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 JUNE 30, 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 [X] NO [ ]

COMMON STOCK, PAR VALUE $1 PER SHARE: 7,396,605 SHARES
OUTSTANDING AS OF AUGUST 6, 1999

INDEX

PART I ITEM I - STATEMENTS

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

(in thousands)	June 30, 1999	December 31, 1998
ASSETS		
Cash and due from banks	$ 78,762	48,510
Federal funds sold	19,480	7,190
Cash and cash equivalents	98,242	55,700
Securities held to maturity (estimated fair value of $59,106 at December 31, 1998)	-	57,393
Securities available for sale	469,867	314,394
Mortgage loans held for sale	5,061	8,129
Loans, net of unearned income	1,166,496	999,871
Less: Allowance for loan losses	(15,212)	(11,929)
Loans, net	1,151,284	987,942
Premises and equipment, net	43,105	38,538
Accrued interest receivable	14,652	13,332
Other assets	26,503	23,171
Total assets	$ 1,808,714	1,498,599
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 182,871	143,152
Interest bearing demand	319,332	270,532
Savings	71,407	59,340
Time	774,801	690,100
Total deposits	1,348,411	1,163,124
Accrued expenses and other liabilities	9,461	19,574
Federal funds purchased and repurchase agreements	88,810	26,520
Federal Home Loan Bank advances	235,426	176,854
Long-term debt and other borrowings	14,226	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	1,720,834	1,411,849
Stockholders' equity:		
Preferred Stock	-	-
Common stock, $1 par value; 10,000,000 shares authorized; 7,396,605 and 7,393,605 shares issued and outstanding	7,397	7,394
Capital surplus	24,850	24,808
Retained earnings	58,880	53,240
Accumulated other comprehensive income	(3,247)	1,308
Total stockholders' equity	87,880	86,750
Total liabilities and stockholders' equity	$ 1,808,714	1,498,599

See notes to 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 JUNE 30, 1999	FOR THE THREE MONTHS ENDED JUNE 30, 1998	FOR THE SIX MONTHS ENDED JUNE 30, 1999	FOR THE SIX MONTHS ENDED JUNE 30, 1998
INTEREST INCOME:					
Interest and fees on loans	$	26,965	22,632	51,885	44,095
Interest on federal funds sold		437	358	576	695
Interest on investment securities:					
Taxable		5,811	2,718	10,775	5,215
Tax exempt		935	773	1,824	1,491
Total interest income		34,148	26,481	65,060	51,496
INTEREST EXPENSE:					
Interest on deposits:					
Demand		2,886	2,265	5,520	4,361
Savings		489	353	920	682
Time		10,170	9,704	19,995	19,328
Notes payable, subordinated debentures, federal funds purchased and FHLB advances		4,335	1,195	7,561	2,274
Interest on guaranteed preferred beneficial interests in company's junior subordinated debentures		421	-	851	-
Total interest expense		18,301	13,517	34,847	26,645
Net interest income		15,847	12,964	30,213	24,851
Provision for loan losses		908	540	1,798	1,038
Net interest income after provision for loan losses		14,939	12,424	28,415	23,813
NONINTEREST INCOME:					
Service charges and fees		1,164	992	2,238	1,904
Securities gains, net		6	68	8	171
Mortgage loan and related fees		422	444	870	880
Other non-interest income		837	563	1,640	966
Total noninterest income		2,429	2,067	4,756	3,921
NONINTEREST EXPENSE:					
Salaries and employee benefits		6,978	5,735	13,250	10,995
Occupancy		2,053	1,574	4,006	2,992
Other noninterest expense		3,397	2,843	6,368	5,377
Total noninterest expense		12,428	10,152	23,624	19,364
Income before income taxes		4,940	4,339	9,547	8,370
Income taxes		1,655	1,457	3,169	2,828
NET INCOME	$	3,285	2,882	6,378	5,542
Basic earnings per share	$	0.44	0.39	0.86	0.75
Diluted earnings per share	$	0.44	0.38	0.85	0.74
Average shares outstanding		7,395	7,394	7,394	7,389
Diluted average shares outstanding		7,651	7,627	7,645	7,610

See notes to consolidated financial statements.

