United's derivative financial instruments had an aggregate positive fair market value of $327 thousand. This market valuation is recorded, net of tax, as a component of other comprehensive income on the balance sheet in the amount of $216 thousand.

United requires all derivative financial instruments be used only for asset/liability management or hedging specific transactions or positions, and not for trading or speculative purposes. Management believes that the risk associated with using derivative financial instruments to mitigate interest rate sensitivity is minimal and should not have any material unintended impact on United's financial condition or results of operations.

CAPITAL RESOURCES AND LIQUIDITY

The following table shows United's capital ratios, as calculated under regulatory guidelines, compared to the regulatory minimum capital ratio and the regulatory minimum capital ratio needed to qualify as a "well-capitalized" institution at March 31, 1999 and December 31, 1998:

TABLE 6 - CAPITAL RATIOS

	March 31, 1999	December 31, 1998
Leverage ratio	6.22%	7.06%
Regulatory minimum	4.00%	4.00%
Well-capitalized minimum	5.00%	5.00%
Tier I risk-based capital	9.02%	9.52%
Regulatory minimum	4.00%	4.00%
Well-capitalized minimum	6.00%	6.00%
Total risk-based capital	10.59%	11.00%
Regulatory minimum	8.00%	8.00%
Well-capitalized minimum	10.00%	10.00%

The decline in the leverage and risk-based capital ratios indicated in the table above are primarily due to the asset growth of $179.8 million, or 12%, experienced by United since December 31, 1998. United's leverage program that was implemented during the fourth quarter of 1998 and is discussed earlier in this report in the Securities section resulted in the addition of $73 million of the asset growth since year-end 1998. During this period of time, the only changes in equity capital were the retention of approximately 88% of net income . 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 to result in a significant level of excess capital that is not utilized.

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 cash dividend declared for the first quarter of 1999 was $.05 per share, an increase of 33% over the dividend declared in the first quarter of 1998. This dividend represented a payout of approximately 12% of the net income for the first quarter of 1999. This dividend was paid on April 1, 1999 to all shareholders of record as of March 15, 1999.

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

YEAR 2000

OVERVIEW

The "Year 2000" issue refers to potential problems that may result from the improper processing of dates and date-dependent calculations by computers and other microchip-embedded technology (like an alarm or telephone system). 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. Failure to identify and correct this problem could result in system processing errors that would disrupt United's normal business operations. In recognition of the seriousness of this issue, and in accordance with directives on Year 2000 issued by banking regulatory agencies, United established a Year 2000 Committee in January 1998. The committee is chaired by United's Chief Information Officer and reports directly to United's board of directors on a quarterly basis.

STATE OF READINESS

United has adopted a seven-phase action plan to address Year 2000 issues and expects to address all aspects of the action plan in a timely manner and to be prepared for the impact Year 2000 will have on United, its systems, vendors and customers. The seven phases are:

1. Awareness - The Year 2000 committee and committee chairman were appointed and authorized to develop an overall strategy for addressing the Year 2000 issue. An on-going awareness program has been developed to keep directors, employees and customers informed about the Year 2000 issue and apprised of United's progress in addressing it.

2. Inventory - Entails completion of a specific, detailed inventory of all hardware, software and other microchip-embedded products used by United. Procedures are established to ensure that any new purchases are properly analyzed for Year 2000 compliance and then inventoried. Vendors and suppliers are contacted to ascertain Year 2000 compliance status and efforts to remediate potential problems.

3. Assessment - Mission critical areas are identified and tested to address potential problem areas. Budgets are developed for expected expenses and other resources needed to adequately address potential problems. The potential risk exposure posed by credit customers and large depositors is also evaluated.

4. Renovation/Analysis - Vendors that supply system applications are requested to provide certification that their product used by United is Year 2000 compliant. Non-compliant systems are renovated or replaced.

5. Testing - All replaced or upgraded systems are tested to ensure full correction of any Year 2000 issues and then reviewed by a third party for validation of corrective action. Contingency plans are tested for effectiveness.

6. Implementation - A final review of all systems after the renovation of problematic areas is completed. Management and system users will carefully assess the status of corrective action.

