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, 2001

OR

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

For the Transition Period from ___________ to ___________

Commission file number 0-21656

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

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

P.O. Box 398, 63 Highway 515 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: 10,528,900 shares
outstanding as of May 9, 2001

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Part I - FINANCIAL INFORMATION

Item 1 - Finanical Statements

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND 2001

(in thousands except, except per share data)	2001	2000
	(UNAUDITED)	
INTEREST INCOME:		
Interest and fees on loans	$ 45,371	$ 38,687
Interest on federal funds sold and deposits in banks	559	510
Interest on investment securities:		
Taxable	7,604	8,614
Tax exempt	899	979
Total interest income	54,433	48,790
INTEREST EXPENSE:		
Interest on deposits:		
Demand	3,813	4,093
Savings	533	612
Time	19,015	16,835
Other borrowings	5,763	5,489
Total interest expense	29,124	27,029
Net interest income	25,309	21,761
Provision for loan losses	1,550	1,611
Net interest income after provision for loan losses	23,759	20,150
NON-INTEREST INCOME:		
Service charges and fees	2,203	1,700
Consulting fees	1,341	1,084
Mortgage loan and related fees	996	245
Securities gains (losses), net	175	5
Other	1,200	1,319
Total non-interest income	5,915	4,353
TOTAL REVENUE	29,674	24,503
NON-INTEREST EXPENSE:		
Salaries and employee benefits	11,588	9,903
Occupancy	2,799	2,532
Other	5,611	5,027
Total non-interest expense	19,998	17,462
Income before income taxes	9,676	7,041
Income taxes	3,241	2,250
NET INCOME	$ 6,435	$ 4,791
Net Income available to common shareholders	$ 6,392	$ 4,791
Earnings per share:		
Basic	$ .61	$ .48
Diluted	.60	.47
Average shares outstanding	10,516	10,094
Diluted average shares outstanding	10,790	10,391

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED BALANCE SHEET

(in thousands)	MARCH 31, 2001	DECEMBER 31, 2000
ASSETS	(UNAUDITED)	
Cash and due from banks	$ 100,432	$ 82,513
Federal funds sold	49,657	19,780
Cash and cash equivalents	150,089	102,293
Securities available for sale	507,630	532,111
Mortgage loans held for sale	13,117	6,125
Loans, net of unearned income	1,814,981	1,792,055
Less - Allowance for loan losses	25,133	24,698
Loans, net	1,789,848	1,767,357
Premises and equipment, net	57,387	56,930
Accrued interest receivable	25,184	25,384
Other assets	40,842	38,679
Total assets	$ 2,584,097	$ 2,528,879
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 286,666	$ 257,375
Interest bearing demand	447,762	413,978
Savings	89,311	86,568
Time	1,201,672	1,237,944
Total deposits	2,025,411	1,995,865
Accrued expenses and other liabilities	29,540	23,518
Federal funds purchased and repurchase agreements	40,801	52,640
Federal Home Loan Bank advances	278,024	257,225
Long-term debt	41,386	41,243
Total liabilities	2,415,162	2,370,491
Stockholders' equity:		
Preferred Stock, $1 par value; $10 stated value; 10,000,000 shares authorized; issued 287,410	2,874	2,874
Common stock, $1 par value; 50,000,000 shares authorized; 10,522,000 and 10,514,000 shares issued and outstanding	10,522	10,514
Capital surplus	59,486	59,386
Retained earnings	91,057	85,718
Accumulated other comprehensive income (loss)	4,996	(104)
Total stockholders' equity	168,935	158,388
Total liabilities and stockholders' equity	$ 2,584,097	$ 2,528,879

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND 2001

(in thousands)	2001	2000
	(UNAUDITED)	
NET INCOME	$ 6,435	$ 4,791
OTHER COMPREHENSIVE INCOME:		
Unrealized holding gains (losses) on investment securities	8,401	(1,905)
Reclassification adjustment for gains on investment securities included in non-interest income	(175)	(5)
Total other comprehensive income (loss), before income taxes	8,226	(1,910)
INCOME TAX EXPENSE (BENEFIT) RELATED TO THE ABOVE ITEMS:		
Unrealized holding gains (losses) on investment securities	3,193	(724)
Reclassification adjustment for gains on investment securities	(67)	(2)
Total income tax expense (benefit)	3,126	(726)
Net unrealized holdings gains (losses), on investment securities	5,100	(1,184)
Total comprehensive income	$ 11,535	$ 3,607