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

		FOR THE SIX MONTHS ENDED JUNE 30, 1999	1998
		(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$	6,378	5,542
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation, amortization and accretion		1,631	1,186
Provision for loan losses		1,798	1,038
Loss (gain) on sale of investment securities		(8)	(171)
Change in assets and liabilities, net of purchase acquisitions:			
Interest receivable		(1,034)	(1,565)
Other assets		(2,205)	988
Accrued expenses and other liabilities		2,297	184
Change in mortgage loans held for sale		3,068	(1,749)
NET CASH PROVIDED BY OPERATING ACTIVITIES		11,925	5,453
CASH FLOWS FROM INVESTING ACTIVITIES, NET OF PURCHASE ACQUISITIONS:			
Proceeds from maturities and calls of securities held to maturity		-	14,334
Purchases of securities held to maturity		-	(11,512)
Proceeds from sales of securities available for sale		448	9,277
Proceeds from maturities and calls of securities available for sale		45,475	17,788
Purchases of securities available for sale		(139,899)	(44,560)
Purchase of life insurance contracts		(8,100)	-
Net increase in loans		(151,407)	(73,471)
Net cash inflow (outflow) for branch and bank acquisitions		(2,248)	20,282
Proceeds from sale of other real estate		391	113
Purchase of bank premises and equipment		(947)	(5,480)
NET CASH USED IN INVESTING ACTIVITIES		(256,287)	(73,229)
CASH FLOWS FROM FINANCING ACTIVITIES, NET OF PURCHASE ACQUISITIONS:			
Net change in demand and savings deposits		83,883	63,423
Net change in time deposits		69,812	1,708
Net change in federal funds purchased and repurchase agreements		62,290	(33,011)
Net change in FHLB advances		58,572	46,919
Net change in long-term debt and other borrowings		12,949	(643)
Proceeds from exercise of stock options		45	119
Dividends paid		(647)	(461)
NET CASH PROVIDED BY FINANCING ACTIVITIES		286,904	78,054
Net change in cash and cash equivalents		42,542	10,278
Cash and cash equivalents at beginning of period		55,700	68,834
Cash and cash equivalents at end of period	$	98,242	79,112

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: Cash paid during the period for:

Interest	$	33,768	26,734
Income Taxes	$	2,155	2,915

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

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Net income	$ 3,285	2,882	6,378	5,542
Other comprehensive income, before tax:				
Unrealized holding gains (losses) on investment securities	(8,052)	(82)	(7,892)	102
Unrealized gains (losses) on cash-flow hedge derivatives	193	--	520	--
Less reclassification adjustment for gains (losses) on securities available for sale	6	68	8	171
Total other comprehensive income (loss), before tax	(7,865)	(150)	(7,380)	(69)
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME				
Unrealized holding gains (losses) on investment securities	(3,061)	(31)	(2,999)	39
Unrealized gains (losses) on cash-flow hedge derivatives	66	--	177	--
Less reclassification adjustment for gains (losses) on securities available for sale	2	26	3	65
Total income tax expense (benefit) related to other comprehensive income (loss)	(2,997)	(57)	(2,825)	(26)
Total other comprehensive income (loss), net of tax	(4,868)	(93)	(4,555)	(43)
Total comprehensive income (loss)	$(1,583)	2,789	1,823	5,499

See notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

NOTE 2 - ACQUISITIONS

On June 3, 1999, United entered into a definitive agreement to merge with 1st Floyd Bankshares, Inc. ("Floyd") in Rome, Georgia, in a tax-free stock exchange. This merger is expected to close during the third quarter of 1999, subject to the approval of regulatory authorities and the Floyd shareholders. Under the terms of the merger agreement, each share of Floyd common stock will be exchanged for 0.8477 shares of United stock, with all fractional shares paid in cash based on a price of $37.75 for United stock. As of June 30, 1999, Floyd had 745,500 shares outstanding that would convert to approximately 631,875 shares of United stock.

As of June 30, 1999 Floyd had total assets of $98.7 million, total deposits of $79.3 million and total stockholders' equity of $7.1 million. United expects to account for this merger as a pooling of interests.

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. Effective April 1, 1999, Adairsville's results of operations were included in United's consolidated statements of income.

The Adairsville acquisition was accounted for as a purchase. United recorded a goodwill asset in conjunction with this acquisition of approximately $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 ("FASB") 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 June 30, 1999, United's derivative financial instruments had a positive fair market value of $520 thousand. This market valuation was recorded, net of tax, as a component of other comprehensive income on the balance sheet in the amount of $343 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.

