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, 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)

(404) 745-2151
(Telephone number)

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

YES XX NO

Common stock, par value $1 per share: 6,738,848 shares outstanding as of August 12, 1997

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

INDEX

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

	June 30, 1997	December 31, 1996
	(In Thousands)	
ASSETS		
Cash and due from banks	$ 43,135	26,377
Federal funds sold	32,530	24,215
Cash and cash equivalents	75,665	50,592
Securities held to maturity (estimated fair value of $66,592 and $72,335)	65,958	72,022
Securities available for sale	122,475	74,864
Mortgage loans held for sale	2,845	6,727
Loans	687,410	592,351
Less: Allowance for loan losses	8,612	7,683
Loans, net	678,798	584,671
Premises and equipment	21,636	18,650
Accrued interest receivable	9,668	7,780
Other assets	11,486	12,724
	$ 988,531	828,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 94,474	77,908
Interest-bearing demand	167,494	158,124
Savings	40,229	39,001
Time	556,639	445,693
Total deposits	858,836	720,726
Accrued expenses and other liabilities	5,667	5,876
Borrowed funds	49,844	38,574
Long-term debt	10,915	10,453
Total liabilities	925,262	775,629
Stockholders' equity:		
Preferred Stock	-	-
Common stock, $1 par value; 10,000,000 shares authorized; 6,438,848 and 6,260,280 shares issued and outstanding	6,739	6,439
Capital surplus	21,517	15,341
Net unrealized gain (loss) on investment securities available for sale, net of tax	157	(75)
Retained earnings	34,856	30,696
Total stockholders' equity	63,269	52,401
	$ 988,531	828,030

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

	For the Three Months Ended June 30, 1997	For the Three Months Ended June 30, 1996	For the Six Months Ended June 30, 1997	For the Six Months Ended June 30, 1996
	(In Thousands Except Per Share Data)			
INTEREST INCOME:				
Interest and fees on loans	$ 17,466	12,872	33,195	$ 24,930
Interest on deposits with other banks	170	12	170	34
Interest on federal funds sold	417	194	765	417
Interest on investment securities:				
U.S. Treasury and U.S. Government agencies	2,063	1,476	3,925	3,089
State, county and municipal	523	469	1,033	933
Total interest income	20,639	15,023	39,088	29,403
Interest expense:				
Interest on deposits:				
Demand	1,548	1,014	3,064	2,018
Savings	268	262	529	520
Time	7,970	5,705	14,895	11,567
	9,786	6,981	18,488	14,105
Borrowed Funds	945	363	1,738	725
Total interest expense	10,731	7,344	20,226	14,830
Net interest income	9,908	7,679	18,862	14,573
Provision for loan losses	669	288	1,233	567
Net interest income after provision for loan losses	9,239	7,391	17,629	14,006
Noninterest income:				
Service charges and fees	1,027	664	1,957	1,273
Securities (losses) gains, net	(1)	(16)	(8)	15
Mortgage loan and related fees	275	390	551	857
Other noninterest income	349	137	612	350
Total noninterest income	1,650	1,175	3,112	2,495
Noninterest expense:				
Salaries and employee benefits	4,168	3,166	7,871	6,101
Occupancy	1,109	835	2,107	1,627
Deposit insurance premiums	25	6	43	17
Other noninterest expense	2,126	1,656	4,144	3,269
Total noninterest expense	7,428	5,663	14,165	11,014
Earnings before income taxes	3,461	2,903	6,576	5,487
Income taxes	1,072	1,008	2,087	1,917
NET EARNINGS	$ 2,389	1,895	4,489	3,570
Net earnings per common share	$ 0.36	0.30	0.68	0.57
Weighted average shares outstanding	6,696,050	6,260,280	6,567,450	6,260,280