7. Post-Implementation - Utilizing the contingency plans, the Year 2000 committee will continue to refine backup processes and procedures to be used in a worst-case scenario.

This seven-phase program applies to both information technology ("IT") and non-information technology ("non-IT") systems that are affected by Year 2000 that have been designated by the Year 2000 Committee as "mission critical." For purposes of the Year 2000 project, mission critical systems are defined as any technology element that, if not able to function properly, could result in financial liability, loss of revenue, significant customer service/support problems and damage to United's reputation.

The following table identifies some, but not all, IT and non-IT mission critical systems and elements:

IT	Non-IT
Mainframe hardware	Security systems
Mainframe software	HVAC systems
ATMs	Vault doors
PC network hardware	Printed forms
PC network software	Phone systems

The Federal Financial Institutions Examination Council (FFIEC) issued a statement entitled "Year 2000 Project Management Awareness" in May, 1997. This statement established key milestones that banks and other financial institutions must meet with regard to Year 2000 testing and remediation. The following table sets forth each deadline contained in this statement and where United stands, as of March 31, 1999, with respect to meeting each deadline.

Date	Task	United's Status
June 30, 1998	Complete development of all written testing strategies, plans and policies; due diligence to determine Year 2000 risk posed by customers implemented.	Completed
September 1, 1998	Commence testing of internal mission-critical systems; assessment of customers' Year 2000 preparedness and potential impact on the institution substantially complete.	Completed
December 31, 1998	Testing of internal mission-critical systems substantially complete.	Completed
March 31, 1999	External testing with material third parties begins.	Completed
June 30, 1999	Testing of all mission-critical systems completed and corrective actions substantively completed.	Scheduled for completion by June 30, 1999

The FFIEC has, under its bank supervisory authority, developed a multi-phase examination process to determine if banks are complying with the provisions of the awareness statement described above. United intends to comply with all regulatory requirements established by banking regulatory agencies.

As is the case with many financial institutions, United is dependent on third parties to provide systems used in daily operations. Examples include, but are not limited to, firms that provided both mainframe and desktop computer hardware, bank processing software that tracks loans and deposits, telecommunications services, check clearing and electrical utilities. Even though many providers of these products have advised that they are Year 2000 compliant, United is performing an independent testing and validation that will confirm that this is the case for each product as it is installed and used in United's operations. Generally speaking, United utilizes hardware and software providers that are registered under the Securities and Exchange Act of 1934; the Commission filings for each provider are being reviewed by management to determine if any significant disclosures with regard to the Year 2000 are made. In addition, United has requested all providers of hardware, software, processing services and other systems that are date-sensitive to provide written certification of the Year 2000 status for their product or service. The following table sets forth United's significant material relationships with third parties that, in the opinion of management, could potentially result in business interruption if the product or service provided is not Year 2000 compliant. This table is not intended to itemize all relationships with third-party service providers.

Product/Service	Year 2000 Assessment Status
Bank processing system	Certified compliant by manufacturer; testing completed
Mainframe	Testing completed
Telecommunications services	Testing completed
Wire transfers	Certified compliant by service provider
Check clearing	Certified compliant by service provider

EXPECTED COSTS ASSOCIATED WITH ADDRESSING YEAR 2000

As part of United's initiative to assess its state of readiness with regard to Year 2000, a budget was developed by the Year 2000 Committee. The budget is divided into five distinct categories:

Consulting - costs incurred with the engagement of third-party consultants and solution providers assisting management with the Year 2000 project, to review and negotiate contracts and insurance coverage and to perform audits of United's state of readiness for the Year 2000.

Inventory - costs associated with the initial inventory and review of all of United's systems, including hardware, software and any other micro-chip embedded products.

Testing - costs associated with running tests on United's systems, both individually and collectively, to determine if processing is affected by any of the potential problem dates associated with the Year 2000 and documenting the results of the tests. These costs may also include costs to upgrade United's computer systems to provide sufficient system resources to perform the tests.

Remediation - costs incurred to repair, upgrade or replace hardware, software or other micro-chip embedded technology that is not Year 2000 compliant.