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND 2001

(in thousands)	2001	2000
	(UNAUDITED)	
OPERATING ACTIVITIES		
Net income	$ 6,435	$ 4,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,337	1,513
Provision for loan losses	1,550	1,611
Gain on sale of investment securities	(175)	(5)
Change in assets and liabilities:		
Other assets and accrued interest receivable	(3,595)	(199)
Accrued expenses and other liabilities	6,022	(3,739)
Mortgage loans held for sale	(6,992)	1,738
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,582	5,710
INVESTING ACTIVITIES		
Proceeds from sales of securities available for sale	11,799	250
Proceeds from maturities and calls of securities available for sale	40,214	12,573
Purchases of securities available for sale	(19,302)	(32,480)
Proceeds from maturities and calls of securities held to maturity	-	740
Net increase in loans	(25,667)	(72,634)
Purchase of premises and equipment	(1,793)	(1,527)
Purchase of life insurance contracts	-	(2,650)
Proceeds from sale of other real estate	302	65
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,553	(95,663)
FINANCING ACTIVITIES		
Net change in deposits	29,546	44,185
Net change in federal funds purchased and repurchase agreements	(11,839)	3,128
Net change in notes payable and other borrowings	143	1,723
Net change in FHLB advances	20,799	20,132
Proceeds from exercise of stock options	108	-
Cash paid for dividends on common stock	(1,053)	(1,122)
Cash paid for dividends on preferred stock	(43)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	37,661	68,046
Net change in cash and cash equivalents	47,796	(21,907)
Cash and cash equivalents at beginning of period	102,293	133,863
Cash and cash equivalents at end of period	$ 150,089	$ 111,956

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 29,937	$ 26,900
Income Taxes	778,361	2,200,000

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 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 2000 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 - EARNINGS PER SHARE

The following table sets forth the computation of basic and fully diluted earnings per share for three months ended March 31 (in thousands, except per share data):

(In thousands, except per share data)	2001	2000
Basic earnings per share:		
Weighted average shares outstanding	10,516	10,094
Net income available to common shareholders	$ 6,392	$ 4,791
Basic earnings per share	.61	.48
Diluted earnings per share:		
Weighted average shares outstanding	10,516	10,094
Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period	134	157
Effect of conversion of subordinated debt	140	140
Total weighted average shares and common stock equivalents outstanding	10,790	10,391
Net income available to common shareholders	$ 6,392	$ 4,791
Income effect of conversion of subordinated debt, net of tax	36	36
Net income, adjusted for effect of conversion of subordinated debt, net of tax	$ 6,428	$ 4,827
Diluted earnings per share	.60	.47

PART I ITEM II

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

FORWARD-LOOKING STATEMENTS

This Form 10-Q, both in Management's Discussion and Analysis section and elsewhere, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although United believes that the assumptions underlying the forward-looking statements contained in the discussion are reasonable, any of the assumptions could be inaccurate, and therefore, no assurance can be made that any of the forward-looking statements included in this discussion will be accurate. Factors that could cause actual results to differ from results discussed in forward-looking statements include, but are not limited to: economic conditions (both generally and in the markets where United operates); competition from other providers of financial services offered by United; government regulation and legislation; changes in interest rates; material unforeseen changes in the financial stability and liquidity of United's credit customers; and other risks detailed in United's filings with the Securities and Exchange Commission, all of which are difficult to predict and which may be beyond the control of United. United undertakes no obligation to revise forward-looking statements to reflect events or changes after the date of this discussion or to reflect the occurrence of unanticipated events.

OVERVIEW

United is a bank holding company registered under the Bank Holding Company Act of 1956, and was incorporated under the laws of the state of Georgia in 1987. United's activities are conducted by its wholly-owned subsidiaries, which include a financial services company and eight banking institutions (which banks are collectively referred to as the "Banks" in this discussion).

At March 31, 2001, United had total consolidated assets of $2.6 billion, total loans of $1.8 billion, total deposits of $2.0 billion and stockholders' equity of $169 million. For the three months ended March 31, 2001, United's net income was $6.4 million, an increase of $1.6 million, or 34%, from the same period in 2000, and diluted earnings per share increased to $.60 in the first quarter of 2001, from $.47 in the first quarter of 2000, or 28%. Return on average common stockholders' equity for the first quarter was 16.16%, as compared to 15.95% for 2000.