On June 30, 1999 the FASB issued SFAS No. 137, an amendment to SFAS No. 133, that delayed the effective date of the pronouncement to all fiscal quarters of all fiscal years beginning after June 15, 2000. Any entity that has already applied the provisions of SFAS No. 133 and issued interim financial statements, such as United, may not revert to previous methods of accounting for derivative instruments under the provisions SFAS No. 137.

NOTE 4 - EARNINGS PER SHARE (UNAUDITED)

(In thousands, except per share data)		For the Three Months Ended June 30, 1999	For the Three Months Ended June 30, 1998	For the Six Months Ended June 30, 1999	For the Six Months Ended June 30, 1998
Basic earnings per share:					
Weighted average shares outstanding		7,395	7,394	7,394	7,389
Net income	$	3,285	2,882	6,378	5,542
Basic earnings per share	$	0.44	0.39	0.86	0.75
Diluted earnings per share:					
Weighted average shares outstanding		7,395	7,394	7,394	7,389
Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period		116	93	111	81
Effect of conversion of subordinated debt		140	140	140	140
Total weighted average shares and common stock equivalents outstanding		7,651	7,627	7,645	7,610
Net income, as reported	$	3,285	2,882	6,378	5,542
Income effect of conversion of subordinated debt, net of tax	$	43	47	86	94
Net income, adjusted for effect of conversion of subordinated debt, net of tax	$	3,328	2,929	6,464	5,636
Diluted earnings per share		0.44	0.38	0.85	0.74

PART I ITEM II

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

FORWARD-LOOKING STATEMENTS

This discussion contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although United believes that the assumptions underlying the forward-looking statements contained in the discussion are reasonable, any of the assumptions could be inaccurate, and therefore, no assurance can be made that any of the forward-looking statements included in this discussion will be accurate. Factors that could cause actual results to differ from results discussed in forward-looking statements include, but are not limited to: economic conditions (both generally and in the markets where United operates); competition from other providers of financial services offered by United; government regulation and legislation; changes in interest rates; material unforeseen changes in the financial stability and liquidity of United's credit customers; 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 June 30, 1999 United had 29 bank branches in operation. Total assets at June 30, 1999 were $1.81 billion, compared with $1.50 billion at December 31, 1998. The increase in total assets of approximately $310 million represents an annualized growth rate of 42% 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 six months of 1999 was 37%.

RECENT DEVELOPMENTS

On June 3, 1999, United entered into a definitive agreement to merge with 1st Floyd Bankshares, Inc. ("Floyd") in Rome, Georgia, in a tax-free stock exchange. This merger is expected to close during the third quarter of 1999, subject to the approval of regulatory authorities and the Floyd shareholders. Under the terms of the merger agreement, each share of Floyd common stock will be exchanged for 0.8477 shares of United stock, with all fractional shares paid in cash based on a price of $37.75 for United stock. As of June 30, 1999, Floyd had 745,500 shares outstanding that would convert to approximately 632,000 shares of United stock.

As of June 30, 1999 Floyd had total assets of $98.7 million, total deposits of $79.3 million and total stockholders' equity of $7.1 million. United expects to account for this merger as a pooling of interests.

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 six months ended June 30, 1999, United reported net income of $6.4 million, or $.85 per diluted share, compared to $5.5 million, or $.74 per diluted share, for the same period in 1998. The first six months results for 1999 provided an annualized return on assets and equity of .78% and 14.6%, respectively, compared to .94% and 14.4%, respectively, for the same period in 1998. Net income for the six months ended June 30, 1999 increased 15.1% compared to the same period in 1998. Diluted earnings per share for the quarter ended June 30, 1999 were $.44, an increase of 15.8% over the same period in 1998.

The following table summarizes the components of income and expense for the second quarter and first six months of 1999 and 1998 and the changes in those components for the periods presented.