Resources - costs associated with staff training and customer awareness with regard to the Year 2000 issue. Examples of this type of cost are fees for an employee to attend a seminar on Year 2000 or costs to produce a pamphlet on Year 2000 for United's customers.

The following table sets forth United's budget for the Year 2000 issue and actual amounts expended as of March 31, 1999. All amounts shown are pre-tax. In addition, the table indicates the percentage of each budget line item (as described above) that is expected to be recognized as current period expense and the percentage that is expected to be recorded as a new asset with expense recognized over the useful life of the asset through charges to depreciation expense.

YEAR 2000 BUDGET
(in thousands)

	Budget	% of Total Budget	Actual Costs Incurred as of 31-Mar-99	% of Budget Expended as of 31-Mar-99	% of Cost to Be Expensed	% of Cost to Be 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%	18	34%	100%	0
Total	$ 1,900	100%	1,484	78%	12%	88%

In accordance with recently issued accounting guidelines on how Year 2000 costs should be recognized for financial statement purposes, United intends to recognize 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 comprise approximately 80% of the Year 2000 budget, are primarily related to the installation of a new wide-area desktop computer network (WAN) that will replace virtually all of the desktop computers, file servers and peripheral equipment currently in use. In addition to being Year 2000 compliant, the new WAN will provide 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 WAN communications backbone for voice communication. United intends to leverage this new WAN technology to increase the levels of employee productivity and improve operating efficiency. The costs of the WAN component of the Year 2000 remediation budget will be recognized over a useful life of three years at a cost of approximately $450 thousand per year starting in the first quarter of 1999. This annual cost does not include any of the anticipated annual savings of approximately $180 thousand that the United expects to achieve through improved operating efficiency and reduced telecommunications costs over the next three years.

United expects to fund the costs associated with preparing for Year 2000 out of its normal operating cash flows. No major information technology initiatives have been postponed as a result of Year 2000 preparation that would have a material impact on United's financial condition or results of operations.

MATERIAL RISKS ASSOCIATED WITH UNITED'S YEAR 2000 ISSUES

CREDIT RISK - United, in the conduct of its ordinary operations, extends credit to individuals, partnerships and corporations. The extension of credit to businesses is based upon an evaluation of the borrower's ability to generate cash flows from operations sufficient to repay principal and interest, in addition to meeting the operating needs of the business. Failure of one of United's business borrowers to adequately prepare for the impact a Year 2000 failure could

potentially impair its ability to repay the loan. An example of this would be a loan to a building supply store that has computer accounting systems that fail to recognize Year 2000 and, consequently, are unable to calculate and bill accounts receivable in January 2000. This failure would most likely have a negative impact on the customer's cash flow and, consequently, their ability to repay the loan in accordance with its original terms. United's exposure to Year 2000 credit risk is somewhat mitigated by the fact that only 9% of the $1 billion in outstanding loans are to commercial enterprises.

In order to assess the Year 2000 risk within the loan portfolio, United's credit administration department developed a risk determination process to determine if any borrower with total debt of $100 thousand or more is dependent upon computer technology. Specifically, this process selectively identified business borrowers (including self-employed individuals) that rely on computer technology or use a supply chain that includes vendors that rely on computer technology. After these borrowers were identified, the loan officer responsible for each account completed a survey that includes 30 questions that examine four key components of Year 2000 preparedness: Project Planning; Staffing and Resources; Budget; and Contingency Planning. Based on the results of the survey questions the account officer rated each borrower as a "low," "medium" or "high" risk for Year 2000. The completed surveys and ratings were then independently reviewed by United's Loan Review Department, which had authority to request additional information from the borrower and, if necessary, change the Year 2000 risk rating. As of March 31, 1999 the survey, rating and review process was substantially completed; however, individual credit relationships will be reviewed throughout the remainder of 1999 as needed. The survey results indicated that approximately 45%, 48% and 6% of the total aggregate credit exposure for surveyed borrowers were rated low, medium and high Year 2000 risks, respectively.

Management believes that the allowance for loan losses at March 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 may have on their business. However, additional charges to the provision for loan loss will be made if, in the estimation of management, the increased risk for loan loss related to Year 2000 is not adequately provided for in the allowance for loan losses as of any balance sheet date.

