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 September 30, 2003

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.)**
63 Highway 515 Blairsville, Georgia	**30512**
Address of Principal Executive Offices	**(Zip Code)**

(706) 781-2265
(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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES [X] NO [ ]

Common stock, par value $1 per share: 23,488,012 shares outstanding as of September 30, 2003

INDEX

Item 1 – Financial Statements

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Income
For the Three and Nine Months Ended September 30, 2003 and 2002

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	**2003**	**2002**	**2003**	**2002**
Interest revenue:	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest and fees on loans	$ 46,623	$ 42,533	$ 133,461	$ 126,167
Interest on federal funds sold and deposits in banks	140	76	307	427
Interest on investment securities:				
Taxable	5,738	5,087	17,803	16,528
Tax-exempt	694	795	2,164	2,435
Total interest revenue	53,195	48,491	153,735	145,557
Interest expense:				
Interest on deposits:				
Demand	1,728	3,073	6,119	8,469
Savings	82	134	287	398
Time	9,784	11,303	30,673	34,355
Other borrowings	5,852	4,432	16,423	14,171
Total interest expense	17,446	18,942	53,502	57,393
Net interest revenue	35,749	29,549	100,233	88,164
Provision for loan losses	1,500	1,800	4,500	5,100
Net interest revenue after provision for loan losses	34,249	27,749	95,733	83,064
Fee revenue:				
Service charges and fees	5,009	3,576	13,270	9,801
Mortgage loan and related fees	3,115	1,844	8,762	5,087
Consulting fees	1,092	1,216	3,366	3,381
Brokerage fees	447	467	1,315	1,456
Securities (losses) gains, net	(122)	64	(125)	64
Other	860	560	2,506	2,161
Total fee revenue	10,401	7,727	29,094	21,950
Total revenue	44,650	35,476	124,827	105,014
Operating expenses:				
Salaries and employee benefits	17,990	14,352	50,665	42,786
Occupancy	2,344	2,047	6,640	6,223
Communications and equipment	2,310	1,685	6,314	4,708
Postage, printing and supplies	1,237	870	3,354	2,836
Professional fees	1,036	881	3,007	2,621
Advertising and public relations	766	639	2,439	2,358
Amortization of intangibles	370	85	783	255
Merger-related charges	-	-	1,508	-
Other	2,659	1,992	7,126	6,332
Total operating expenses	28,712	22,551	81,836	68,119
Income before income taxes	15,938	12,925	42,991	36,895
Income taxes	5,574	4,524	15,094	12,675
Net income	$ 10,364	$ 8,401	$ 27,897	$ 24,220
Net income available to common stockholders	$ 10,352	$ 8,375	$ 27,840	$ 24,142
Earnings per common share:				
Basic	$ .44	$ .39	$ 1.24	$ 1.13
Diluted	.43	.38	1.20	1.09
Average common shares outstanding:				
Basic	23,408	21,392	22,501	21,402
Diluted	24,123	22,233	23,233	22,227

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
Consolidated Balance Sheet
For the period ended

($ in thousands)	**September 30, 2003**	**December 31, 2002**	**September 30, 2002**
ASSETS	(Unaudited)	(Audited)	(Unaudited)
Cash and due from banks	$ 94,381	$ 75,027	$ 81,480
Interest-bearing deposits in banks	67,022	31,318	36,168
Federal funds sold	-	-	28,344
Cash and cash equivalents	161,403	106,345	145,992
Securities available for sale	634,421	559,390	460,673
Mortgage loans held for sale	14,348	24,080	24,766
Loans, net of unearned income	2,918,412	2,381,798	2,331,862
Less - allowance for loan losses	37,773	30,914	30,300
Loans, net	2,880,639	2,350,884	2,301,562
Premises and equipment, net	83,342	70,748	69,585
Accrued interest receivable	23,079	20,275	18,335
Intangible assets	65,674	12,767	12,853
Other assets	79,233	66,855	108,627
Total assets	$ 3,942,139	$ 3,211,344	$ 3,142,393
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Demand	$ 404,752	$ 297,613	$ 317,783
Interest-bearing demand	798,072	734,494	684,577
Savings	137,613	100,523	99,244
Time	1,449,894	1,252,609	1,285,358
Total deposits	2,790,331	2,385,239	2,386,962
Accrued expenses and other liabilities	24,752	17,222	71,473
Federal funds purchased and repurchase agreements	78,900	20,263	80,219
Federal Home Loan Bank advances	650,572	492,130	332,860
Long-term debt and other borrowings	107,871	74,911	55,449
Total liabilities	3,652,426	2,989,765	2,926,963
Stockholders' equity:			
Preferred stock, $1 par value; $10 stated value; 10,000,000 shares authorized; 65,500, 172,600 and 172,600 shares issued and outstanding	655	1,726	1,726
Common stock, $1 par value; 50,000,000 shares authorized; 23,804,382, 21,805,924 and 21,805,924 shares issued	23,804	21,806	21,806
Capital surplus	106,925	62,495	62,419
Retained earnings	158,464	135,709	128,504
Treasury stock; 316,370, 542,652 and 461,385 shares, at cost	(8,015)	(11,432)	(9,401)
Accumulated other comprehensive income	7,880	11,275	10,376
Total stockholders' equity	289,713	221,579	215,430
Total liabilities and stockholders' equity	$ 3,942,139	$ 3,211,344	$ 3,142,393

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Changes in Stockholders' Equity
For the Nine Months Ended September 30,

(in thousands)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2001	$ 1,726	$ 21,806	$ 62,829	$ 108,371	$ (5,749)	$ 5,682	$ 194,665
Comprehensive income:							
Net income				24,220			24,220
Other comprehensive income:							
Unrealized holding gains on available for sale securities, net of deferred tax expense and reclassification adjustment						4,485	4,485
Unrealized gains on derivative financial instruments qualifying as cash flow hedges, net of deferred tax expense						209	209
Comprehensive income				24,220		4,694	28,914
Cash dividends declared ($.1875 per share)				(4,009)			(4,009)
Exercise of stock options (44,374 shares)			(410)		866		456
Acquisition of treasury stock (223,281 shares)					(4,761)		(4,761)
Employee stock grant (12,470 shares)					243		243
Dividends declared on preferred stock ($.45 per share)				(78)			(78)
Balance, September 30, 2002	$ 1,726	$ 21,806	$ 62,419	$ 128,504	$ (9,401)	$ 10,376	$ 215,430
Balance, December 31, 2002	$ 1,726	$ 21,806	$ 62,495	$ 135,709	$ (11,432)	$ 11,275	$ 221,579
Comprehensive income:							
Net income				27,897			27,897
Other comprehensive income:							
Unrealized holding losses on available for sale securities, net of deferred tax benefit and reclassification adjustment						(2,498)	(2,498)
Unrealized gains on derivative financial instruments qualifying as cash flow hedges, net of deferred tax benefit						(897)	(897)
Comprehensive income				27,897		(3,395)	24,502
Redemption of preferred stock (107,100 shares)	(1,071)						(1,071)
Cash dividends declared ($.225 per share)				(5,085)			(5,085)
Common stock issued for acquisitions (1,998,458 shares)		1,998	47,893				49,891
Exercise of stock options (466,001 shares)			(3,379)		9,420		6,041
Conversion of debt (12,000 shares)			(84)		234		150
Acquisition of treasury stock (251,719 shares)					(6,237)		(6,237)
Dividends declared on preferred stock ($.45 per share)				(57)			(57)
Balance, September 30, 2003	$ 655	$ 23,804	$ 106,925	$ 158,464	$ (8,015)	$ 7,880	$ 289,713

* Comprehensive income for the third quarters of 2003 and 2002 was $4,557 and $9,062, respectively.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Cash Flows
For the Nine Months Ended September 30,