Table 1 - Condensed Consolidated Statements of Income
Unaudited
(In thousands)

	For the Three Months Ended June 30, 1999	1998	Change Amount	Percent	For the Six Months Ended June 30, 1999	1998	Change Amount	Percent
Interest income	$ 34,148	26,481	7,667	29.0%	$ 65,060	51,496	13,564	26.3%
Interest expense	18,301	13,517	4,784	35.4%	34,847	26,645	8,202	30.8%
Net interest income	15,847	12,964	2,883	22.2%	30,213	24,851	5,362	21.6%
Provision for loan losses	908	540	368	68.1%	1,798	1,038	760	73.2%
Net interest income after provision for loan losses	14,939	12,424	2,515	20.2%	28,415	23,813	4,602	19.3%
Non-interest income	2,429	2,067	362	17.5%	4,756	3,921	835	21.3%
Non-interest expense	12,428	10,152	2,276	22.4%	23,624	19,364	4,260	22.0%
Income before taxes	4,940	4,339	601	13.9%	9,547	8,370	1,177	14.1%
Income tax expense	1,655	1,457	198	13.6%	3,169	2,828	341	12.1%
Net income	$ 3,285	2,882	403	14.0%	$ 6,378	5,542	836	15.1%

NET INTEREST INCOME

Net interest income is the largest source of United's operating income. Net interest income on a tax-equivalent basis was $31.3 million for the six months ended June 30, 1999, an increase of 22% over the comparable period in 1998. For the quarter ended June 30, 1999, net interest income was $16.4 million, an increase of 22% over the same period in 1998. The increases in net interest income for both the three and six month periods in 1999 are primarily attributable to increases in outstanding average interest bearing assets (loans and securities) over the comparable prior year periods.

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 June 30, 1999 United had approximately $152 million of earning assets and corresponding borrowings in the leverage program.

For the six months ended June 30, 1999, the net interest margin (net interest income as a percentage of average interest earning assets) on a tax-equivalent basis was 4.12%, 56 basis points less than the comparable prior year period. For the three months ended June 30, 1999, the net interest margin on a tax-equivalent basis was 4.09%, 69 basis points lower than the same period in 1998. The compression of the margin, for both the three and six month periods, is primarily due to continued competitive pressures on loan pricing and the leverage program described above. The leverage program assets and related borrowings have an average interest rate spread of approximately 1.15%, which reduced United's overall margin by approximately 30 basis points for the first six months of 1999.

The following two tables show 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 and six month periods ended June 30, 1999.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis
For the Six Months Ended June 30
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	$ 1,078,496	52,034	9.73%	857,060	44,140	10.39%
Taxable investments	356,219	10,775	6.10%	162,230	5,215	6.48%
Tax-exempt investments	76,370	2,736	7.22%	60,416	2,237	7.47%
Federal funds sold and other interest income	18,978	576	6.12%	24,523	695	5.72%
Total interest-earning assets / interest income	1,530,063	66,121	8.71%	1,104,229	52,287	9.55%
Non-interest-earning assets:						
Allowance for loan losses	(13,206)			(10,694)		
Cash and due from banks	53,534			37,468		
Premises and equipment	41,087			30,809		
Goodwill and deposit intangibles	8,511			5,872		
Other assets	29,692			22,790		
Total assets	$ 1,649,681			1,190,474		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	$ 294,720	5,520	3.78%	216,499	4,361	4.06%
Savings deposits	64,870	920	2.86%	49,423	682	2.78%
Certificates of deposit	725,593	19,995	5.56%	649,845	19,328	6.00%
Total interest-bearing deposits	1,085,183	26,435	4.91%	915,767	24,371	5.37%
Federal Home Loan Bank advances	217,628	5,520	5.11%	52,936	1,481	5.64%
Federal funds purchased and repurchase agreements	66,016	1,611	4.92%	3,716	98	5.32%
Long-term debt and other borrowings	31,424	1,281	8.22%	15,746	695	8.90%
Total borrowed funds	315,068	8,412	5.38%	72,398	2,274	6.33%
Total interest-bearing liabilities / interest expense	1,400,251	34,847	5.02%	988,165	26,645	5.44%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	154,518			117,026		
Other liabilities	6,713			7,796		
Total liabilities	1,561,482			1,112,987		
Stockholders' equity	88,199			77,487		
Total liabilities and stockholders' equity	$ 1,649,681			1,190,474		
Net interest-rate spread			3.69%			4.11%
Impact of non-interest bearing sources and other changes in balance sheet composition			0.43%			0.57%
Net interest income / margin on interest-earning assets		31,274	4.12%		25,642	4.68%