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

	For the Six Months Ended June 30, 1997	1996
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 4,489	$ 3,570
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,019	1,201
Provision for loan losses	1,233	567
Gain on sale of investment securities	8	(15)
Change in assets and liabilities:		
Interest receivable	(1,889)	(572)
Interest payable	797	(490)
Other assets	270	(563)
Accrued expenses and other liabilities	(1,005)	1,022
Change in mortgage loans held for sale	3,882	4,444
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,804	9,164
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and calls of securities held to maturity	7,738	8,911
Purchases of securities held to maturity	(3,270)	(7,476)
Proceeds from sales of securities available for sale	3,768	11,949
Proceeds from maturities and calls of securities available for sale	8,518	20,171
Purchases of securities available for sale	(58,127)	(19,787)
Net increase in loans	(95,039)	(58,349)
Proceeds from sale of other real estate	-	35
Purchase of bank premises and equipment	(3,636)	(616)
NET CASH USED IN INVESTING ACTIVITIES	(140,048)	(45,162)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand and savings deposits	27,163	17,892
Net increase in time deposits	110,945	13,721
Proceeds from long-term debt	1,090	-
Repayments of long-term debt	(565)	(565)
Proceeds from other borrowings	12,810	6,000
Repayments of other borrowings	(1,602)	(141)
Proceeds from sale of common stock	6,476	-
Cash paid for dividends	(329)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	155,988	36,907
Net increase (decrease) in cash and cash equivalents	25,071	909
Cash and cash equivalents at beginning of period	50,592	31,988
Cash and cash equivalents at end of period	$ 75,665	$ 32,897
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 19,429	$ 15,320
Income Taxes	$ 2,514	$ 1,800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to other real estate owned	$ 693	$ 444
Change in unrealized gain / (loss) on securities available for sale, net of tax	$ 232	$ (698)

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 principales followed by United Community Banks, Inc. ("United") and its bank subsidiaries and the methods of applying these principales conform with generally accepted accounting principales and with general practices within the banking industry. Certain principales, 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). 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) Proposed Acquisitions

On June 12, 1997, United executed a Purchase Assumption Agreement to acquire First Clayton Bank and Trust. First Clayton had total assets of $68 million, loans of $51 million and deposits of $62 million.

(3) Common Stock Offering

During the second quarter, United issued an additional 300,000 shares of common stock at $22 a share. After the offering, 6,937,248 shares will be deemed outstanding.

(4) 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.

(5) Recently Issued Accounting Standards

During February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings per Share." 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 presented is required.

ITEM II

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

Financial Condition

OVERVIEW

Total assets at June 30, 1997 were $989 million representing a $161 million or a 19 percent increase from December 31, 1996 and a $288 million or a 41 percent increase from June 30, 1996.

On June 12, 1997, United executed a Purchase Assumption Agreement to acquire First Clayton Bank and Trust. First Clayton had total assets of $68 million, loans of $51 million and deposits of $62 millsion.

ASSETS AND FUNDING

At June 30, 1997, earning assets totaled $911 million, an increase of $141 million from December 31, 1996. The mix of earning assets remained relatively the same during the first six months of 1996. Loans comprised 75 percent of total earning assets, compared to 77 percent at December 31, 1996. In addition, the percentage of earning assets represented by total investment securities was 21 percent at June 30, 1997, compared to 19 percent at December 31, 1996.

Interest bearing deposits at June 30, 1997 increased $121 million from December 31, 1996, while non-interest bearing deposits increased $17 million since December 31, 1996. At June 30, 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 $9.1 million for the six months ended June 30, 1997. For the first six months of 1997, net cash used by investing activities of $140 million consisted of proceeds from maturities of investment securities of $16.3 million, proceeds from the sale of investment securities of $3.8 million, offset by cash outflows of $ 61.4 million in investment securities purchases, a $95 million increase in loans outstanding and purchases of bank premises and equipment of $3.6 million. Net cash provided by financing activities consisted largely of the $138 million increase in deposits accounts, an increase of $12 million in other borrowings, as well as cash proceeds of $6.5 million from the sale of common stock.

Total stockholders' equity at June 30, 1997, was 6.40 percent of total assets compared to 6.33 percent at December 31, 1996. The slight increase is attributed to the $6.6 million dollar stock offering in the second quarter of 1997 offset by the growth in assets of $161 million for the first six month of 1997.

At June 30, 1997, the Company and its bank's subsidiaries were in compliance with various regulatory capital requirements administrated by the Federal banking agencies.

Results of Operations

OVERVIEW

Net earnings for the six ended months June 30, 1997 increased to $4.5 million or 26 percent over net earnings for the first half of 1996. Net earnings per common share for the first quarter also increased 19 percent from the same period in 1996 to $.68. Net interest income increased 29 percent for the six months ended June 30, 1997 over the same period of 1996 to $18.9 million. For the first half of 1997, the provision for loan losses increased over 100 percent to $1.2 million for the six month period. Noninterest income and expense rose 25 percent and 29 percent respectively for the first six months of 1997.

NET INTEREST INCOME

Net interest income for the six months ended June 30, 1997 increased $4.3 million over the first half of 1996. This increase was the result of a $9.7 million, or 33 percent, increase in interest income and a $5.4 million, or 37 percent increase in interest expense. The increase in interest income was primarily due to an increase in average earning assets of $210 million, or 33 percent, which more than offset a 11 basis point decline in the average yield on earning assets from 9.12 percent to 9.01 percent. The largest portion of the increase in average earning assets occurred in the average balance of loans, which increased 39 percent, or $178 million, and in total investment securities which increased $27.3 million. These increases were funded primarily by increases in time deposits.