RESULTS OF OPERATIONS

Net income was $6.4 million for the three months ended March 31, 2001, an increase of 34% from the $4.8 million earned in the first quarter of 2000. Diluted earnings per common share were $.60 for the three months ended March 31, 2001, compared with $.47 for 2000, an increase of 28%. Return on average common equity for the first quarter 2001 was 16.16%, compared with 15.95% for the first quarter 2000. Return on average assets for the three months ended March 31, 2001 was 1.02%, as compared to .80% for the three months ended March 31, 2000.

TABLE 1 - CONDENSED CONSOLIDATED INCOME SUMMARY
For the three months ended March 31, (in thousands, taxable equivalent)

	2001	2000	CHANGE 2001-2000
Interest income	$ 55,015	$ 49,348	
Interest expense	29,124	27,029	
Net interest income	25,891	22,319	16%
Provision for loan losses	1,550	1,611	
Net interest income after provision for loan losses	24,341	20,708	
Non-interest income	5,915	4,353	36%
Total revenue	30,256	25,061	21%
Non-interest expense	19,998	17,462	15%
Income before income taxes	10,258	7,599	35%
Income tax expense	3,823	2,808	36%
Net income	$ 6,435	$ 4,791	34%

NET INTEREST INCOME (TAXABLE EQUIVALENT)

Net interest income (the difference between the interest earned on assets and the interest paid on deposits and liabilities) is the single largest component of United's operating income. United actively manages this income source to provide an optimal level of income while balancing interest rate, credit and liquidity risks. Net interest income totaled $25.9 million for the three months ended March 31, 2001, an increase of $3.6 million, or 16%, from the level recorded in 2000.

During the first quarter 2001, average interest earning assets increased $112 million, or 5%, over the first quarter 2000 amount. This increase was primarily due to the increased growth in real estate loans. Average loans outstanding were $1.8 billion for first quarter of 2001, up $207 million, or 13%, compared to first quarter 2000. Average interest bearing liabilities increased $61 million, or 3%, over the 2000 average balances. This increase was primarily due to an increase in the level of average interest bearing deposits of $64 million.

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

For the three months ended March 31, 2001 and 2000, United's net interest spread was 3.75% and 3.45%, while the net interest margin was 4.40% and 3.96%, respectively. The 44 basis point increase in the net interest margin in 2001 was primarily attributed to management's continued focus on improving net interest margin through a disciplined deposit and loan pricing strategy.

The average cost of interest bearing liabilities for the first quarter 2001 was 5.64%, an increase of 25 basis points from the first quarter 2000. This was primarily due to accounts opened in the latter half of 2000, which represented a higher rate environment spurred by rate increases by the Federal Reserve Bank. Core deposits, which include transaction accounts, savings accounts and non-brokered certificates of deposit less than $100,000, represented approximately 79% of total deposits as of March 31, 2001 and 73% as of March 31, 2000.

The following table shows the relationship between interest income and expense and the average balances of interest earning assets and interest bearing liabilities for the first quarters of 2001 and 2000.

TABLE 2 - AVERAGE CONSOLIDATED BALANCE SHEETS AND NET INTEREST ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31,

(In thousands, taxable equivalent)