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

TABLE 3 - AVERAGE CONSOLIDATED BALANCE SHEETS AND NET INTEREST ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30
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	$ 1,121,703	27,015	9.66%	873,228	22,677	10.42%
Taxable investments	377,978	5,811	6.17%	164,812	2,718	6.61%
Tax-exempt investments	78,010	1,403	7.21%	62,285	1,160	7.47%
Federal funds sold	-					
and other interest income	28,247	437	6.21%	24,318	358	5.90%
TOTAL INTEREST-EARNING ASSETS / INTEREST INCOME	1,605,938	34,666	8.66%	1,124,643	26,913	9.60%
NON-INTEREST-EARNING ASSETS:						
Allowance for loan losses	(14,076)			(10,907)		
Cash and due from banks	62,813			39,117		
Premises and equipment	42,608			30,954		
Goodwill and deposit intangibles	9,930			5,759		
Other assets	30,522			20,236		
TOTAL ASSETS	$ 1,737,735			1,209,803		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	$ 308,727	2,886	3.75%	223,581	2,265	4.06%
Savings deposits	68,347	489	2.87%	50,323	353	2.81%
Certificates of deposit	744,854	10,170	5.48%	650,796	9,704	5.98%
Total interest-bearing deposits	1,121,928	13,545	4.84%	924,701	12,322	5.34%
Federal Home Loan Bank advances	235,442	2,988	5.09%	63,018	899	5.72%
Federal funds purchased and repurchase agreements	84,307	1,050	5.00%	-	-	0.00%
Long-term debt and other borrowings	35,519	718	8.11%	15,237	296	7.79%
Total borrowed funds	355,268	4,756	5.37%	78,255	1,195	6.13%
TOTAL INTEREST-BEARING LIABILITIES / INTEREST EXPENSE	1,477,196	18,301	4.97%	1,002,956	13,517	5.41%
NON-INTEREST-BEARING LIABILITIES:						
Non-interest-bearing deposits	163,784			120,276		
Other liabilities	8,818			7,990		
Total liabilities	1,649,798			1,131,221		
Stockholders' equity	87,936			78,582		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,737,734			1,209,803		
Net interest-rate spread			3.69%			4.19%
Impact of non-interest bearing sources and other changes in balance sheet composition			0.40%			0.59%
NET INTEREST INCOME / margin on interest-earning assets		16,365	4.09%		13,396	4.78%

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 4 - Change in Interest Income and Expense on a Tax Equivalent Basis
Unaudited
(in thousands)

		Six Months Ended June 30 1999 Compared to 1998 Increase (decrease) in interest income and expense due to changes in:			Three Months Ended June 30 1999 Compared to 1998 Increase (decrease) in interest income and expense due to changes in:		
		Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:							
Loans	$	10,825	(2,932)	7,893	6,452	(2,114)	4,338
Taxable investments		5,885	(325)	5,560	3,515	(422)	3,093
Tax-exempt investments		574	(75)	499	293	(50)	243
Federal funds sold and other interest income		(166)	47	(119)	58	21	79
Total interest-earning assets		17,118	(3,285)	13,833	10,318	(2,565)	7,753
Interest-bearing liabilities:							
Transaction accounts		1,483	(324)	1,159	863	(242)	621
Savings deposits		219	19	238	126	10	136
Certificates of deposit		2,151	(1,484)	667	1,402	(936)	466
Total interest-bearing deposits		3,853	(1,789)	2,064	2,391	(1,168)	1,223
FHLB advances		4,190	(151)	4,039	2,460	(371)	2,089
Federal funds purchased and repurchase agreements		1,521	(8)	1,513	1,050	-	1,050
Long-term debt and other borrowings		643	(57)	586	394	28	422
Total borrowed funds		6,354	(216)	6,138	3,904	(343)	3,561
Total interest-bearing liabilities		10,207	(2,005)	8,202	6,295	(1,511)	4,784
Increase (decrease) in net interest income	$	6,911	(1,280)	5,631	4,023	(1,054)	2,969

PROVISION FOR LOAN LOSS

The provision for loan losses was $1.80 million, or 0.34% of average loans on an annualized basis, for the six months ended June 30, 1999, compared with $1.04 million, or 0.25% of average loans, for the same period in 1998. Net loan charge-offs for the first six months of 1999 were $337 thousand, or 0.06% of average loans on an annualized basis, compared to $332 thousand, or 0.08% 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 six months ended June 30, 1999 was $4.8 million, an increase of $835 thousand, or 21%, over the comparable 1998 period. Excluding net gains on the sale of securities, non-interest income for the six months ended June 30, 1999 increased by $998 thousand, or 27%, compared to the same period in 1998. For the three months ended June 30, 1999 total non-interest was $2.4 million, an increase of $362 thousand over the comparable 1998 period. Excluding net gains on the sale of securities, total non-interest income for the second quarter of 1999 increased by 21% over comparable 1998 period.