(in thousands)	**2003**	**2002**
Operating activities:	(Unaudited)	(Unaudited)
Net income	$ 27,897	$ 24,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	10,801	5,817
Provision for loan losses	4,500	5,100
Loss (gain) on sale of securities available for sale	125	(64)
Gain on sale of other assets	(18)	(15)
Employee stock grant	-	243
Changes in assets and liabilities:		
Other assets and accrued interest receivable	(8,547)	(1,906)
Accrued expenses and other liabilities	8,923	5,238
Mortgage loans held for sale	14,147	(8,228)
Net cash provided by operating activities	57,828	30,405
Investing activities (net of purchase adjustments):		
Proceeds from sales of securities available for sale	39,327	10,289
Proceeds from maturities and calls of securities available for sale	216,971	151,592
Purchases of securities available for sale	(299,802)	(149,174)
Net increase in loans	(229,857)	(327,149)
Purchases of premises and equipment	(9,038)	(10,083)
Net cash received from acquisitions	28,828	-
Proceeds from sale of other real estate	659	2,042
Net cash used by investing activities	(252,912)	(322,483)
Financing activities (net of purchase adjustments):		
Net change in deposits	13,125	270,463
Net change in federal funds purchased and repurchase agreements	57,655	3,005
Net change in notes payable and other borrowings	(3,840)	7,258
Proceeds from FHLB advances	642,600	256,699
Repayments of FHLB advances	(487,988)	(214,233)
Proceeds from issuance of subordinated debt	34,464	-
Proceeds from exercise of stock options	6,017	437
Proceeds from conversion of debt	150	-
Redemption of preferred stock	(1,071)	-
Purchase of treasury stock	(6,237)	(4,761)
Cash dividends on common stock	(4,676)	(3,747)
Cash dividends on preferred stock	(57)	(78)
Net cash provided by financing activities	250,142	315,043
Net change in cash and cash equivalents	55,058	22,965
Cash and cash equivalents at beginning of period	106,345	123,027
Cash and cash equivalents at end of period	$ 161,403	$ 145,992
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 53,257	$ 59,768
Income taxes	14,388	14,556

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. ("United") and its subsidiaries conform to accounting principles generally accepted in the United States of America and general banking industry practices. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United's accounting policies is included in the 2002 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 - Stock-Based Compensation

United's stock-based compensation plans are accounted for based on the intrinsic value method set forth in Accounting Principles Board (APB) Opinion 25, *Accounting for Stock Issued to Employees*, and related interpretations. Compensation expense for employee stock options is not recognized if the exercise price of the option equals or exceeds the fair value of the stock on the date of grant. Compensation expense for restricted share awards is ratably recognized over the period of service, usually the restricted period, based on the fair value of the stock on the date of grant. Had compensation costs been determined based upon the fair value of the options at the grant dates consistent with the method of SFAS No. 123, United's net income and earnings per common share would have reflected the pro forma amounts below *(in thousands, except per share data)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	**2002**	**2003**	**2002**
Net income available to common shareholders:				
As reported	$ 10,352	$ 8,375	$ 27,840	$ 24,142
Pro forma	10,270	8,244	27,526	23,642
Basic earnings per common share:				
As reported	.44	.39	1.24	1.13
Pro forma	.44	.39	1.22	1.10
Diluted earnings per common share:				
As reported	.43	.38	1.20	1.09
Pro forma	.43	.37	1.19	1.07

The weighted average fair value of options granted in 2003 and 2002 was $5.18 and $4.85, respectively. The fair value of each option granted was estimated on the date of grant using the Black-Scholes model with the following weighted average assumptions: dividend yield of 1%; a risk free interest rate of 3.48% in 2003 and 4.25% in 2002; expected volatility of 15%; and, an expected life of 7 years. Since United's stock trading history dates back only to March of 2002, when United listed on Nasdaq, the Nasdaq Bank Index was used to determine volatility. The fair value of each option granted prior to 2002 was estimated on the date of grant using the minimum value method with the following weighted average assumptions: dividend yield of 1%; a risk free interest rate of 5%; and, an expected life of 7 years. Compensation expense, included in the proforma results, was determined based on the fair value of the options at the time of grant, multiplied by the number of options granted, which was then amortized, net of tax, over the vesting period.

Note 3 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30.

(in thousands, except per share data)

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Basic earnings per share:				
Weighted average shares outstanding	23,408	21,392	22,501	21,402
Net income available to common shareholders	$ 10,352	$ 8,375	$ 27,840	$ 24,142
Basic earnings per share	$ .44	$ .39	$ 1.24	$ 1.13
Diluted earnings per share:				
Weighted average shares outstanding	23,408	21,392	22,501	21,402
Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period	447	561	459	545
Effect of conversion of subordinated debt	268	280	273	280
Total weighted average shares and common stock equivalents outstanding	24,123	22,233	23,233	22,227
Net income available to common shareholders	$ 10,352	$ 8,375	$ 27,840	$ 24,142
Income effect of conversion of subordinated debt, net of tax	23	29	72	86
Net income, adjusted for effect of conversion of subordinated debt, net of tax	$ 10,375	$ 8,404	27,912	24,228
Diluted earnings per share	$ .43	$ .38	$ 1.20	$ 1.09

Note 4 – Mergers and Acquisitions

On March 31, 2003, United acquired 100 percent of the outstanding common shares of First Central Bancshares, Inc. ("First Central") a community bank holding company headquartered in Lenoir City, Tennessee. First Central's results of operations are included in consolidated financial results from the acquisition date. First Central was the parent company of First Central Bank, a community bank with 8 banking offices serving east Tennessee in the Knoxville MSA and surrounding markets. United had long sought to enter the east Tennessee market with its attractive demographics and its close proximity to United's existing markets. The aggregate purchase price was $29.6 million including $9 million of cash and 821,160 shares of United's common stock valued at $20.6 million. The value of the common shares issued of $25.10 was determined based on the average market price of United's common shares over the two-day period before and after the terms of the acquisition were agreed to and announced.

On May 1, 2003, United acquired 100 percent of the outstanding common shares of First Georgia Holding ("First Georgia"), a community bank holding company headquartered in Brunswick, Georgia. First Georgia's results of operations are included in consolidated financial results from the acquisition date. First Georgia was the parent company of First Georgia Bank, a community bank serving the south Georgia coast along the Interstate 95 corridor. United targeted coastal Georgia for potential expansion due to the attractive demographics and the similarities to its existing markets. The aggregate purchase price was $42.1 million including $12.8 million of cash and 1,177,298 shares of United's common stock valued at $29.3 million. The value of the common shares issued of $24.87 was determined based on the market price of United's common shares over the two-day period before and after the terms of the acquisition were agreed to and announced.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of each acquisition in 2003.

	First Central Bank (March 31)	First Georgia Bank (May 1)
Assets:		
Cash and cash equivalents	$ 47,206	$ 23,415
Investment securities	30,713	18,829
Loans held for sale	4,415	-
Loans, net	86,163	218,114
Premises and equipment	4,732	4,089
Core deposit intangible	2,860	7,370
Goodwill	17,480	25,597
Other assets	1,592	5,937
Total assets	$ 195,161	$ 303,351
Liabilities and Stockholders' Equity:		
Deposits	$ 163,223	$ 248,794
Other borrowed funds	-	5,670
Other liabilities	2,355	6,928
Stockholders equity	29,583	41,959
Total liabilities and stockholders' equity	$ 195,161	$ 303,351

Core deposit intangibles are being amortized over a period of 10 years. Goodwill is not expected to be amortized or to be deductible for tax purposes.

In connection with the acquisition of First Central Bank, United incurred charges of $840,000 during the first quarter. The charges are included in operating expenses in the Consolidated Statement of Income. The table below provides a summary of the merger charges showing the amounts paid during the period and the remaining accrued amounts at September 30, 2003.

	Expensed in Nine months ended September 30, 2003	Utilized in Nine months ended September 30, 2003	Balance at September 30, 2003
Severance and related costs	$ 50	$ 50	$ -
Termination of equipment leases	565	565	-
Professional fees	123	123	-
Other conversion costs	102	102	-
	$ 840	$ 840	$ -

In connection with the acquisition of First Georgia Bank, United incurred charges of $668,000 during the second quarter. The charges are included in operating expenses in the Consolidated Statement of Income. The table below provides a summary of the merger charges showing the amounts paid during the period and the remaining accrued amounts at September 30, 2003.

	Expensed in Nine months ended September 30, 2003	Utilized in Nine months ended September 30, 2003	Balance at September 30, 2003
Professional fees	$ 455	$ 455	$ -
Other conversion costs	213	213	-
	$ 668	$ 668	$ -

The financial statements below present the proforma earnings of United assuming that the acquisitions of First Central Bank and First Georgia Bank occurred prior to the earliest reported period.

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Total revenue	$ 44,650	$ 40,197	$ 126,723	$ 118,913
Net income	10,364	9,139	20,882	26,231
Diluted earnings per common share	.43	.38	.44	1.08

Included in the proforma earnings for the nine months ended September 30, 2003, were executive change of control payments and other severance costs of $3.5 million, contract termination costs of $1.6 million, and asset write downs to net realizable value of $1.5 million for incompatible / unusable equipment. The effective tax rate for the nine-month period ended September 30, 2003 has been adjusted to reflect charges that are not tax deductible.