	2001			2000		
	AVERAGE BALANCE	INTEREST	AVG. RATE	AVERAGE BALANCE	INTEREST	AVG. RATE
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)	$ 1,813,368	$ 45,503	10.18%	$ 1,606,207	$ 38,755	9.79%
Taxable investments	445,209	7,604	6.93%	526,234	8,614	6.64%
Tax-exempt investments (1)	79,296	1,349	6.90%	84,327	1,469	7.06%
Federal funds sold and other interest income	37,668	559	5.94%	47,177	510	4.32%
TOTAL INTEREST-EARNING ASSETS	2,375,541	55,015	9.39%	2,263,945	49,348	8.84%
Non-interest-earning assets:						
Allowance for loan losses	(25,418)			(19,928)		
Cash and due from banks	54,190			63,631		
Premises and equipment	56,803			56,033		
Other assets	59,495			53,487		
TOTAL ASSETS	$ 2,520,611			$ 2,417,168		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	$ 420,117	$ 3,813	3.68%	$ 417,183	$ 4,093	3.98%
Savings deposits	86,340	533	2.50%	85,985	612	2.89%
Certificates of deposit	1,223,955	19,015	6.30%	1,162,936	16,835	5.87%
Total interest-bearing deposits	1,730,412	23,361	5.48%	1,666,104	21,540	5.24%
Federal Home Loan Bank advances	273,122	4,057	6.02%	289,777	4,188	5.86%
Long-term debt and other borrowings	91,693	1,706	7.55%	78,694	1,301	6.70%
Total borrowed funds	364,815	5,763	6.41%	368,471	5,489	6.04%
TOTAL INTEREST-BEARING LIABILITIES	2,095,227	29,124	5.64%	2,034,575	27,029	5.39%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	257,518			225,807		
Other liabilities	3,589			36,307		
Total liabilities	2,356,334			2,296,689		
Stockholders' equity	164,277			120,479		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,520,611			$ 2,417,168		
NET INTEREST INCOME		$ 25,891			$ 22,319	
Net interest-rate spread			3.75%			3.45%
NET INTEREST MARGIN (2)			4.40%			3.96%

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

(2) Net interest margin is tax equivalent net-interest income divided by average interest-earning assets.

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

TABLE 3 - CHANGE IN INTEREST INCOME AND EXPENSE ON A TAX EQUIVALENT BASIS
(in thousands)

	THREE MONTHS ENDED MARCH 31, 2001 Compared to 2000 INCREASE (DECREASE) DUE TO CHANGES IN		
	VOLUME	TOTAL	
Interest-earning assets:			
Loans	$ 5,049	$ 1,699	$ 6,748
Taxable investments	(1,256)	246	(1,010)
Tax-exempt investments	(87)	(33)	(120)
Federal funds sold and other interest income	(130)	179	49
TOTAL INTEREST-EARNING ASSETS	3,576	2,091	5,667
INTEREST-BEARING LIABILITIES:			
Transaction accounts	26	(306)	(280)
Savings deposits	2	(81)	(79)
Certificates of deposit	921	1,259	2,180
Total interest-bearing deposits	949	872	1,821
FHLB advances	(235)	104	(131)
Long-term debt and other borrowings	227	178	405
Total borrowed funds	(8)	282	274
TOTAL INTEREST-BEARING LIABILITIES	941	1,154	2,095
INCREASE (DECREASE) IN NET INTEREST INCOME	$ 2,635	$ 937	$ 3,572

PROVISION FOR LOAN LOSSES

The provision for loan losses for the first quarter was $1.6 million for 2001 and 2000. As a percentage of average outstanding loans, the provision for loan losses was .34% and .45% for 2001 and 2000, respectively, on an annualized basis. Net loan charge-offs as a percentage of average outstanding loans for the three months ended March 31, 2001 were .25% as compared with .18% for 2000.

The provision for loan losses is based on management's evaluation of inherent risks in the loan portfolio and the corresponding analysis of the allowance for loan losses. Additional discussion on loan quality and the allowance for loan losses is included in the Asset Quality section of this report.

NON-INTEREST INCOME

Total non-interest income for the first three months of 2001, totaled $5.9 million, compared with $4.3 million for 2000. The following table presents the components of non-interest income for the first three months of 2001 and 2000.

TABLE 4 - NON-INTEREST INCOME
For the Three Months Ended March 31
(in thousands)

	2001	2000	Change 2001-2000
Service charges and fees	$ 2,340	$ 1,857	26%
Consulting fees	1,341	1,084	24%
Mortgage loan and related fees	996	245	307%
Trust and brokerage fees	240	227	6%
Insurance commissions	217	213	2%
Securities gains (losses), net	175	5	
Other	606	722	(16)%
Total	$ 5,915	$ 4,353	36%

A significant source of non-interest income for United is service charges and fees on deposit accounts. Service charges and fees for 2001 were $2.3 million, compared with $1.9 million in the first quarter 2000. The growth in fee revenue was primarily due to the increase in the number of deposit accounts and transaction activity.

Consulting fees for the three months ended March 31, 2001 were $1.3 million, an increase of $.3 million, or 24%, over the first three months of 2000. The increase reflects growth in the number of customers and expanded technology consulting services for network, internet banking, market assessments and web-site development.