Service charges on deposit accounts totaled $2.2 million for the first six months of 1999, an increase of $334 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 $870 thousand, compared to $880 thousand for the same period in 1998.

Excluding the recognition of an additional $158 thousand of mortgage servicing rights amortization during the six months of 1999, mortgage banking revenue increased by 17% compared to the same period in 1998. The increased amortization of mortgage servicing rights was necessary because of a continued high level of prepayments within the serviced loan portfolio. United has not recorded any mortgage servicing assets on the balance sheet since year-end 1998 (loans are sold with the servicing rights released to the purchaser). Management expects the amortization of mortgage servicing rights to decline during the second half of 1999 due to recent increases in mortgage interest rates and resulting decreases in prepayment activity.

Other non-interest income totaled $1.6 million for the six months ended June 30,1999, an increase of $674 thousand, or 70%, compared to the same period in 1998. Excluding a gain on the sale of loans of $45 thousand recognized during the first quarter of 1999, other non-interest income increased by 65% for the first six months of 1999. The increase in other non-interest income, exclusive of the gain on the sale of loans, is attributed to revenue increases in several areas. Trust and brokerage revenue increased by $126 thousand, or 86%, compared with the same period in 1998. This increase is attributed to the increase in trust assets under management resulting from management's strategic focus on trust sales opportunities to current United customers and prospective customers in United's market areas. Credit insurance revenue for the first six months of 1999 totaled $466 thousand, an increase of 134% 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 and introduced an employee performance incentive plan for credit insurance sales in January 1999. ATM related revenues increased by $89 thousand, or 67%, compared to the same period in 1998, primarily the result of increases in the number of off-site ATMs deployed and the surcharge for foreign withdrawal transactions. The improvement in other non-interest income also reflects earnings of approximately $236 thousand on life insurance contracts purchased by United in December 1998.

NON-INTEREST EXPENSE

For the six months ended June 30, 1999, non-interest expense totaled $23.6 million, an increase of $4.3 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 68.2% for the six months ended June 30,1999, compared to 68.3% for the same period in 1998. Total non-interest expense for the quarter ended June 30, 1999 was $12.4 million, an increase of 22% over the same period in 1998.

The increase in non-interest expense is primarily attributed to United's recent internal growth, which includes: the opening or acquisition of four new branch offices; acquisition of Adairsville; the addition of several new senior management positions; and, the purchase of new computer equipment that is utilized throughout the entire company since June, 1998. Comparing the six month period ended June 30, 1999 with the same period in 1998, compensation and benefit expense increased $2.3 million, or 21%; total occupancy expense (which includes equipment expense) increased $1.0 million, or 34%; and, total other operating expense increased $991 thousand, or 18%.

INCOME TAXES

Income tax expense increased by $341 thousand, or 12.1%, during the first six months of 1999 as compared to the same period in 1998. The effective tax rate for the six months ended June 30, 1999 was 33.2%, compared to 33.8% 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 six months of 1999 as compared to the same period in 1998.

SECURITIES

Average securities for the first six months of 1999 were $433 million, an increase of $210 million, or 94%, over the comparable 1998 period. This significant increase is primarily attributed to United's leverage program which 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 June 30, 1999, United had $152 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 8% and 12% 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 34% for the six month period ended June 30, 1999. Total loans, net of unearned income, totaled $1.17 billion at June 30, 1999, compared to $1.00 billion at December 31, 1998. The loan growth experienced during the first six months of 1999 is attributed to continued robust economic conditions in United's market areas and corresponding strong demand for residential construction, residential mortgage and consumer loans. Average loans (including mortgage loans held for sale) for the six months ended June 30, 1999 were $1.08 billion compared to $857 million for the comparable 1998 period, representing an increase of 26%. The average tax-equivalent yield on loans for the six months ended June 30, 1999 was 9.73%, compared to 10.39% 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 8.00% to 7.75%, in addition to continued competitive pricing pressures.