On August 15, 2003, United announced an agreement to acquire three branches in western North Carolina in Avery, Mitchell and Graham counties. The branches had aggregate deposits and loans of $74 million and $11 million, respectively, at September 30, 2003. The three branches compliment United's existing North Carolina markets and are a natural extension of the existing franchise. United completed the acquisition of two of the branches on October 24, 2003. The acquisition of the third branch will be completed in November 2003. United paid a premium for each branch of between 7% and 11% of average deposits.

Note 5 – Reclassification

Certain amounts for the comparative periods of 2002 have been reclassified to conform to the 2003 presentation.

Part I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Form 10-Q, contains forward-looking statements regarding United Community Banks, Inc., including, without limitation, statements relating to United's expectations with respect to revenue, credit losses, levels of nonperforming assets, expenses, earnings and other measures of financial performance. Words such as "may", "could", "would", "should", "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond United's control). The following factors, among others, could cause United's financial performance to differ materially from the expectations expressed in such forward-looking statements: (1) business increases, productivity gains and other investments are lower than expected or do not occur as quickly as anticipated; (2) competitive pressures among financial services companies increase significantly; (3) the strength of the United States economy in general and/or the strength of the local economies of the states in which United conducts operations changes; (4) trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, change; (5) inflation, interest rates and/or market conditions fluctuate; (6) conditions in the stock market, the public debt market and other capital markets deteriorate; (7) United fails to develop competitive new products and services and/or new and existing customers do not accept these products and services; (8) financial services laws and regulations change; (9) technology changes and United fails to adapt to those changes; (10) consumer spending and saving habits change; (11) unanticipated regulatory or judicial proceedings occur; and (12) United is unsuccessful at managing the risks involved in the foregoing. Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that United files with the Securities and Exchange Commission. United cautions that the foregoing list of factors is not exclusive and undue reliance should not be placed on forward-looking statements. United does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Form 10-Q.

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 and commenced operations in 1988. United's activities are primarily conducted by its wholly-owned banking subsidiaries (which are collectively referred to as the "Banks" in this discussion) and Brintech, Inc. a consulting firm providing professional services to the financial services industry.

On March 18, 2002, United began trading on the NASDAQ National Market under the symbol UCBI. Previously, the stock was listed on the over-the-counter market on the Pink Sheets.

At September 30, 2003, United had total consolidated assets of $3.9 billion, total loans of $2.9 billion, total deposits of $2.8 billion and stockholders' equity of $290 million.

Mergers and Acquisitions

On March 31, 2003, United completed its acquisition of First Central Bancshares, a community bank holding company headquartered in Lenoir City, Tennessee, and it's wholly-owned Tennessee bank subsidiary, First Central Bank. On March 31, 2003, First Central Bank had assets of $195 million, including purchase accounting related intangibles. United exchanged 821,160 shares of its common stock valued at $20.6 million and approximately $9 million in cash for all of the outstanding shares. First Central Bank's name was changed to United Community Bank Tennessee.

On May 1, 2003, United completed its acquisition of First Georgia Holding, a community bank holding company headquartered in Brunswick, Georgia, and it's wholly-owned Georgia subsidiary, First Georgia Bank. On May 1, 2003, First Georgia Bank had assets of $303 million, including purchase accounting related intangibles. United exchanged 1,177,298 shares of its common stock valued at $29.3 million and approximately $12.8 million in cash for all of the outstanding shares. First Georgia Bank was merged into United's Georgia bank subsidiary, United Community Bank, and operates as a separate community bank doing business as "First Georgia Bank".

On August 15, 2003, United announced an agreement to acquire three branches in western North Carolina in Avery, Mitchell and Graham counties. At September 30, 2003, the three branches had aggregate deposits and loans of $74 million and $11 million, respectively. These branches compliment United's existing North Carolina markets and are a natural extension of our existing franchise. The acquisition of two of the branches was completed on October 24, 2003. The acquisition of the third branch will be completed in November 2003. United paid a premium for each branch of between 7% and 11% of average deposits.

Critical Accounting Policies

The accounting and reporting policies of United Community Banks and its subsidiaries are in accordance with accounting principles generally accepted in the United States and conform to general practices within the banking industry. The more critical accounting and reporting policies include United's accounting for securities, loans and the allowance for loan losses. In particular, United's accounting policies relating to the allowance for loan losses involve the use of estimates and require significant judgments to be made by management. Different assumptions in the application of these policies could result in material changes in United's consolidated financial position or consolidated results of operations. See "Asset Quality and Risk Elements" herein for a complete discussion of United's accounting methodologies related to the allowance.

Table 1 – Financial Highlights

UNITED COMMUNITY BANKS, INC.
For the Three and Nine Months Ended September 30, 2003

(in thousands, except per share data; taxable equivalent)	2003 Third Quarter	2003 Second Quarter	2003 First Quarter	2002 Fourth Quarter	2002 Third Quarter	Third Quarter 2003-2002 Change	For the Nine Months Ended 2003	For the Nine Months Ended 2002	YTD 2003-2002 Change
INCOME SUMMARY	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Interest revenue	$ 53,731	$ 53,261	$ 48,403	$ 48,579	$ 49,076		$ 155,395	$ 147,353	
Interest expense	17,446	18,467	17,589	18,964	18,942		53,502	57,393	
Net interest revenue	36,285	34,794	30,814	29,615	30,134	20 %	101,893	89,960	13 %
Provision for loan losses	1,500	1,500	1,500	1,800	1,800		4,500	5,100	
Total fee revenue	10,401	10,316	8,377	8,784	7,727	35	29,094	21,950	33
Total revenue	45,186	43,610	37,691	36,599	36,061	25	126,487	106,810	18
Operating expenses (1)	28,712	27,699	23,917	23,005	22,551	27	80,328	68,119	18
Income before taxes	16,474	15,911	13,774	13,594	13,510	22	46,159	38,691	19
Income taxes	6,110	6,014	5,164	5,034	5,109		17,288	14,471	
Net operating income	10,364	9,897	8,610	8,560	8,401	23	28,871	24,220	19
Merger-related charges, net of tax	-	428	546	-	-		974	-	
Net income	$ 10,364	$ 9,469	$ 8,064	$ 8,560	$ 8,401	23	$ 27,897	$ 24,220	15
OPERATING PERFORMANCE (1)									
Earnings per common share:									
Basic	$ .44	$ .43	$ .40	$ .40	$ .39	13	$ 1.28	$ 1.13	13
Diluted	.43	.42	.39	.39	.38	13	1.24	1.09	14
Return on equity (2)	14.90 %	15.43 %	16.55 %	16.42 %	16.56 %		15.55 %	16.58 %	
Return on tangible equity (3)	19.94	19.54	17.79	17.68	17.88		19.12	17.96	
Return on assets	1.06	1.06	1.07	1.08	1.12		1.06	1.12	
Efficiency ratio	61.34	61.40	61.03	59.94	59.66		61.27	60.90	
Dividend payout ratio	17.05	17.44	18.75	15.63	16.03		17.58	16.59	
GAAP PERFORMANCE									
PER COMMON SHARE									
Basic earnings	$ .44	$ .41	$ .38	$ .40	$ .39	13	$ 1.24	$ 1.13	10
Diluted earnings	.43	.40	.37	.39	.38	13	1.20	1.09	10
Cash dividends declared	.075	.075	.075	.0625	.0625	20	.225	.1875	20
Book value	12.31	12.22	11.09	10.34	10.01	23	12.31	10.01	23
Tangible book value (3)	9.66	9.55	9.59	9.74	9.41	3	9.66	9.41	3
KEY PERFORMANCE RATIOS									
Return on equity (2)	14.90 %	14.76 %	15.50 %	16.42 %	16.56 %		15.02 %	16.58 %	
Return on assets	1.06	1.01	1.00	1.08	1.12		1.02	1.12	
Efficency ratio	61.34	62.88	63.17	59.94	59.66		62.42	60.90	
Net interest margin	3.97	3.99	4.05	4.03	4.31		4.00	4.44	
Dividend payout ratio	17.05	18.29	19.74	15.63	16.03		18.15	16.59	
Equity to assets	7.35	7.31	6.87	6.90	6.86		7.35	6.86	
Equity to assets (tangible) (3)	5.85	5.80	5.96	6.47	6.42		5.85	6.42	
ASSET QUALITY									
Allowance for loan losses	$ 37,773	$ 37,353	$ 33,022	$ 30,914	$ 30,300		$ 37,773	$ 30,300	
Non-performing assets	7,998	8,232	7,745	8,019	9,591		7,998	9,591	
Net charge-offs	1,080	1,069	1,030	1,186	690		3,179	1,924	
Allowance for loan losses to loans	1.29 %	1.31 %	1.30 %	1.30 %	1.30 %		1.29 %	1.30 %	
Non-performing assets to total assets	.20	.21	.22	.25	.31		.20	.31	
Net charge-offs to average loans	.15	.16	.17	.20	.12		.16	.12	
AVERAGE BALANCES									
Loans	$ 2,881,375	$ 2,742,952	$ 2,422,542	$ 2,358,021	$ 2,300,681	25	$ 2,683,970	$ 2,200,061	22
Earning assets (4)	3,629,819	3,497,851	3,072,719	2,919,613	2,780,276	31	3,402,170	2,707,904	26
Total assets	3,888,141	3,756,689	3,269,481	3,138,747	2,976,509	31	3,640,371	2,898,823	26
Deposits	2,826,900	2,829,986	2,466,801	2,408,773	2,378,656	19	2,709,215	2,279,009	19
Stockholders' equity	285,790	269,972	223,599	217,051	212,703	34	260,015	204,030	27
Common shares outstanding:									
Basic	23,408	22,853	21,218	21,293	21,392		22,501	21,402	
Diluted	24,123	23,592	21,957	22,078	22,233		23,233	22,227	
AT PERIOD END									
Loans	$ 2,918,412	$ 2,861,481	$ 2,546,001	$ 2,381,798	$ 2,331,862	25	$ 2,918,412	$ 2,331,862	25
Earning assets	3,676,018	3,642,545	3,304,232	3,029,409	2,908,577	26	3,676,018	2,908,577	26
Total assets	3,942,139	3,905,929	3,579,004	3,211,344	3,142,393	25	3,942,139	3,142,393	25
Deposits	2,790,331	2,870,926	2,723,574	2,385,239	2,386,962	17	2,790,331	2,386,962	17
Stockholders' equity	289,713	285,500	245,699	221,579	215,430	34	289,713	215,430	34
Common shares outstanding	23,488	23,311	22,037	21,263	21,345	10	23,488	21,345	10

