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, 1997

OR

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

For the Transition Period from ___________ to ___________

Commission file number 0-21656

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

Georgia	58-180-7304
(State of incorporation)	(I.R.S. Employer Identification No.)
P.O. Box 398, 59 Highway 515 Blairsville, Georgia	30512
(Address of principal executive Offices)	(Zip Code)

(706) 745-2151
(Telephone number)

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

YES /x/ NO / /

Common stock, par value $1 per share: 6,438,848 shares outstanding as of April 30, 1997

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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

	March 31, 1997	December 31, 1996
ASSETS	(In Thousands)	
Cash and due from banks	$ 27,562	26,377
Federal funds sold	17,170	24,215
Cash and cash equivalents	44,732	50,592
Securities held to maturity (estimated fair value of $67,259 and $71,334)	67,159	72,022
Securities available for sale	99,198	74,864
Mortgage loans held for sale	5,523	6,727
Loans	644,290	592,351
Less: Allowance for loan losses	(8,833)	(7,680)
Loans, net	635,457	584,671
Premises and equipment	19,297	18,650
Accrued interest receivable	8,609	7,780
Other assets	11,541	12,724
	$ 891,516	828,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 80,736	77,908
Interest-bearing demand	167,664	158,124
Savings	39,666	39,001
Time	490,832	445,693
Total deposits	778,898	720,726
Accrued expenses and other liabilities	5,112	5,876
Borrowed Funds	43,424	38,574
Long-term debt	10,170	10,453
Total liabilities	837,604	775,629
Stockholders' equity:		
Common stock, $1 par value; 10,000,000 shares authorized; 6,438,848 and 6,260,280 shares issued and outstanding	6,439	6,439
Capital surplus	15,341	15,341
Net unrealized loss on investment securities available for sale, net of tax	(502)	(75)
Retained earnings	32,634	30,696
Total stockholders' equity	53,912	52,401
	$ 891,516	828,030

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

	For the Three Months Ended March 31, 1997	1996
	(In Thousands Except Per Share Data)	
INTEREST INCOME:		
Interest and fees on loans	$ 15,729	$ 12,057
Interest on deposits with other banks	-	22
Interest on federal funds sold	348	223
Interest on investment securities:		
U.S. Treasury and U.S. Government agencies	1,862	1,613
State, county and municipal	510	464
Total interest income	18,449	14,379
INTEREST EXPENSE:		
Interest on deposits:		
Demand	1,516	1,004
Savings	261	258
Time	6,925	5,862
	8,702	7,124
Borrowed Funds	793	362
Total interest expense	9,495	7,486
Net interest income	8,954	6,893
Provision for loan losses	564	279
Net interest income after provision for loan losses	8,390	6,614
NONINTEREST INCOME:		
Service charges and fees	930	609
Securities gains, net	(7)	31
Mortgage loan and related fees	276	467
Other noninterest income	263	212
Total noninterest income	1,462	1,319
NONINTEREST EXPENSE:		
Salaries and employee benefits	3,703	2,935
Occupancy	998	792
Other noninterest expense	2,036	1,624
Total noninterest expense	6,737	5,351
Earnings before income taxes	3,115	2,582
Income taxes	1,015	909
Net earnings	$ 2,100	1,673
Net earnings per common share	$ 0.33	0.27
Weighted average shares outstanding	6,438,848	6,260,280