Mortgage loan and related fees for the first quarters of 2001 and 2000 were $1.0 million and $.2 million respectively. This increase is the result of a higher volume of mortgage loan originations and service fees due to a favorable interest rate environment. Substantially all of these originated residential mortgages were subsequently sold into the secondary market, including the right to service these loans.

NON-INTEREST EXPENSE

For the three months ended March 31, 2001, total non-interest expense was $20.0 million, compared with $17.5 million for 2000. The following table presents the components of non-interest expense for the first quarters of 2001 and 2000.

TABLE 5 - NON-INTEREST EXPENSE
For the Three Months Ended March 31
(in thousands)

	2001	2000	Change 2001-2000
Salaries and employee benefits	$11,588	$ 9,903	17%
Occupancy	2,799	3,000	(7)%
Postage, printing and supplies	925	863	7%
Advertising and public relations	669	743	(10)%
Professional fees	890	517	72%
Communications	466	468	
Amortization of intangibles	191	191	
Other expense	2,470	1,777	39%
	$19,998	$17,462	15%

Total salaries and benefits for the first three months of 2001 totaled $11.6 million, an increase of 17% over the same period in 2000. This increase was primarily due to adding staff to support business growth and new services offered to our customers.

The efficiency ratio measures total operating expenses as a percentage of total revenue, excluding the provision for loan losses, net securities gains (losses) and merger-related expenses. United's efficiency ratio for the three months ended March 31, 2001 was 63.22% as compared with 65.48% for the first quarter of 2000. The decline in the efficiency ratio is due to management's focus to control the level of operating expenses.

INCOME TAXES

Income taxes, as reported for the first three months of 2001, were $3.2 million as compared with $2.3 million for the three months ended March 31, 2000. The effective tax rates (as a percentage of pre-tax net income) for the first three months of 2001 and 2000 were 33.5% and 32.0%, respectively. These effective rates are lower than the statutory tax rates, primarily due to interest income on certain investment securities and loans that are exempt from income taxes.

BALANCE SHEET REVIEW

Total assets at March 31, 2001 were $2.6 billion, an increase of $55 million from December 31, 2000. Average total assets for the first quarter of $2.5 billion increased $67 million from the fourth quarter of 2000.

LOANS

At March 31, 2001, total loans were $1.8 billion, an increase of $23 million from December 31, 2000. Average total loans were $1.8 billion in the first quarter 2001, compared with $1.7 billion as of December 31, 2000. Over the past five years, United has experienced strong loan growth in all markets, with particular strength in loans secured by real estate, both residential and non-residential. Substantially all of United's loans are to customers located in Georgia and North Carolina, the immediate market areas of the Banks. This includes loan customers who have a seasonal residence in the Banks' market areas.

ASSET QUALITY AND RISK ELEMENTS

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

The provision for loan losses charged to earnings is based upon management's judgment of the amount necessary to maintain the allowance at a level adequate to absorb probable losses. The amount each year is dependent upon many factors including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and economic factors and trends. The evaluation of these factors is performed by United's credit administration department through an analysis of the adequacy of the allowance for loan losses.

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

United does not currently allocate the allowance for loan losses to the various loan categories and there were no significant changes in the estimation methods and assumptions used to determine the adequacy of the allowance for loan losses during the first quarter 2001.

The following table presents a summary of changes in the allowance for loan losses for the three months ended March 31, 2001 and 2000.

TABLE 6 - SUMMARY OF LOAN LOSS EXPERIENCE

(in thousands)

	Three Months Ended March 31 2001	Three Months Ended March 31 2000
Balance beginning of period	$ 24,698	$ 20,043
Provision for loan losses	1,550	1,611
Loans charged-off	(1,405)	(553)
Charge-off recoveries	290	197
Net charge-offs	(1,115)	(356)
Balance end of period	$ 25,133	$ 21,298

	March 31 2001	December 31, 2000
Total loans:		
At period end	$ 1,814,981	$ 1,792,055
Average	1,813,368	1,687,970
As a percentage of average loans:		
Net charge-offs	.25%	.18%
Provision for loan losses	.34%	.45%
Allowance as a percentage of period end loans	1.38%	1.38%
Allowance as a percentage of non-performing loans	389%	444%

Management believes that the allowance for loan losses at March 31, 2001, is sufficient to absorb losses inherent in the loan portfolio as of that date based on the best information available. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part of their periodic examination of the Banks, may require additional charges to the provision for loan losses in future periods if the results of their review warrant.

