UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission file number: 0-20293

UNION BANKSHARES CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA	**54-1598552**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1051 East Cary Street, Suite 1200, Richmond, Virginia 23219
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code is (804) 633-5031

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $1.33 per share	**The NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 29.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2016 was approximately $1,053,504,694 based on the closing share price on that date of $24.71 per share.

The number of shares of common stock outstanding as of February 22, 2017 was 43,630,317.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be used in conjunction with the registrant's 2017 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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Glossary of Defined Terms

AFS	–	Available for sale
ALCO	–	Asset Liability Committee
ALL	–	Allowance for loan losses
ASC	–	Accounting Standards Codification
ASU	–	Accounting Standards Update
ATM	–	Automated teller machine
the Bank	–	Union Bank & Trust
BOLI	–	Bank owned life insurance
BHCA	–	Bank Holding Company Act of 1956
CAMELS	–	International rating system bank supervisory authorities use to rate financial institutions.
CDARS	–	Certificates of Deposit Account Registry Service
CFPB	–	Consumer Financial Protection Bureau
bps	–	Basis points
the Company	–	Union Bankshares Corporation
CRA	–	Community Reinvestment Act of 1977
DIF	–	Deposit Insurance Fund
Dodd-Frank Act	–	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EPS	–	Earnings per share
ESOP	–	Employee Stock Ownership Plan
Exchange Act	–	Securities Exchange Act of 1934
FASB	–	Financial Accounting Standards Board
FDIA	–	Federal Deposit Insurance Act
FDIC	–	Federal Deposit Insurance Corporation
FDICIA	–	Federal Deposit Insurance Corporation Improvement Act
Federal Reserve Bank	–	Federal Reserve Bank of Richmond
FHLB	–	Federal Home Loan Bank of Atlanta
FICO	–	Financing Corporation
FMB	–	First Market Bank, FSB
FRB or Federal Reserve	–	Board of Governors of the Federal Reserve System
FTE	–	Fully taxable equivalent
GAAP	–	Accounting principles generally accepted in the United States
HELOC	–	Home equity line of credit
HTM	–	Held to maturity
LIBOR	–	London Interbank Offered Rate
NPA	–	Nonperforming assets
ODCM	–	Old Dominion Capital Management, Inc.
OFAC	–	Office of Foreign Assets Control
OREO	–	Other real estate owned
OTTI	–	Other than temporary impairment
PCA	–	Prompt Corrective Action
PCI	–	Purchased credit impaired
SCC	–	Virginia State Corporation Commission
SEC	–	U.S. Securities and Exchange Commission
StellarOne	–	StellarOne Corporation
TDR	–	Troubled debt restructuring

Treasury	–	U.S. Department of the Treasury
UIG	–	Union Insurance Group, LLC
UISI	–	Union Investment Services, Inc.
UMG	–	Union Mortgage Group, Inc.
VFG	–	Virginia Financial Group, Inc.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact, are based on certain assumptions as of the time they are made, and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Such statements are often characterized by the use of qualified words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," "may," "view," "opportunity," "potential," or words of similar meaning or other statements concerning opinions or judgment of the Company and its management about future events. Although the Company believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance, or achievements of the Company will not differ materially from any projected future results, performance, or achievements expressed or implied by such forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of and changes in:

- changes in interest rates,
- general economic and financial market conditions,
- the Company's ability to manage its growth or implement its growth strategy,
- the incremental cost and/or decreased revenues associated with exceeding $10 billion in assets,
- levels of unemployment in the Bank's lending area,
- real estate values in the Bank's lending area,
- an insufficient ALL,
- the quality or composition of the loan or investment portfolios,
- concentrations of loans secured by real estate, particularly commercial real estate,
- the effectiveness of the Company's credit processes and management of the Company's credit risk,
- demand for loan products and financial services in the Company's market area,
- the Company's ability to compete in the market for financial services,
- technological risks and developments, and cyber attacks or events,
- performance by the Company's counterparties or vendors,
- deposit flows,
- the availability of financing and the terms thereof,
- the level of prepayments on loans and mortgage-backed securities,
- legislative or regulatory changes and requirements,
- monetary and fiscal policies of the U.S. government including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System, and
- accounting principles and guidelines.

More information on risk factors that could affect the Company's forward-looking statements is available on the Company's website, http://investors.bankatunion.com. The information on the Company's website is not a part of this Form 10-K. All risk factors and uncertainties described in those documents should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The Company does not intend or assume any obligation to update or revise any forward-looking statements that may be made from time to time by or on behalf of the Company.

PART I

ITEM 1. - BUSINESS.