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

	For the Three Months Ended March 31, 1997	1996
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 2,100	$ 1,673
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation, amortization and accretion	491	517
Provision for loan losses	564	279
Gain on sale of investment securities	7	(31)
Change in assets and liabilities:		
Interest receivable	(829)	(523)
Interest payable	311	(352)
Other assets	1,165	(766)
Accrued expenses and other liabilities	(1,071)	1,355
Change in mortgage loans held for sale	1,203	2,246
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,941	4,398
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and calls of securities held to maturity	5,007	4,512
Purchases of securities held to maturity	(1,676)	(6,436)
Proceeds from sales of securities available for sale	3,266	2,507
Proceeds from maturities and calls of securities available for sale	4,730	12,740
Purchases of securities available for sale	(31,571)	(14,420)
Net increase in loans	(51,188)	(20,815)
Proceeds from sale of other real estate	7	--
Purchase of bank premises and equipment	(953)	(176)
Net cash used in investing activities	(72,378)	(22,088)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand and savings deposits	13,034	12,476
Net increase in time deposits	45,138	8,358
Proceeds from long-term debt	750	-
Proceeds from Other Borrowings	4,500	-
Repayments of long-term debt	(283)	(283)
Repayments of Other Borrowings	(400)	(54)
Cash paid for dividends	(161)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	62,578	20,497
Net increase (decrease) in cash and cash equivalents	(5,859)	2,807
Cash and cash equivalents at beginning of period	50,592	31,988
Cash and cash equivalents at end of period	$ 44,733	$ 34,795
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 9,833	$ 7,839

Income Taxes	$	929	$	605
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Change in dividends payable	$	(161)	$	-
Transfer of loans to other real estate owned	$	274	$	263
Change in unrealized gain / (loss) on securities available for sale	$	(669)	$	(595)

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(1) BASIS OF PRESENTATION

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

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

(2) EARNINGS PER SHARE

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

(3) ACQUISITION OF BRANCH OFFICES

On June 6, 1996, United executed a Purchase and Assumption Agreement to acquire certain assets and deposit liabilities of the Cornelia, Georgia branch office of the First National Bank of Commerce. This branch office had assets of $36 million, total loans of $31million and total deposits of $24 million as of September 30, 1996, the date of closing.

(4) RECENTLY ISSUED ACCOUNTING STANDARDS

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

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

OVERVIEW

Net Earnings for the quarter ended March 31, 1997 increased to $2,100,000 or 26 percent over net earnings for the first quarter of 1996. Net earnings per common share for the first quarter also increased 22 percent from the same period in 1996 to $.33. Net interest income increased 30 percent for the quarter ended March 31, 1997 over the same period of 1996 to 9 million. For the first quarter, the provision for loan losses increased over 100 percent to $564 thousand for the three-month period. Noninterest income and expense rose 11 percent and 26 percent respectively for the first quarter of 1997.

NET INTEREST INCOME

Net interest income for the quarter ended March 31, 1997 increased $2.1 million over the first quarter of 1996. This increase was the result of a $4.1 million, or 28 percent, increase in interest income and a $2 million, or 27 percent increase in interest expense. The increase in interest income was due to an increase in earning assets of $167 million coupled with an increase in the average yield on earning assets from 9.37 percent to 9.48 percent.

Interest expense for the three months ended March 31, 1997, increased $2 million, or 27 percent from the prior year, due primarily to a $151 million increase in interest bearing liabilities.

NET INTEREST MARGIN

The difference between the overall interest income on earning assets and the interest expense paid on all funding sources, including noninterest-bearing deposits, is referred to as the net interest margin. For the first three months of 1997 the net interest margin was 4.66 percent compared to 4.60 percent for the same period in 1996. This 6 basis point increase was the primary result of an increase in loan fees of approximately $400 thousand.

NONINTEREST INCOME AND EXPENSE

Noninterest income for the first three months of 1997 increased $142 thousand, or 11 percent over the same period in 1996. Service charges on deposits increased over $320 thousand, or 53 percent. The increase in service charges resulted by the increase in number of accounts and balances outstanding in transaction deposit accounts. Mortgage loan and related fees decreased $191 thousand, or 41% as a result of increased rates for the first three months of 1997, as well as a 30% decrease in volume. Gains on investment securities sold during the first quarter of 1996 were not material.