(1) Excludes pre-tax merger-related charges totaling $840,000 or $.02 per diluted common share and $668,000 or $.02 per diluted common share recorded in the first and second quarters, respectively, of 2003. See footnote 4 to the Consolidated Financial Statements for a more detailed description of these charges.
(2) Net income available to common stockholders divided by average realized common equity which excludes accumulated other comprehensive income.
(3) Excludes effect of acquisition related intangibles and associated amortization.
(4) Excludes unrealized gains and losses on securities available for sale.

Merger-Related Charges

During the first and second quarters of 2003, United recorded merger-related charges of $840,000 in connection with the acquisition of First Central Bank, and $668,000 in connection with the acquisition and integration of First Georgia Bank, respectively. The charges are included in operating expense in the Consolidated Statement of Income. These charges have been excluded from the presentation of operating earnings as management believes that excluding merger-related charges as a financial measure provides useful information to investors because it better demonstrates United's financial performance from its ongoing business operations. A more detailed description of these charges is in footnote 4 to the Consolidated Financial Statements.

The table below presents a reconciliation of United's operating earnings to earnings for the nine months ended September 30, 2003, using accounting principles generally accepted in the United States (GAAP). There were no merger-related charges in the third quarter of 2003, or in 2002.

Table 2 - Operating Earnings to GAAP Earnings Reconciliation
(in thousands)

	Nine Months Ended September 30,
Merger charges included in expenses	$ 1,508
Income tax effect of charges	534
After-tax effect of merger-related charges	$ 974
Net Income Reconciliation	
Operating net income	$ 28,871
After-tax effect of merger-related charges	(974)
Net income (GAAP)	$ 27,897
Basic Earnings Per Share Reconciliation	
Basic operating earnings per share	$ 1.28
Per share effect of merger-related charges	(.04)
Basic earnings per share (GAAP)	$ 1.24
Diluted Earnings Per Share Reconciliation	
Diluted operating earnings per share	$ 1.24
Per share effect of merger-related charges	(.04)
Diluted earnings per share (GAAP)	$ 1.20

Results of Operations

Net income was $10.4 million for the three months ended September 30, 2003, an increase of $2.0 million, or 23%, from the same period in 2002. Diluted earnings per share were $.43 for the three months ended September 30, 2003, compared with $.38 for the same period in 2002, an increase of 13%. Return on equity for the third quarter of 2003 was 14.90%, compared with 16.56% for the third quarter of 2002. Return on assets for the three months ended September 30, 2003 was 1.06%, compared with 1.12% for the three months ended September 30, 2002.

Year-to-date as of September 30, net operating income for 2003 was $28.9 million, a 15% increase over $24.2 million for the same period in 2002. Diluted operating earnings per share were $1.24 for the nine months ended September 30, 2003, compared with $1.09 for the same period in 2002, an increase of 14%. Year-to-date operating return on equity was 15.55% as compared with 16.58% for the first nine months of 2002. Operating return on assets for the first nine months of 2003 was 1.06%, compared with 1.12% for the first nine months of 2002.

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and borrowed funds) is the single largest component of total revenue. United actively manages this revenue source to provide an optimal level of revenue while balancing interest rate, credit and liquidity risks. Net interest revenue for the three and nine months ended September 30, 2003 was $36.3 million and $101.9 million, respectively, up 20% and 13%, respectively, over last year. The main driver of this increase was loan growth. Average loans increased $581 million, or 25%, from the third quarter of last year. Excluding the acquisitions of First Central Bank and First Georgia Bank, loan growth was 12%. Year-to-date, average loans increased $484 million, or 22%, over the same period in 2002. This loan growth was due to the acquisitions of First Central Bank and First Georgia Bank, which added $315 million to the third quarter 2003 average loan balances, as well as continued high loan demand in this current low rate environment. The quarter-end loan balances increased $587 million since last September 30th. Of this increase, $133 million was across markets in north Georgia, $28 million was in western North Carolina, $112 million was in the metro Atlanta market, $88 million was related to the acquisition of First Central Bank and $222 million was related to the acquisition of First Georgia Bank.

Average interest-earning assets for the third quarter of 2003 increased $850 million, or 31%, over the same period for 2002. For the first nine months of 2003, average interest-earning assets increased $694 million, or 26%, over the first nine months of 2002. The increases for both periods reflect the acquisitions, growth in loans, as well as an increase in the investment securities portfolio. The majority of the increase in interest-earning assets was funded by interest-bearing sources as the increase in average interest-bearing liabilities for the quarter and first nine months was approximately $745 million and $622 million, respectively, over the same periods in 2002.

The banking industry uses two key ratios to measure relative profitability of net interest revenue. The net interest rate spread measures the difference between the average yield on interest-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 revenue as a percent of average total interest-earning assets and takes into account the positive impact of investing non interest-bearing deposits and capital.

For the three months ended September 30, 2003 and 2002, net interest spread was 3.70% and 3.91%, respectively, while net interest margin was 3.97% and 4.31%, respectively. For the nine months ended September 30, 2003 and 2002, net interest spread was 3.71% and 4.04%, respectively, while net interest margin was 4.00% and 4.44%, respectively. The decline in the net interest margin reflects the continuation of the low interest rate environment, which reduces the relative value of non-interest bearing sources of funds. Since United's balance sheet had remained asset sensitive during most of 2002, primarily due to growth in floating rate loans, the declining rate environment had a greater effect on interest-earning assets than on interest-bearing liabilities causing compression in the net interest spread and margin. Combined with a flat yield curve, the low rate environment resulted in reinvestment of maturing fixed rate loans and securities at rates lower than the assets they were replacing. Growth in floating rate loans also contributed to the compression. At September 30, 2003, United had approximately $1.26 billion in loans indexed to the daily Prime Rate as published in the Wall Street Journal compared with $920 million a year ago. The effect of the margin compression was partially offset by improvement in asset mix caused by the increase in loans. United has also actively managed liability pricing and mix to offset the reduction in asset yields. Over the last four quarters, net interest margin has stabilized around the 4.00% level.

The average yield on interest-earning assets for the third quarter of 2003 was 5.88%, compared with 7.01% in the third quarter of 2002. For the first nine months of 2003, the average yield on interest-earning assets was 6.10% compared with 7.27% for the same period in 2002. The main drivers of these decreases were loan yields which were down 91 basis points and 103 basis points for the quarter and year-to-date, respectively, as well as yields on taxable securities which were down 176 basis points and 180 basis points comparing third quarter 2003 to the same period in 2002 and the first nine months of 2003 and 2002, respectively. The shift toward floating rate loans contributed to the decline caused by the lower rate environment. In the fourth quarter of 2002, United began purchasing securities to increase net interest revenue and reduce the interest rate sensitivity of the balance sheet. Although the securities purchases have a positive impact on net interest revenue, they contributed partially to the net interest margin compression since they were purchased at a yield lower than the existing portfolio.