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 $2.5 million at June 30, 1999, compared to $1.4 million at December 31, 1998. Excluding assets acquired from Adairsville, total non-performing assets at June 30, 1999 were $1.7 million. Non-performing loans at June 30, 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 June 30, 1999 totaled $201 thousand, compared to $376 thousand at December 31, 1998, and comprised four properties.

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

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

TABLE 5 - NON-PERFORMING ASSETS
(IN THOUSANDS)

		June 30, 1999	December 31, 1998	June 30, 1998
Non-accrual loans	$	1,865	518	1,388
Loans past due 90 days or more and still accruing		458	464	568
Total non-performing loans		2,323	982	1,956
Other real estate owned		201	376	567
Total non-performing assets	$	2,524	1,358	2,523
Total non-performing loans as a percentage of total loans		0.20%	0.10%	0.22%
Total non-performing assets as a percentage of total assets		0.14%	0.09%	0.20%

As of June 30, 1999 United had approximately $4.8 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 June 30, 1999 totaled $15.2 million, an increase of $3.3 million, or 28%, from December 31, 1998. The ALL acquired from Adairsville represented $1.8 million of the total $3.3 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 sufficient.

The ratio of ALL to total loans at June 30, 1999 was 1.30%, compared with 1.36% at March 31, 1999 and 1.19% at December 31, 1998. Of the total 11 basis point increase since year-end 1998, substantially all is the result of acquiring the $1.8 million of ALL of Adairsville discussed above. At June 30, 1999 and December 31, 1998 the ratio of ALL to total non-performing loans was 655% and 1215%, respectively.

The following table provides an analysis of the changes in the ALL for the six months ended June 30, 1999 and 1998.

Table 6 - Summary of Loan Loss Experience
(in thousands)

		Six Months Ended June 30	
		1999	1998
Balance beginning of period	$	11,929	10,352
Provision for loan losses		1,798	1,038
Balance acquired from subsidiary at acquisition		1,822	-
Loans charged-off		(552)	(622)
Charge-off recoveries		215	300
Net charge-offs		(337)	(322)
Balance end of period	$	15,212	11,068

		June 30, 1999	December 31, 1998
Total loans:			
At period end	$	1,166,496	999,871
Average (six months for 1999)	$	1,073,313	899,957
As a percentage of average loans:			
Net charge-offs (annualized basis for 1999)		0.06%	0.09%
Provision for loan losses (annualized basis for 1999)		0.34%	0.26%
Allowance as a percentage of period end loans		1.30%	1.19%
Allowance as a percentage of non-performing loans		655%	1215%

Management believes that the ALL at June 30, 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 six months ended June 30, 1999 were $155 million, an increase of $37 million, or 32%, from the same period in 1998. For the six months ended June 30, 1999, total average interest bearing deposits were $1.1 billion, an increase of $169 million, or 19%, 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 six months ended June 30, 1999 were $315 million, an increase of $243 million, or 335%, from the comparable 1998 period. Most of this increase is attributed to increased net borrowings from the FHLB. Approximately 62% 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 June 30, 1999, United had aggregate FHLB borrowings of approximately $235 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.

At June 30, 1999, United's simulation model indicated that net interest income would increase by 3.4% if interest rates increased by 200 basis points and would decrease by 3.3% if interest rates fell by the same amount. Both of the simulation results are within the limits of United's policy, which permits an expected net interest income impact within a range of plus 10% and minus 10% for any 200 basis point increase or decrease in rates.

In order to assist in achieving a desired level of interest rate sensitivity, United has entered into off-balance sheet contracts that are considered derivative financial instruments. Derivative financial instruments can be a cost and capital effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. United requires that all contract counterparties have an investment grade or better credit rating. These contracts include interest rate swap contracts in which United pays a variable rate based on Prime Rate and receives a fixed rate on a notional amount, and interest rate cap contracts for which United pays an up-front premium in exchange for a variable cash flow if interest rates exceed the cap rate. At June 30, 1999 United had two cap contracts each with a notional amount of $10 million and maturity dates of September 2003 and January 2004, respectively. The following table presents United's swap contracts as of June 30, 1999.