Noninterest expenses increased $1.4 million, or 26 percent, during the first three months of 1997 over the same period in 1996. Salaries and employee benefits increased $768 thousand, or 26 percent, for the first quarter. The increase in salaries and benefits were the result of the addition of personnel in connection with the First Bank of Habersham acquisition as well as branch openings in Bryson City, Sylva, and Cashiers in the western Carolina market as well as the opening of United Community Banks of Lumpkin County. Net occupancy expense increased 26 percent due primarily to the increase in facilities as mentioned above. Other noninterest expense, including stationary and supplies and advertising, increased $412 thousand during the quarter, primarily the result of the name change from Citizens Bank to Carolina Community Bank.

INCOME TAXES

Income tax expense increased during the first quarter of 1997 compared to the same period in 1995 by $106 thousand or 12 percent. The effective tax rates for the three months ended March 31, 1997 and 1996 were 33 percent and 35 percent, respectively. The decrease is primarily due to a higher mix of loans and, tax-exempt securities held in portfolio.

PROVISION AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

The provision for loan losses for the three months ended March 31, 1997 increased $285 thousand to $564 thousand from the $279 thousand reported for the same period in 1996. Management considers the size and character of the loan portfolio, changes in nonperforming and past due loans, historical loan loss experience, and the existing risk of individual loans, concentrations of loans to specific borrowers and existing and prospective economic conditions when determining the adequacy of the allowance for loan losses. The allowance for loan losses at March 31, 1997 was $8.2 million compared to $7.7 million at December 31, 1996. The ratio of the allowance for loan losses to loans outstanding at March 31, 1997 was 1.27 percent compared to 1.30 percent at December 31, 1996. It is management's belief that the allowance for loan losses is adequate to absorb probable loss in the portfolio.

NONPERFORMING ASSETS AND PAST DUE LOANS

Nonperforming assets, comprised of nonaccrual loans, other real estate owned and loans for which payments are more than 90 days past due, totaled $644 thousand at March 31, 1997 compared to $1.45 million at March 31, 1996. Nonperforming assets as a percentage of total loans and other real estate owned were .11 percent at March 31, 1997 and .31 percent at March 31, 1996.

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

At March 31, 1997, management was unaware of any known trends, events or uncertainties that will have or that are reasonably likely to have a material effect on United's liquidity, capital resources or operations.

Financial Condition

OVERVIEW

Total assets at March 31, 1996 were $892 million representing a $63.5 million or an 8 percent increase from December 31, 1996 and a $209 million or a 31 percent increase from March 31, 1996.

ASSETS AND FUNDING

At March 31, 1997, earning assets totaled $833 million, an increase of $62 million from December 31, 1996. The mix of earning assets remained relatively the same during the first three months of 1997. Loans comprised 77 percent of total earning assets; while the percentage of earning assets represented by total investment securities was 20 percent at March 31, 1997, compared to 19 percent at December 31, 1996.

Interest bearing deposits at March 31, 1997 increased $55 million from December 31, 1996, while non-interest bearing deposits increased over $3 million since December 31, 1996. At March 31, 1997, deposits accounted for 94 percent of United's funding, unchanged from year-end.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled $ 4 million for the three months ended March 31, 1997. For the first quarters of 1997, net cash used by investing activities of $ 72 million consisted of proceeds from maturities of investment securities of $ 5 million, proceeds from the sale of investment securities of $ 3 million, offset by cash outflows of $ 32 million in investment securities purchases, a $ 51 million increase in loans outstanding and purchases of bank premises and equipment of $953 thousand. Net cash provided by financing activities consisted largely of the $ 58 million increase in time and deposits accounts, as well as an increase of $ 5 million in other borrowings.

Total stockholders' equity at March 31, 1997, was 6.05 percent of total assets compared to 6.33 percent at December 31, 1996. The slight decrease is attributed to an increase in total assets of $65 million in addition to the change in the unrealized gain / (loss) on securities of $428 thousand.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

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

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K.

Exhibit 27 - Financial Data Schedule (for SEC use only)
Form 8-K - None.

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, 1997

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

Date: May 10, 1997

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UNITED COMMUNITY BANKS
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JAN-01-1997
MAR-31-1997
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