NON-PERFORMING ASSETS

Non-performing loans, which include non-accrual loans and accruing loans past due over 90 days, totaled $6.5 million at March 31, 2001, compared with $5.6 million at December 31, 2000 and $3.0 million at March 31, 2000. At March 31, 2001, the ratio of non-performing loans to total loans was .36%, compared with .31% at December 31, 2000 and .18% at March 31, 2000. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled $9.0 million at March 31, 2001, compared with $6.7 million at December 31, 2000 and $4.0 million at March 31, 2000.

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

There were no commitments to lend additional funds to customers whose loans were on non-accrual status at March 31, 2001. The table below summarizes United's non-performing assets.

TABLE 7- NON-PERFORMING ASSETS
(in thousands)

	March 31, 2001	December 31, 2000	March 31, 2000
Non-accrual loans	$ 6,187	$ 4,605	$ 2,680
Loans past due 90 days or more and still accruing	279	956	287
Total non-performing loans	6,466	5,561	2,967
Other real estate owned	2,485	1,155	999
Total non-performing assets	$ 8,951	$ 6,716	$ 3,966
Total non-performing loans as a percentage of total loans	.36%	.31%	.18%
Total non-performing assets as a percentage of total assets	.35%	.27%	.16%

At March 31, 2001, United had $9.4 million of loans that were not classified as non-performing but for which known information about the borrowers' financial condition caused management to have concern about the ability of the borrowers to comply with the repayment terms of the loans. These loans were identified through the loan review process described in the Asset Quality and Risk Elements section of this discussion above that provides for assignment of a risk rating based on a ten-grade scale to all commercial and commercial real estate loans. Based on the evaluation of current market conditions, loan collateral, other secondary sources of repayment and cash flow generation, management does not anticipate any significant losses related to these loans. These loans are subject to continuing management attention and are considered in the determination of the allowance for loan losses.

INVESTMENT SECURITIES

The composition of the securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of income. The securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits.

Total average securities decreased 9% from December 31, 2000 to March 31, 2001. The decrease in the average securities was related to the current lower rate environment and managing interest rate risk within the securities portfolio and overall mix of earning assets.

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

DEPOSITS

Total average deposits as of March 31, 2001 were $1.9 billion, an increase of $46 million from December 31, 2000. Average non-interest bearing demand deposit accounts increased $9 million and average interest bearing transaction accounts increased $37 million from December 31, 2000 to March 31, 2001. Average time deposits as of March 31, 2001 were $1.2 billion, an increase of 2% from December 31, 2000.

Time deposits of $100,000 and greater totaled $371 million at March 31, 2001, compared with $383 million at December 31, 2000. During 1999, United began to utilize "brokered" time deposits, issued in certificates of less than $100,000, as an alternative source of cost-effective funding. Average brokered time deposits outstanding at March 31, 2001 and December 31, 2000 were $57.4 and $53.9 million, respectively.

SHORT-TERM BORROWINGS

At March 31, 2001, all of the Banks were shareholders in the Federal Home Loan Bank of Atlanta. Through this affiliation, secured advances totaling $278 million were outstanding at March 31, 2001 at rates competitive with time deposits of like maturities. United anticipates continued utilization of this short and long term source of funds to minimize interest rate risk.

INTEREST RATE SENSITIVITY MANAGEMENT

The absolute level and volatility of interest rates can have a significant impact on United's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest income to changing interest rates, in order to achieve United's overall financial goals. Based on economic conditions, asset quality and various other considerations, management establishes tolerance ranges for interest rate sensitivity and manages within these ranges.

The Company's net interest income, and the fair value of its financial instruments, are influenced by changes in the level of interest rates. The Company manages its exposure to fluctuations in interest rates through policies established by Asset/Liability Management Committee ("ALCO") of its Subsidiary Banks. The ALCO meets periodically and has responsibility for approving asset/liability management policies, formulating and implementing strategies to improve balance sheet positioning and/or earnings and reviewing the interest rate sensitivity of the Company.

Management utilizes an interest rate simulation model to estimate the sensitivity of net interest income to changes in interest rates. Such estimates are based upon a number of assumptions for each scenario, including the level of balance sheet growth, deposit repricing characteristics and the rate of prepayments.