The average cost of interest-bearing liabilities for the third quarter and year-to-date 2003 was 2.18% and 2.39%, respectively, a decrease of 92 basis points and 84 basis points, respectively, from the same periods in 2002. The decrease was primarily due to lower rates paid on interest-bearing demand deposits and savings accounts, lower pricing on new and renewed time deposits and lower rates on FHLB advances. United lowered deposit pricing across the board to offset rate reductions initiated by the Federal Reserve in November 2002 and June 2003. Additionally, United continued to experience strong loan growth in 2003 which outpaced the growth in core deposits. Instead of funding with certificates of deposit, United turned to lower cost funding sources such as FHLB advances and brokered time deposits. This resulted in some intentional runoff in non-brokered certificates of deposit over the last three quarters.

The following table shows the relationship between interest revenue and expense and the average balances of interest-earning assets and interest-bearing liabilities for the three months ended September 30, 2003 and 2002.

Table 3 - Average Consolidated Balance Sheets and Net Interest Analysis
For the Three Months Ended September 30,
(In thousands, taxable equivalent)

	2003			2002		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)(2)	$2,881,375	$ 46,520	6.41 %	$2,300,681	$ 42,470	7.32 %
Taxable securities (3)	603,031	5,738	3.81	365,199	5,087	5.57
Tax-exempt securities (1)	61,492	1,142	7.43	69,834	1,308	7.49
Federal funds sold and other interest-earning assets	83,921	331	1.58	44,562	211	1.89
Total interest-earning assets	3,629,819	53,731	5.88	2,780,276	49,076	7.01
Non-interest-earning assets:						
Allowance for loan losses	(38,082)			(30,038)		
Cash and due from banks	71,878			76,611		
Premises and equipment	82,687			68,761		
Other assets	141,839			80,899		
Total assets	$3,888,141			$2,976,509		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	$ 801,613	$ 1,728	.86	$ 671,576	$ 3,073	1.82
Savings deposits	136,323	82	.24	99,723	134	.53
Certificates of deposit	1,489,660	9,784	2.61	1,294,296	11,303	3.46
Total interest-bearing deposits	2,427,596	11,594	1.89	2,065,595	14,510	2.79
Federal Home Loan Bank advances	589,924	3,996	2.69	290,542	3,233	4.41
Long-term debt and other borrowings	155,194	1,856	4.74	71,452	1,199	6.66
Total borrowed funds	745,118	5,852	3.12	361,994	4,432	4.86
Total interest-bearing liabilities	3,172,714	17,446	2.18	2,427,589	18,942	3.10
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	399,304			313,061		
Other liabilities	30,333			23,156		
Total liabilities	3,602,351			2,763,806		
Stockholders' equity	285,790			212,703		
Total liabilities and stockholders' equity	$3,888,141			$2,976,509		
Net interest revenue		$ 36,285			$ 30,134	
Net interest-rate spread			3.70 %			3.91 %
Net interest margin (4)			3.97 %			4.31 %

(1) Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 39%, reflecting the statutory federal tax rate and the federal tax adjusted state tax rate.
(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued.
(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $9.2 million in 2003 and $13.6 million in 2002 are included in other assets for purposes of this presentation.
(4) Net interest margin is taxable equivalent net-interest revenue divided by average interest-earning assets.

The following table shows the relationship between interest revenue and expense and the average balances of interest-earning assets and interest-bearing liabilities for the nine months ended September 30, 2003 and 2002.

Table 3 - Average Consolidated Balance Sheets and Net Interest Analysis (continued)
For the Nine Months Ended September 30,
(In thousands, taxable equivalent)

	2003			2002		
	Average Balance	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)(2)	$2,683,970	$133,176	6.63 %	$2,200,061	$125,988	7.66 %
Taxable securities (3)	592,625	17,803	4.01	379,437	16,528	5.81
Tax-exempt securities (1)	63,853	3,561	7.44	70,513	4,006	7.57
Federal funds sold and other interest-earning assets	61,722	855	1.85	57,893	831	1.91
Total interest-earning assets	3,402,170	155,395	6.10	2,707,904	147,353	7.27
Non-interest-earning assets:						
Allowance for loan losses	(35,216)			(28,947)		
Cash and due from banks	71,634			75,412		
Premises and equipment	77,847			67,291		
Other assets	123,936			77,163		
Total assets	$3,640,371			$2,898,823		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	$ 773,647	$ 6,119	1.06	$ 621,811	$ 8,469	1.82
Savings deposits	122,790	287	.31	97,875	398	.54
Certificates of deposit	1,461,174	30,673	2.81	1,262,046	34,355	3.64
Total interest-bearing deposits	2,357,611	37,079	2.10	1,981,732	43,222	2.92
Federal Home Loan Bank advances	508,913	11,326	2.98	288,484	10,282	4.77
Long-term debt and other borrowings	130,039	5,097	5.24	104,379	3,889	4.98
Total borrowed funds	638,952	16,423	3.44	392,863	14,171	4.82
Total interest-bearing liabilities	2,996,563	53,502	2.39	2,374,595	57,393	3.23
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	351,603			297,277		
Other liabilities	32,190			22,921		
Total liabilities	3,380,356			2,694,793		
Stockholders' equity	260,015			204,030		
Total liabilities and stockholders' equity	$3,640,371			$2,898,823		
Net interest revenue		$101,893			$ 89,960	
Net interest-rate spread			3.71 %			4.04 %
Net interest margin (4)			4.00 %			4.44 %

(1) Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 39%, reflecting the statutory federal tax rate and the federal tax adjusted state tax rate.
(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued.
(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $12.6 million in 2003 and $9.5 million in 2002 are included in other assets for purposes of this presentation.
(4) Net interest margin is taxable equivalent net-interest revenue divided by average interest-earning assets.

The following table shows the relative impact on net interest revenue for changes in the average outstanding balances (volume) of interest-earning assets and interest-bearing liabilities and the rates earned and paid 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 Revenue and Expense on a Tax Equivalent Basis
(in thousands)

	Three Months Ended September 30, 2003 Compared to 2002 Increase (decrease) due to changes in			Nine Months Ended September 30, 2003 Compared to 2002 Increase (decrease) due to changes in		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest-earning assets:						
Loans	$ 9,821	$ (5,771)	$ 4,050	$ 25,409	$ (18,221)	$ 7,188
Taxable securities	2,607	(1,956)	651	3,024	(1,749)	1,275
Tax-exempt securities	(155)	(11)	(166)	(373)	(72)	(445)
Federal funds sold and other interest-earning assets	160	(40)	120	28	(4)	24
Total interest-earning assets	12,433	(7,778)	4,655	28,088	(20,046)	8,042
Interest-bearing liabilities:						
Transaction accounts	511	(1,856)	(1,345)	1,749	(4,099)	(2,350)
Savings deposits	38	(90)	(52)	85	(196)	(111)
Certificates of deposit	1,546	(3,065)	(1,519)	4,914	(8,596)	(3,682)
Total interest-bearing deposits	2,095	(5,011)	(2,916)	6,748	(12,891)	(6,143)
Federal Home Loan Bank advances	2,387	(1,624)	763	5,878	(4,834)	1,044
Long-term debt and other borrowings	1,081	(424)	657	997	211	1,208
Total borrowed funds	3,468	(2,048)	1,420	6,875	(4,623)	2,252
Total interest-bearing liabilities	5,563	(7,059)	(1,496)	13,623	(17,514)	(3,891)
Increase (decrease) in net interest revenue	$ 6,870	$ (719)	$ 6,151	$ 14,465	$ (2,532)	$ 11,933

Provision for Loan Losses

The provision for loan losses was $1.5 million for the third quarter of 2003 and $4.5 million for the first nine months of 2003, compared with $1.8 million and $5.1 million for the same periods in 2002. United continues to experience strong credit quality and a stable low level of non-performing assets. Net loan charge-offs as a percentage of average outstanding loans for the three and nine months ended September 30, 2003 were .15% and .16%, respectively, as compared with .12% for 2002.

The provision for loan losses is based on management's evaluation of losses inherent 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.

Fee Revenue

Fee revenue for the third quarter and first nine months of 2003, totaled $10.4 million and $29.1 million, respectively, compared with $7.7 million and $22.0 million, respectively, for the same periods in 2002. Fee revenue for both the third quarter and first nine months of 2003 was approximately 23% of total revenue, compared with 22% and 21% for the third quarter and first nine months of 2002, respectively. United is focused on increasing fee revenue through new products and services. The following table presents the components of fee revenue for the third quarter and first nine months of 2003 and 2002.