LIQUIDITY RISK - is the risk to United's earnings and capital arising from an inability to raise sufficient cash to meet obligations as they come due. This risk is a very significant one for United since its primary business is banking, which involves taking deposits that are generally due upon demand. Since United uses these deposits to fund loans and purchase investment securities, a dramatic increase in deposit withdrawals because of Year 2000 problems specific to United or of a more general nature could have an adverse impact on United. Specifically, United could be forced to liquidate investments under adverse market conditions (that is, to sell at a loss) in order to fund a significantly higher level of deposit withdrawal activity. United is assessing its liquidity risk by running various scenarios of deposit withdrawals coincident with the turn of the century, ranging from normal activity to what could be reasonably expected in a panic situation. As of March 31, the Banks had available federal funds lines of credit totaling approximately $19 million and secured borrowing availability at the FHLB and The Federal Reserve Discount Window totaling $261 million.. Although estimates of deposit withdrawals related to Year 2000 vary widely, management is currently performing analyses to project cash requirements at individual branch locations under a variety of scenarios.

TRANSACTION RISK - is the risk to United's income and capital resulting from failure to deliver one of its products or services in a acceptable manner. An example of transaction risk related to Year 2000 is the ability of United's computer system to properly bill customers for loan payments due and account for the payments when received or the ability of a customer to perform a deposit or withdrawal at an ATM. In both of these examples, the individual customer is directly affected and United is impacted by the collective impact of all incorrectly processed customer transactions. Since all of United's products and services are processed in some manner by computer systems, all aspects of product design, delivery and support are being carefully evaluated in order to determine potential transaction risks.

United's Year 2000 policy also addresses other risks related to the Year 2000 issue which include, but are not limited to, strategic risk (adverse impact on business decisions or the implementation of business decisions, such as acquisitions); reputational risk (impact of bad publicity on customers and United's franchise value); and, legal risk (risk of litigation related to adverse impact of Year 2000 issues resulting in a material adverse impact on United's results of operations).

CONTINGENCY PLANNING FOR YEAR 2000

United's Year 2000 committee has presented the board of directors with a written Business Remediation and Business Resumption Contingency Policy. The purpose of this policy is to ensure that United is prepared to address any crisis situation(s) that could result from failure of any of United's systems or third-party vendors and suppliers to recognize Year 2000 critical dates. United's Year 2000 contingency policy is modeled after the FFIEC Interagency Statement on Contingency Planning in Connection with Year 2000 issued in May, 1997 and is comprised of four key phases:

1. Organizational Planning - identification of core business processes and establishment of a timeline for a Year 2000 contingency plan.
2. Business Impact Analysis - determination of Year 2000 failure risks for all core business processes and identification of failure scenarios. The minimal level of acceptable service in the event of failure is also determined.
3. Development of Contingency Plans - identification and selection of the most reasonable and cost-effective contingency strategy for each core business process in the event of failure.
4. Contingency Plan Validation - validation of each plan by a qualified independent party and final approval by senior management and the board of directors.

A core business process is, for the purposes of United's Year 2000 contingency planning, defined as a group of interrelated tasks performed as a basic and integral part of United's daily operation. Examples of core business processes include posting of payments on loans and processing of checks, both which require a complex infrastructure of hardware, software, communications and power. Core business processes are further defined by potential impact on United and its operations. "Mission Critical" core business processes are those which, if not functioning properly because of failure to recognize Year 2000, will most likely cause an immediate loss of revenue and crisis-level customer service problems that could damage United's reputation. United's Year 2000 Committee is currently in the

process of developing specific contingency plans that detail precisely how the "most likely worst-case scenarios" resulting from system failure will be handled. The objective of contingency planning is not to duplicate the complete functionality of failed systems, but, rather to identify the most economical means of resuming a minimally acceptable level of service in as short a time as possible.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

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

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

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

There were no reports on Form 8-K.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

SIGNATURES

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

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy C. Tallent
Jimmy C. Tallent, President
(Principal Executive Officer)

Date: May 12, 1999

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

Date: May 12, 1999

By: /s/ Patrick J. Rusnak
Patrick J. Rusnak
Controller
(Principal Accounting Officer)

Date: May 12, 1999

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