As of March 31, 2001, United's simulation model indicated that net interest income would increase by 1% if interest rates increased by 200 basis points over the next twelve months and would also increase by 1% if interest rates fell by the same amount. United is in an asset sensitive or positive gap position for the next twelve months. This asset sensitive position would generally indicate that United's net interest income would increase should interest rates rise as well as increase should interest rates fall over the next twelve months. Due to the factors cited previously, current simulation results indicate only minimal sensitivity to parallel shifts in interest rates; however, no assurance can be given that United is not at risk from interest rate increases or decreases. Management also evaluates the condition of the economy, the pattern of market interest rates and other economic data to determine the appropriate mix and repricing characteristics of assets and liabilities necessary to optimize the net interest margin.

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 during 2001 and 2000. Derivative financial instruments can be a cost and capital effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts include interest rate swaps under which United pays a variable rate and receives a fixed rate, and interest rate cap contracts for which United pays an up-front premium in exchange for a variable cash flow if interest rates exceed the cap contract rate.

The cost of the cap contracts is included in other assets in the consolidated balance sheet and is being amortized on a straight-line basis over the five-year term of the contracts. The following table presents United's cap and floor contracts outstanding at March 31, 2001.

TABLE 8 - CAP AND FLOOR CONTRACTS
As of March 31, 2001
(in thousands)

CAP CONTRACTS

Maturity	NOTIONAL Amount	CONTRACT Index	CONTRACT Rate	FAIR Value
August 31, 2001	$ 5,000	Prime	10%	$ -
August 27, 2001	20,000	Prime	10%	-
Total	$ 25,000			$ -

FLOOR CONTRACTS

Maturity	NOTIONAL Amount	CONTRACT Index	CONTRACT Rate	FAIR Value
March 31, 2003	$ 30,000	Prime	10%	$ -

The following table presents United's swap contracts outstanding at March 31, 2001.

TABLE 9 - SWAP CONTRACTS
As of March 31, 2001
(in thousands)

Maturity	NOTIONAL Amount	RATE Received	RATE Paid (1)	FAIR Value
April 2, 2001	$ 15,000	8.41%	8.00%	$ (3)
April 5, 2001	10,000	9.50%	8.00%	-
May 8, 2001	10,000	8.26%	8.00%	210
June 7, 2001	10,000	8.69%	8.00%	12
July 27, 2001	10,000	8.85%	8.00%	14
October 12, 2001	10,000	9.11%	8.00%	74
June 7, 2002	10,000	9.05%	8.00%	142
June 14, 2002	10,000	9.12%	8.00%	152
June 24, 2002	20,000	8.80%	8.00%	335
July 29, 2002	25,000	9.04%	8.00%	399
August 10, 2002	10,000	9.60%	8.00%	270
March 24, 2003	25,000	7.80%	8.00%	55
June 18, 2003	25,000	7.85%	8.00%	55
Total/weighted average	$ 190,000	6.58%	5.89%	$1,715

(1) Based on prime rate at March 31, 2001.

Currently, all of United's derivative financial instruments are classified as fair value hedges. Fair value hedges recognize currently in earnings both the impact of change in the fair value of the derivative financial instrument and the offsetting impact of the change in fair value of the hedged asset or liability. At March 31, 2001, United's derivative financial instruments had an aggregate positive fair value of $1.7 million.

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

LIQUIDITY MANAGEMENT

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs of United and to take advantage of income producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. Liquidity is defined as the ability of a bank to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining United's ability to meet the daily cash flow requirements of the Banks' customers, both depositors and borrowers.

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

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities. Mortgage loans held for sale totaled $13 million at March 31, 2001, and typically turn over every 45 days as the closed loans are sold to investors in the secondary market. Other short-term investments such as federal funds sold are additional sources of liquidity.

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

As disclosed in United's consolidated statements of cash flows, net cash provided by operating activities was $4.6 million during the three months ended March 31, 2001. The major sources of cash provided by operating activities are net income partially offset by changes in other assets and other liabilities. Net cash provided by investing activities of $5.6 million consisted primarily of sales, maturities, calls and paydowns of securities of $52 million, offset by a net increase in loans and purchases of securities totaling $25.7 million and $19.3 million, respectively. Net cash provided by financing activities provided the remainder of funding sources for the first quarter 2001. The $37.6 million of net cash provided by financing activities consisted primarily of a $29.5 million net increase in deposits and a net increase in FHLB advances of $20.8 million. In the opinion of management, United's liquidity position at March 31, 2001, is sufficient to meet its expected cash flow requirements.