Table 5 - Fee Revenue
For the Three Months and Nine Months Ended September 30,
(in thousands, taxable equivalent)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2003	**2002**	**Change**	**2003**	**2002**	**Change**
Service charges and fees	$ 5,009	$ 3,576	40 %	$ 13,270	$ 9,801	35 %
Mortgage loan and related fees	3,115	1,844	69	8,762	5,087	72
Consulting fees	1,092	1,216	(10)	3,366	3,381	-
Brokerage fees	447	467	(4)	1,315	1,456	(10)
Securities (losses) gains, net	(122)	64	-	(125)	64	-
Other	860	560	54	2,506	2,161	16
Total	$ 10,401	$ 7,727	35	$ 29,094	$ 21,950	33

Comparability between current and prior year periods is affected by the acquisitions this year of First Central Bank on March 31, and First Georgia Bank on May 1. Earnings for the two acquired companies are included in consolidated earnings after their respective acquisition dates. In the third quarter and first nine months, First Central Bank and First Georgia Bank contributed approximately $1.5 million and $2.8 million, respectively, in fee revenue, mostly service charges and fees and mortgage loan and related fees. Excluding the contributions of recent mergers, fee revenue for the quarter and year-to-date grew 15% and 20%, respectively, as compared to last year.

The main driver of the increase in fee revenue this quarter was mortgage loan and related fees of $3.1 million, up $1.3 million, or 69% from the same period in 2002. Year-to-date, mortgage fees of $8.8 million were up $3.7 million, or 72%, over the first nine months of 2002. Mortgage loan originations for the third quarter and first nine months of 2003 were up $153 million and $818 million, respectively, from the same periods in 2002, as mortgage rates fell from their already low levels. Substantially all of these originated residential mortgages were sold into the secondary market, including the right to service these loans.

Service charges on deposit accounts of $5.0 million, were up $1.4 million, or 40%, over the third quarter of 2002. For the first nine months of 2003, service charges were up $3.5 million, or 35%, over the same period in 2002. The increase in service charges and fees was primarily due to the acquisitions and new products and services introduced in 2002, as well as an increase in the number of accounts and transaction activity and growth in ATM fees. Excluding acquisitions, the growth for the third quarter in service charges and fees was approximately 14%.

Other fee revenue of $860,000 for the third quarter of 2003 increased $300,000 or 54% from the third quarter of 2002 primarily due to the acquisitions and losses from the sale of other real estate recorded in the third quarter of 2002, which reduced other fee revenue for that period.

Operating Expenses

For the three and nine months ended September 30, 2003, total operating expenses were $28.7 million and $81.8 million, respectively, compared with $22.6 million and $68.1 million, respectively, for the same periods in 2002. Operating expenses in the third quarter for the two acquisitions accounted for $3.7 million of this increase, leaving the underlying core expense growth rate (excluding acquisitions) at 11%. The following table presents the components of operating expenses for the three and nine months ended September 30, 2003 and 2002.

Table 6 - Operating Expenses
For the Three Months and Nine Months Ended September 30,
(in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2003	**2002**	**Change**	**2003**	**2002**	**Change**
Salaries and employee benefits	$ 17,990	$ 14,352	25 %	$ 50,665	$ 42,786	18 %
Occupancy	2,344	2,047	15	6,640	6,223	7
Communications and equipment	2,310	1,685	37	6,314	4,708	34
Postage, printing and supplies	1,237	870	42	3,354	2,836	18
Professional fees	1,036	881	18	3,007	2,621	15
Advertising and public relations	766	639	20	2,439	2,358	3
Amortization of intangibles	370	85	-	783	255	-
Other	2,659	1,992	33	7,126	6,332	13
	28,712	22,551	27	80,328	68,119	18
Merger-related charges	-	-	-	1,508	-	-
Total	$ 28,712	$ 22,551	27	$ 81,836	$ 68,119	20

Salaries and benefits for the third quarter of 2003 totaled $18.0 million, an increase of 25% over the same period in 2002. For the first nine months of 2003, salaries and benefits were up $7.9 million, or 18%, over the first nine months of 2002. Acquisitions accounted for approximately $2.2 million and $3.9 million of the increase for the quarter and nine months, respectively, with the remainder due to normal merit increases and higher incentives related to growth in fee revenue. United's staff level, excluding acquisitions, was down slightly from a year ago.

Communication and equipment costs of $2.3 million were up $625,000, or 37%, over the third quarter of 2002. For the first nine months of 2003, communication and equipment costs of $6.3 million were up $1.6 million, or 34%, over the same period in 2002. Excluding mergers, the costs for the quarter increased approximately 10% from the third quarter of 2002, mainly due to higher costs for investments in software, telecommunications and other technology equipment over the last year.

Postage, printing and supplies of $1.2 million for the third quarter of 2003 was up $367,000, or 42%, from the same period in 2002. Approximately half of the increase was due to the acquisitions during the first half of 2003. The rest of the increase is due to timing of bulk printing and supplies purchases in 2002 that resulted in lower costs for the third quarter.

The $285,000 increase in intangible costs reflects the increase in amortization of core deposit intangibles that were recorded in connection with the acquisitions during the first half of the year.

Other expenses of $2.7 million for the quarter were $667,000, or 33%, higher than the third quarter of 2002. Approximately 45% of the increase was due to the acquisitions in the first half of the year. The remaining increase is primarily due to higher costs associated with United's ATM network resulting from an increase in transactions, costs associated with more active investor relations activities and an increase in non-income taxes and licenses.

The efficiency ratio measures total operating expenses as a percentage of total revenue, excluding the provision for loan losses and net securities gains or losses. Based on operating income, which excludes merger-related charges, United's efficiency ratio for the third quarter was 61.34% as compared with 59.66% for the third quarter of 2002. For the first nine months of 2003, the efficiency ratio was 61.27% compared to 60.90% for the same period in 2002. The efficiency ratio is higher in 2003 primarily due to intangible amortization and other costs related to the acquisitions.

Income Taxes

Income taxes, excluding taxable equivalent adjustments, were $5.6 million in the third quarter of 2003, compared with $4.5 million in the third quarter of 2002. The effective tax rate (as a percentage of pre-tax net income) for both third quarter 2003 and 2002 was 35.0%. For the first nine months of 2003, income taxes were $15.1 million, with an effective tax rate of 35.1%, compared with $12.7 million, with an effective tax rate of 34.4%, for the same period in 2002. The effective tax rates are lower than the statutory tax rate primarily due to interest revenue on certain investment securities and loans that are exempt from income taxes. The increase in the effective tax rates from 2002 is due to proportionately less tax-exempt revenue in 2003 on a growing revenue base. Additional information regarding income taxes can be found in Note 13 to the Consolidated Financial Statements filed with United's 2002 Form 10-K.

Balance Sheet Review

Total assets at September 30, 2003 were $3.942 billion, 23% higher than the $3.211 billion as of December 31, 2002 and 25% higher than the $3.142 billion as of September 30, 2002. The acquisitions of First Central Bank and First Georgia Bank added approximately $500 million to total assets. Average total assets for the third quarter of 2003 were $3.888 billion, up $912 million from the average assets in the third quarter of 2002. Average total assets for the first nine months of 2003 were $3.942 billion, up $800 million from the average assets in the first nine months of 2002.

Loans

The following table presents a summary of United's loan portfolio.

Table 7 - Loans Outstanding
(in thousands)

	September 30, 2003	December 31, 2002	September 30, 2002
Commercial	$ 181,938	$ 140,515	$ 147,709
Commercial (secured by real estate)	751,919	612,926	607,634
Real estate - construction	878,570	700,007	657,643
Residential mortgage	961,497	793,284	779,187
Installment	144,488	135,066	139,689
Total loans	$ 2,918,412	$ 2,381,798	$ 2,331,862
As a percentage of total loans:			
Commercial	6 %	6 %	6 %
Commercial (secured by real estate)	26	26	26
Real estate - construction	30	29	28
Residential mortgage	33	33	34
Installment	5	6	6
Total	100 %	100 %	100 %

At September 30, 2003, total loans were $2.918 billion, an increase of $587 million, or 25% from September 30, 2002 and an increase of $537 million, or 23%, from December 31, 2002. The acquisition of First Central Bank, which closed on March 31, 2003, and First Georgia Bank, which closed on May 1, 2003, added $88 million and $222 million, respectively, in balances to the loan portfolio. Average total loans for the third quarter of 2003 were $2.881 billion, an increase of $581 million, or 25% over third quarter of 2002. Average total loans for the first nine months of 2003 were $2.684 billion, up $484 million from the average loans in the first nine months of 2002. Over the past year, 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 loans are to customers located in Georgia, North Carolina and Tennessee, the immediate market areas of the Banks. This includes customers who have a seasonal residence in the Banks' market areas. Approximately $221 million of the increase from a year ago occurred in construction and land development loans which is comprised of approximately 80% residential and 20% commercial, including $65 million from the east Tennessee and coastal Georgia acquisitions. Growth has also been strong in residential real estate loans and commercial loans secured by real estate which grew $182 million and $144 million, respectively from September 30, 2002. Residential real estate loans of $136 million and commercial loans secured by real estate of $68 million were added through the acquisitions of First Central Bank and First Georgia Bank.