Interest expense for the six months ended June 330, 1997, increased by $5.4 million, or 37 percent. The increase in interest expense was due primarily to a 34 percent in total interest bearing liabilities coupled with an increase of 13 basis points increase in the rate paid on liabilities. The majority of the increase in interest bearing liabilities was due to a $117 million, or 31 percent, increase in time deposit. Simarily the increase in the rate paid on interest bearing liabilities is the result of a Certificates of Deposits supplying a greater percentage in the overall funding mix.

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, expressed as a percentage of earning assets is referred to as the net interest margin. For the first six months of 1997 the net interest margin was 4.67 percent compared to 4.84 percent for the same period in 1996. This 17 basis point decrease was the primary result of a decrease in the overall earning asset yield of 11 basis points coupled with an increase in the average rate paid for interest bearing liabilities of 13 basis points. The decrease in the average earning asset yield is the result of a decrease in the average loan yield of 31 basis points offset slightly by an increase in the yield earned on the investment securities. The increase in the rate paid on interest bearing liabilities is attributed to time deposits representing a higher percentage of the interest bearing liability funding mix for the first six months of 1997 over the same period in 1996.

NONINTEREST INCOME AND EXPENSE

Noninterest income for the first six months of 1997 increased $684 thousand, or 25 percent over the same period in 1996. Service charges on deposits increased over $684 thousand, or 54 percent. The increase in service charges resulted by the increase in number of accounts and balances outstanding in transaction deposit accounts coupled with the Habersham acquisition as well as branch openings in the Georgia and western North Carolina markets. Mortgage loan and related fees decreased $306 thousand, or 36% as a result of increased rates for the first six months of 1997.

Noninterest expenses increased $3.1 million, or 29 percent, during the first six months of 1997 over the same period in 1996. Salaries and employee benefits increased $1.8 million, or 29 percent, for the first half. 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, Cashiers, and Brevard in the western North Carolina market and the opening of United Community Banks of Lumpkin County. Net occupancy expense increased 30 percent due primarily to the increase in the new facilities as mentioned above. Other noninterest expense, including stationary and supplies and advertising , increased $901 thousand during the first half of 1997. The increase in other noninterest expense is attributed to the new branches and normal business growth as discussed previously.

INCOME TAXES

Income tax expense increased during the first six months of 1997 compared to the same period in 1996 by $170 thousand or 9 percent. The effective tax rates for the six months ended June 30, 1997 and 1996 were 32 percent and 35 percent, respectively. The decrease is primarily due to a higher mix of both federal and state tax-exempt interest income relative to pre-tax earnings.

PROVISION AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

The provision for loan losses for the six months ended June 30, 1997 increased $667 thousand to $1.2 million from the $567 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, 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 June 30, 1997 was $8.6 million compared to $7.7 million at December 31, 1996. The ratio of the allowance for loan losses to loans outstanding at June 30, 1997 was 1.25 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 $687 thousand at June 30, 1997 compared to $1.45 million at December 31, 1996. Nonperforming assets as a percentage of total loans and other real estate owned was .19 percent at June 30, 1996 and .26 percent at June 30, 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 June 30, 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.

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 -

a) United Community Banks, Inc. 1997 Annual Meeting of Stockholders was held April 17, 1997

b) The following slate of directors was slated to serve the current year term:

James A Brackett, Jr.	P. Deral Horne
Billy M. Decker	Charles E. Parks
Thomas C. Gilliland	Clarence W. Mason Jr.
Robert L. Head Jr.	W. C. Nelson, Jr.
Charles E. Hill	Jimmy C. Tallent
Hoyt O. Holloway	

4,828,312 shares were voted for the slate of directors and 330 shares voted against the slate.

c) The shareholders of United voted on the proposal to amed the Key Individual Stock Option Plan to increase the number of shares authorized under the plan. 4,814,062 (74.77%) shares were voted for the proposal, 6,400 (.10%) shares voted against the proposal, 8,180 (.13%) shares abstained from the vote.

No matters, other than the election of the above slate of directors and the above referenced proposal to amend the Key Individual Stock Option Plan, were voted on at the annual meeting.

Item 5. Other Information -

On June 12, 1997, United executed a Purchase Assumption Agreement to acquire First Clayton and Trust. First Clayton had total assets of $68 million, loans of $51 million and deposits of $62 million.

Item 6. Exhibits and Reports on Form 8-K - None

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

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 13, 1997

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

Date: August 13, 1997

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UNITED COMMUNITY BANKS, INC.
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