CAPITAL RESOURCES AND DIVIDENDS

Stockholders' equity at March 31, 2001 was $169 million, an increase of $11 million, or 7%, from December 31, 2000. Accumulated other comprehensive income (loss) is not included in the calculation of regulatory capital adequacy ratios. Excluding the change in the accumulated other comprehensive gain, stockholders' equity increased by 3%. Dividends of $1.1 million, or $.10 per share, were declared on common stock during the first quarter of 2001, an increase of 33% per share from the amount declared in the first quarter 2000. The dividend payout ratios for 2001 and 2000 were 16.34% and 15.48%, respectively. United has historically retained the majority of its earnings in order to provide a cost effective source of capital for continued growth and expansion. However, in recognition that cash dividends are an important component of shareholder value, management has instituted a dividend program that provides for increased cash dividends when earnings and capital levels permit.

The following table presents the cash dividends declared in the first quarters of 2001 and 2000 and the respective payout ratios as a percentage of net income.

TABLE 10 - DIVIDEND PAYOUT INFORMATION

	FOR THE THREE MONTHS ENDED MARCH 31,			
	2001		2000	
	DIVIDEND	PAYOUT %	DIVIDEND	PAYOUT %
First quarter	$ .10	16.34%	$ .075	15.48%

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

The following table shows United's capital ratios, as calculated under regulatory guidelines, at March 31, 2001 and December 31, 2000.

TABLE 11
CAPITAL RATIOS
(in thousands)

	2001		2000	
	Actual Amount	Regulatory Minimum	Actual Amount	Regulatory Minimum
Leverage:				
Amount	$ 191,463	$ 75,352	$ 185,700	$ 74,227
Ratio	7.6%	3.0%	7.5%	3.0%
Tier I Risk Based:				
Amount	$ 191,463	$ 72,615	$ 185,700	$ 72,111
Ratio	10.5%	4.0%	10.3%	4.0%
Total Risk Based:				
Amount	$ 217,438	$ 145,230	$ 211,761	$ 144,223
Ratio	12.0%	8.0%	11.7%	8.0%

United's Tier I capital, which excludes other comprehensive income, consists of stockholders' equity and qualifying capital securities less goodwill and deposit-based intangibles, totaled to $191 million at March 31, 2001. Tier II capital components include supplemental capital components such as a qualifying allowance for loan losses and qualifying subordinated debt. Tier I capital plus Tier II capital components is referred to as Total Risk-based Capital and was $217 million at March 31, 2001. The percentage ratios, as calculated under the guidelines, were 10.5% and 12.0% for Tier I and Total Risk-based Capital, respectively, at March 31, 2001.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as period end stockholders' equity and qualifying capital securities, less other comprehensive income, goodwill and deposit-based intangibles divided by average assets adjusted for goodwill and deposit-based intangibles. Although a minimum leverage ratio of 3% is required for the highest-rated bank holding companies which are not undertaking significant expansion programs, the Federal Reserve Board requires a bank holding company to maintain a leverage ratio greater than 3% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve Board. The Federal Reserve Board uses the leverage and risk-based capital ratios to assess capital adequacy of banks and bank holding companies. United's leverage ratios at March 31, 2001 and December 31, 2000 were 7.6% and 7.5%, respectively.

The capital ratios of United and the Banks currently exceed the minimum ratios required in 2001 as defined by federal regulators. United monitors these ratios to ensure that United and the Banks remain above regulatory minimum guidelines.

IMPACT OF INFLATION AND CHANGING PRICES

A bank's asset and liability structure is substantially different from that of an industrial firm in that primarily all assets and liabilities of a bank are monetary in nature, with relatively little investments in fixed assets or inventories. Inflation has an important impact on the growth of total assets and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio.

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

PART I ITEM III

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in United's quantitative and qualitative disclosures about market risk as of March 31, 2001 from that presented in United's Annual Report on Form 10-K for the year ended December 31, 2000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

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

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

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

SIGNATURES

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

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy C. Tallent

Jimmy C. Tallent, President
(Principal Executive Officer)

Date: May 10, 2001

By /s/ Rex S. Schuette

Rex S. Schuette
Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 2001