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through close supervision of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. United's loan administration function is responsible for monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures at all of the Banks. Additional information on the loan administration function is included in Item 1 under the heading *Loan Review and Non-performing Assets* in United's Annual Report on Form 10-K.

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 period is dependent upon many factors including growth and changes in the composition of the loan portfolio, net charge-offs, 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 the credit administration department through an analysis of the adequacy of the allowance for loan losses.

Reviews of non-performing loans, 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 economic conditions and other factors. United also uses external loan review sources as necessary to support the activities of the loan review department and to ensure the independence of the loan review process.

The following table presents a summary of changes in the allowance for loan losses for the three and nine months ended September 30, 2003 and 2002.

Table 8 - Summary of Loan Loss Experience
For the Three and Nine Months Ended September 30, 2003 and 2002
(in thousands)

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Balance beginning of period	$ 37,353	$ 29,190	$ 30,914	$ 27,124
Allowance from acquisitions	-	-	5,538	-
Loans charged-off	(1,370)	(1,031)	(4,024)	(2,875)
Recoveries	290	341	845	951
Net charge-offs	(1,080)	(690)	(3,179)	(1,924)
Provision for loan losses	1,500	1,800	4,500	5,100
Balance end of period	$ 37,773	$ 30,300	$ 37,773	$ 30,300
Total loans:				
At period end	$ 2,918,412	$ 2,331,862	$ 2,918,412	$ 2,331,862
Average	2,881,375	2,300,681	2,683,970	2,200,061
As a percentage of average loans:				
Net charge-offs	.15 %	.12 %	.16 %	.12 %
Provision for loan losses	.21	.31	.22	.31
Allowance as a percentage of period end loans	1.29	1.30	1.29	1.30
Allowance as a percentage of non-performing loans	518	334	518	334

Management believes that the allowance for loan losses at September 30, 2003 is adequate to absorb losses inherent in the loan portfolio. 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 adjustments to the provision for loan losses in future periods if, in their opinion, the results of their review warrant such additions.

Non-performing Assets

The table below summarizes United's non-performing assets.

Table 9 - Non-Performing Assets
(in thousands)

	September 30, 2003	December 31, 2002	September 30, 2002
Non-accrual loans	$ 7,294	$ 6,732	$ 9,022
Loans past due 90 days or more and still accruing	-	1	47
Total non-performing loans	7,294	6,733	9,069
Other real estate owned	704	1,286	522
Total non-performing assets	$ 7,998	$ 8,019	$ 9,591
Non-performing loans as a percentage of total loans	.25 %	.28 %	.39 %
Non-performing assets as a percentage of total assets	.20	.25	.31

Non-performing loans, which include non-accrual loans and accruing loans past due over 90 days, totaled $7.3 million at September 30, 2003, compared with $6.7 million at December 31, 2002 and $9.1 million at September 30, 2002. There is no concentration of non-performing loans attributable to any specific industry. At September 30, 2003, the ratio of non-performing loans to total loans was .25%, compared with .28% at December 31, 2002 and .39% at September 30, 2002. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled $8.0 million at September 30, 2003, compared with $8.0 million at December 31, 2002 and $9.6 million at September 30, 2002.

United's policy is 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 or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current interest revenue. Depending on management's evaluation of the borrower and loan collateral, interest revenue on a non-accrual loan may be recognized on a cash basis as payments are received. There were no commitments to lend additional funds to customers whose loans were on non-accrual status at September 30, 2003.

At September 30, 2003 and 2002, there were $1.8 million and $3.8 million, respectively, of loans classified as impaired under the definition outlined in SFAS No. 114. Specific reserves allocated to these impaired loans totaled $449,000 at September 30, 2003, and $1,030,000 at September 30, 2002. The average recorded investment in impaired loans for the quarters ended September 30, 2003 and 2002, was $1.6 million and $4.0 million, respectively. For the first nine months of 2003, the average recorded investment in impaired loans was $2.3 million compared with $4.7 million for the same period in 2002. United's policy is to recognize income on a cash basis for loans classified as impaired under SFAS No. 114. Interest revenue recognized on loans while they were impaired for the third quarter and first nine months of 2003 was $1,000 and $11,000, compared with $3,000 and $60,000 for the same periods in 2002.

Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment 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 investment securities for the quarter increased 53% from third quarter of 2002, and year-to-date, increased 46% over the first nine months of 2003, as the investment portfolio was expanded to help stabilize the interest rate sensitivity and increase net interest revenue. The acquisitions of First Central Bank and First Georgia Bank added approximately $50 million to the investment securities portfolio.

The investment securities portfolio consists of U.S. Government and agency securities, municipal 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. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining interest rate environment, United generally will not be able to reinvest the proceeds from these prepayments in assets that have comparable yields.

Deposits

Total deposits at September 30, 2003 were $2.790 billion, an increase of $403 million from September 30, 2002. The acquisitions contributed $412 million of the increase from the third quarter of 2002. Total non-interest-bearing demand deposit accounts increased $87 million and interest-bearing demand accounts increased $113 million. Total time deposits as of September 30, 2003 were $1.450 billion, an increase of $165 million from the third quarter 2002. During 2003, United chose not to aggressively pursue certificates of deposit where local market pricing was too high or there was no other customer relationship. As a result, the level of certificates of deposit experienced some attrition during the year in favor of funding from other lower-cost sources. This reduced the overall cost of funds by using more floating rate funding sources. The shift in funding mix did not significantly change United's interest rate risk profile due to the increase in floating rate loans.

Time deposits of $100,000 and greater totaled $403 million at September 30, 2003, compared with $396 million at September 30, 2002. United utilizes "brokered" time deposits, issued in certificates of less than $100,000, as an alternative source of cost-effective funding. Brokered time deposits outstanding at September 30, 2003 and September 30, 2002 were $247 million and $138 million, respectively.

Wholesale Funding

At September 30, 2003, each of the Banks were shareholders in the Federal Home Loan Bank. Through this affiliation, secured advances totaling $651 million were outstanding at rates competitive with time deposits of like maturities. United anticipates continued utilization of this short and long term source of funds. The FHLB advances outstanding at September 30, 2003 had both fixed and floating interest rates ranging from .48% to 7.81%. Approximately one-half of the FHLB advances mature prior to December 31, 2003. Additional information regarding FHLB advances, including scheduled maturities, is provided in Note 10 to the consolidated financial statements filed with United's 2002 Form 10-K.

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 revenue 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.

Net interest revenue is influenced by changes in the level of interest rates. United manages its exposure to fluctuations in interest rates through policies established by the Asset/Liability Management Committee ("ALCO"). 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 United's interest rate sensitivity.

One of the tools management utilizes to estimate the sensitivity of net interest revenue to changes in interest rates is an interest rate simulation model. Such estimates are based upon a number of assumptions for various scenarios, including the level of balance sheet growth, deposit repricing characteristics and the rate of prepayments. The simulation model measures the potential change in net interest revenue over a twelve-month period under six interest rate scenarios. The first scenario assumes rates remain flat ("flat rate scenario") over the next twelve months and is the scenario that all others are compared to in order to measure the change in net interest revenue. The second scenario is a most likely scenario that projects the most likely change in rates over the next twelve months based on the slope of the yield curve. United runs ramp scenarios that assume gradual increases and decreases of 200 basis points each over the next twelve months. United's policy for net interest revenue simulation is limited to a change from the flat rate scenario of less than 10% for the up or down 200 basis point ramp scenarios over twelve months. At September 30, 2003, United's simulation model indicated that a 200 basis point increase in rates over the next twelve months would cause an approximate 1.8% increase in net interest revenue and a 200 basis point decrease in rates over the next twelve months would cause an approximate 3.4% decrease in net interest revenue.

In order to assist in achieving a desired level of interest rate sensitivity, United uses 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. At September 30, 2003, United was a party to interest rate swap contracts under which it pays a variable rate and receives a fixed rate.

The following table presents the interest rate swap contracts outstanding at September 30, 2003.