TABLE 7 - SWAP CONTRACTS AS OF JUNE 30, 1999
(IN THOUSANDS)

Maturity	NOTIONAL Amount	RATE Received	RATE Paid	FAIR Value
April 2, 2001	15,000	8.41%	7.75%	(72)
April 5, 2001	10,000	9.50%	7.75%	129
May 8, 2001	10,000	8.26%	7.75%	(82)
June 7, 2001	10,000	8.69%	7.75%	(4)
June 24, 2002	40,000	9.02%	7.75%	107
December 23, 2002	10,000	9.19%	7.75%	51
Total/weighted average	95,000	8.88%	7.75%	129

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 June 30, 1999, United's derivative financial instruments had an aggregate positive fair market value of $520 thousand. This market valuation is recorded, net of tax, as a component of other comprehensive income on the balance sheet in the amount of $343 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 June 30, 1999 and December 31, 1998:

Table 8 - Capital Ratios

	June 30, 1999	December 31, 1998
Leverage Ratio	5.89%	7.06%
Regulatory minimum	3.00%	4.00%
Well-capitalized minimum	5.00%	5.00%
Tier I risk-based capital	8.65%	9.52%
Regulatory minimum	4.00%	4.00%
Well-capitalized minimum	6.00%	6.00%
Total risk-based capital	10.20%	11.00%
Regulatory minimum	8.00%	8.00%
Well-capitalized	10.00%	10.00%

The decline in the leverage and risk-based capital ratios during 1999 indicated in the table above are primarily due to the asset growth of $310 million, or 21%, 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 $77 million of the asset growth since year-end 1998. During this period of time, the only significant change in equity capital, exclusive of changes in accumulated other comprehensive income, was the retention of approximately 88% of net income.

The accumulated other comprehensive income ("AOCI") component of capital as of June 30, 1999 represented a reduction in capital of $3.2 million, compared with an increase in capital of $1.3 million at year-end 1999. The primary reason for the net decrease in AOCI was the increase in bond market interest rates during the second quarter of 1999 that reduced the market value of United's securities portfolio. United classifies all securities as "available for sale," which requires that the difference between book value and market value (net of tax) be recorded as a component of AOCI. A consolidated statement of other comprehensive income is included in Part I Item I of this report.

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.

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 and second quarters of 1999 and 1998 and the respective payout ratios as a percentage of net income.

TABLE 9 - DIVIDEND PAYOUT INFORMATION

	1999		1998	
	DIVIDEND	PAYOUT %	DIVIDEND	PAYOUT %
First quarter	$ 0.05	11.9%	$ 0.0375	10.4%
Second quarter	$ 0.05	11.4%	$ 0.0375	9.6%

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 June 30, 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 Completed 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.	Completed

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 has performed an independent testing and validation to confirm that this is the case for each product as it is installed and used in United's operations. Generally speaking. 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.

The following table sets forth United's budget for the Year 2000 issue and actual amounts expended as of June 30, 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.

Table 10 - Year 2000 Budget
(in thousands)

		Budget	% of Total Budget	Actual Costs Incurred as of 30-Jun-99	% of Budget Expended as of 30-Jun-99	% of Cost 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%	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 replaced 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 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 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 June 30, 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 June 30, 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. 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 has developed 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 Securities Holders

a. United Community Banks, Inc. 1999 Annual Meeting of Stockholders was held on April 15, 1999.

b. The following directors were elected to serve a term until the next annual meeting and election:

Billy M. Decker
Thomas C. Gilliland
Robert L. Head, Jr.
Charles E. Hill
Hoyt O. Holloway
P. Deral Horne
John R. Martin
Clarence W. Mason, Sr.
Zell B. Miller
W. C. Nelson, Jr.
Charles E. Parks
Jimmy C. Tallent

A total of 5,650,013 shares were voted for and 15,185 shares voted to withhold authority for the election of the above slate of directors. The affirmative votes represented 76.42% of the total shares outstanding and eligible to vote.

There were no other matters presented for a vote at the 1999 Annual Meeting.

Item 5. Other Information - None

Item 6. Exhibits and Reports of Form 8-K

Exhibit 27 - Financial Data Schedule
There were no reports filed on Form 8-K for the period.

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: August 6, 1999

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

Date: August 6, 1999

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

Date: August 6, 1999

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UNITED COMMUNITY BANKS, INC.
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DEC-31-1999
JAN-01-1999
JUN-30-1999
78,762
0
19,480
0
469,867
0
0
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21,000
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7,397
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1,808,714
51,885
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65,060
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23,624
9,547
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4.12
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4,804
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552
215
15,212
15,212
0
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