Table 10 - Interest Rate Swap Contracts
As of September 30, 2003
(in thousands)

Type/Maturity	Notional Amount	Rate Received	Rate Paid (1)	Fair Value
Cash Flow Contracts				
December 31, 2003	$ 100,000	4.85 %	4.00 %	$ 200
October 24, 2005	65,000	5.57	4.00	706
December 17, 2006	30,000	5.99	4.00	530
October 23, 2007	135,000	6.08	4.00	1,750
Total Cash Flow Contracts	$ 330,000	5.60 %	4.00 %	$ 3,186

(1) Based on prime rate at September 30, 2003

Derivative financial instruments are classified as cash flow hedges. The change in fair value of cash flow hedges is recognized in other comprehensive income. Cash flow hedges consist of interest rate swap contracts that are designated as hedges of daily repricing prime based loans. Under these contracts, United receives a fixed interest rate and pays a floating rate based on the Prime Rate as posted in the Wall Street Journal.

United's policy 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 the financial condition or results of operations. In order to mitigate potential credit risk, United requires the counterparties to derivative contracts to pledge securities as collateral to cover the net exposure.

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 and to take advantage of revenue 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 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 $14.3 million at September 30, 2003, 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 interest-bearing and noninterest-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 generally 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 $57.8 million for the nine months ended September 30, 2003. The major contributors in this category were net income of $27.9 million, a decrease in mortgage loans held for sale of $14.1 million, and an increase in accrued expenses and other liabilities of $8.9 million, partially offset by an increase in other assets of $8.5 million. Net cash used by investing activities of $252.9 million consisted primarily of $299.8 million used to purchase investment securities and a net increase in loans totaling $229.9 million, partially offset by proceeds from sales, maturities and calls of investment securities of $256.3 million and net cash received from acquisitions of $28.8 million. Net cash provided by financing activities consisted primarily of a net increase in FHLB advances of $154.6 million, a net increase in federal funds purchased and repurchase agreements of $57.7 million and proceeds from issuance of subordinated debt of $34.5 million. In the opinion of management, the liquidity position at September 30, 2003 is sufficient to meet its expected cash flow requirements.

Capital Resources and Dividends

Stockholders' equity at September 30, 2003 was $289.7 million, an increase of $74.3 million from September 30, 2002. Accumulated other comprehensive income (loss) is not included in the calculation of regulatory capital adequacy ratios. Excluding the change in the accumulated other comprehensive income, stockholders' equity increased $76.8 million, or 37% from September 30, 2002, of which $20.65 million was the result of shares exchanged for the acquisition of First Central Bank and $29.3 million was the result of shares exchanged for the acquisition of First Georgia Bank. Dividends of $1.7 million, or $.075 per share, were declared on common stock during the third quarter of 2003, an increase of 20% from the amount declared in 2002. On an operating basis, the dividend payout ratios for the third quarters of 2003 and 2002 were 17% and 16%, respectively, while dividend payout ratios for the first nine months of 2003 and 2002 were 18% and 17%, 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.

During 2002, United's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock through the end of 2002 for general corporate purposes. Since that date, the Board of Directors increased the authorization to 1,500,000 and extended the program to December 31, 2004. Through September 30, 2003, a total of 874,000 shares have been purchased under this program.

On March 18, 2002, United began trading on the NASDAQ National Market under the symbol UCBI. Previously, the stock was listed on the over-the-counter market on the Pink Sheets. The closing price for the period ended September 30, 2003 was $27.71. Below is a quarterly schedule of high and low stock prices for 2003 and 2002. Prior to March 18, 2002, prices are based on information available to United at that time.

Table 11 - Stock Price Information

	2003		2002	
	High	**Low**	**High**	**Low**
First quarter	$ 27.00	$ 22.00	$ 28.60	$ 19.00
Second quarter	27.00	23.06	30.00	23.96
Third quarter	30.03	24.51	29.55	23.15
Fourth quarter			27.00	21.73

The following table presents the quarterly cash dividends declared in 2003 and 2002 and the respective payout ratios as a percentage of basic operating earnings per share, which excludes merger-related charges.

Table 12 - Dividend Payout Information

	2003		2002	
	Dividend	**Payout %**	**Dividend**	**Payout %**
First quarter	$ .075	19 (1)	$ .0625	17
Second quarter	.075	17 (1)	.0625	16
Third quarter	.075	17	.0625	16
Fourth quarter			.0625	16

(1) Dividend payout ratios for the first and second quarters of 2003 were 20% and 18%, respectively, when calculated using GAAP earnings per share.

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. To be considered well capitalized under the guidelines, a 10% total risk-based capital ratio is required, of which 6% must be Tier I capital.

The following table shows United's capital ratios, as calculated under regulatory guidelines, at September 30, 2003 and 2002.

Table 13 - Capital Ratios
(in thousands)

		2003		2002	
	Well Capitalized	**Actual Amount**	**Regulatory Minimum**	**Actual Amount**	**Regulatory Minimum**
Tier I Leverage:					
Amount		$ 255,582	$ 114,777	$ 228,203	$ 88,910
Ratio	5.00%	6.68%	3.00%	7.70%	3.00%
Tier I Risk Based:					
Amount		$ 255,582	$ 119,258	$ 228,203	$ 92,214
Ratio	6.00%	8.57%	4.00%	9.90%	4.00%
Total Risk Based:					
Amount		$ 362,494	$ 238,515	$ 259,918	$ 184,427
Ratio	10.00%	12.16%	8.00%	11.27%	8.00%

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 $256 million at September 30, 2003. Tier II capital components include supplemental capital items 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 $362 million at September 30, 2003. The capital ratios, as calculated under the guidelines, were 8.57% and 12.16% for Tier I and Total Risk-based capital, respectively, at September 30, 2003.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as Tier I capital 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. Financial institutions with a leverage ratio exceeding 5% are considered to be well capitalized. 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 September 30, 2003 and 2002 were 6.68% and 7.70%, respectively.

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

During September 2003, United issued $35 million in subordinated step-up notes due September 30, 2015. The subordinated notes qualify as Tier II capital under risk-based capital guidelines. The notes bear interest at a fixed rate of 6.25% through September 30, 2010, and at a rate of 7.50% thereafter until maturity or earlier redemption. The notes are callable at par on September 30, 2010, and September 30 of each year thereafter until maturity. Proceeds will be used for general corporate purposes.

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 investment 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 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.

Item 3. 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 September 30, 2003 from that presented in the Annual Report on Form 10-K for the year ended December 31, 2002. The interest rate sensitivity position at September 30, 2003 is included in management's discussion and analysis on page 23 of this report.

Item 4. Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the company's disclosure controls and procedures as of September 30, 2003. Based on, and as of the date of, that evaluation, United's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the Securities and Exchange Commission's rules and forms and that the disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by United under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no significant changes in the internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II. Other Information

Item 1. Legal Proceedings – None

Item 2. Changes in Securities and Use of Proceeds – 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

(a) Exhibits

10.1	Branch Purchase and Assumption Agreement between United Community Banks and RBC Centura Bank, dated as of August 13, 2003.
31.1	Certification by Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

A current report on Form 8-K dated July 22, 2003, was filed with the Securities and Exchange Commission under item 12 "results of operations and financial condition" of such form, furnishing materials for the second quarter 2003 earnings announcement to be conducted by Jimmy C. Tallent, President and Chief Executive Officer and Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc. on July 22, 2003.

A current report on Form 8-K dated September 24, 2003, was filed with the Securities and Exchange Commission under item 9 "regulation FD disclosure" of such form, noting the issuance of a news release on September 24, 2003, announcing the completion by United Community Banks, Inc. of a private placement of $35 million in subordinated step-up notes.

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.

/s/ Jimmy C. Tallent
Jimmy C. Tallent
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Rex S. Schuette
Rex S. Schuette
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Alan H. Kumler
Alan H. Kumler
Senior Vice President and
Controller
(Principal Accounting Officer)

Date: November 13, 2003

Exhibit 31.1

I, Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: ***/s/ Jimmy C.Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

Date: November 13, 2003

Exhibit 31.2

I, Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc. (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: ***/s/ Rex S. Schuette***
Rex S. Schuette
Executive Vice President and Chief Financial Officer

Date: November 13, 2003

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of United Community Banks, Inc. ("United") on Form 10-Q for the period ending September 30, 2003 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jimmy C. Tallent, President and Chief Executive Officer of United, and I, Rex S. Schuette, Executive Vice President and Chief Financial Officer of United, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of United.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

By: ***/s/ Rex S. Schuette***
Rex S. Schuette
Executive Vice President and
Chief Financial Officer

Date: November 13, 2003