GENERAL

The Company is a financial holding company and a bank holding company organized under Virginia law and registered under the BHCA. The Company, headquartered in Richmond, Virginia is committed to the delivery of financial services through its community bank subsidiary Union Bank & Trust and three non-bank financial services affiliates. As of December 31, 2016, the Company's bank subsidiary and non-bank financial services affiliates were:

Community Bank	
Union Bank & Trust	Richmond, Virginia
Financial Services Affiliates	
Union Mortgage Group, Inc.	Glen Allen, Virginia
Union Insurance Group, LLC	Richmond, Virginia
Old Dominion Capital Management, Inc.	Charlottesville, Virginia

History

The Company was formed in connection with the July 1993 merger of Northern Neck Bankshares Corporation and Union Bancorp, Inc. Although the Company was formed in 1993, certain of the community banks that were acquired and ultimately merged to form what is now Union Bank & Trust were among the oldest in Virginia at the time they were acquired.

The table below indicates the year each community bank was formed, acquired by the Company, and merged into what is now Union Bank & Trust.

	Formed	Acquired	Merged
Union Bank & Trust Company	1902	n/a	2010
Northern Neck State Bank	1909	1993	2010
King George State Bank	1974	1996	1999
Rappahannock National Bank	1902	1998	2010
Bay Community Bank	1999	de novo bank	2008
Guaranty Bank	1981	2004	2004
Prosperity Bank & Trust Company	1986	2006	2008
First Market Bank, FSB	2000	2010	2010
StellarOne Bank	1900	2014	2014

The Company's headquarters are located in Richmond, Virginia, and its operations center is located in Ruther Glen, Virginia.

Product Offerings and Market Distribution

The Company is the largest community banking organization headquartered in Virginia in terms of asset size, and provides full service banking and other financial services to the Northern, Central, Rappahannock, Roanoke Valley, Shenandoah, Tidewater, and Northern Neck regions of Virginia. As of December 31, 2016, the Bank operates 114 locations in the counties of Albemarle, Augusta, Bedford, Caroline, Chesterfield, Culpeper, Essex, Fairfax, Fauquier, Floyd, Fluvanna, Franklin, Frederick, Giles, Hanover, Henrico, James City, King George, King William, Lancaster, Madison, Montgomery, Nelson, Northumberland, Orange, Pulaski, Rappahannock, Richmond, Roanoke, Rockbridge, Rockingham, Spotsylvania, Stafford, Warren, Westmoreland, Wythe, and York, and the independent cities of Buena Vista, Charlottesville, Colonial Heights, Covington, Fredericksburg, Harrisonburg, Lynchburg, Newport News, Radford, Richmond, Roanoke, Salem, Staunton, Virginia Beach, and Waynesboro.

The Bank is a full service community bank offering consumers and businesses a wide range of banking and related financial services, including checking, savings, certificates of deposit, and other depository services, as well as loans for commercial, industrial, residential mortgage, and consumer purposes. The Bank issues credit cards through Elan Financial Services and delivers ATM services through the use of reciprocally shared ATMs in the major ATM networks as well as remote ATMs for the convenience of customers and other consumers. The Bank also offers mobile and internet banking services and online bill payment for all customers, whether retail or commercial.

Effective January 1, 2016, UISI was dissolved as a separate corporate entity and the securities, brokerage, and investment advisory businesses of UISI were integrated into Union Bank & Trust's Wealth Management division, a division that offers brokerage, asset management, private banking, and trust services to individuals and corporations.

In June of 2016, the Company opened a loan production office in Charlotte, North Carolina operating as UBTNC Commercial Finance, a division of Union Bank & Trust.

As of December 31, 2016, UMG had offices in Virginia (20), Maryland (1), and North Carolina (1). UMG does business in selected states throughout the Mid-Atlantic and Southeast, as well as Washington, D.C., providing a variety of mortgage products to customers in those areas. The mortgage loans originated by UMG generally are sold in the secondary market through purchase agreements with institutional investors with servicing released. During 2015, the mortgage segment also began originating loans with the intent that the loans be held for investment purposes.

UIG, an insurance agency, is owned by the Bank and UMG. This agency operates in an agreement with Bankers Insurance, LLC, a large insurance agency owned by community banks across Virginia and managed by the Virginia Bankers Association. UIG generates revenue through sales of various insurance products through Bankers Insurance LLC, including long-term care insurance and business owner policies. UIG also maintains ownership interests in three title agencies owned by community banks across Virginia and generates revenues through sales of title policies in connection with the Bank’s lending activities.

ODCM is a registered investment advisory firm with offices in Charlottesville and Alexandria, Virginia, offering investment management and financial planning services primarily to families and individuals. Securities are offered through a third party contractual agreement with Charles Schwab & Co., Inc., an independent broker dealer.

Effective April 25, 2014, the Company changed its name from “Union First Market Bankshares Corporation” to “Union Bankshares Corporation.” The name change was approved at the Company’s annual meeting of shareholders held April 22, 2014. Effective February 16, 2015, the Company changed its subsidiary bank’s name from “Union First Market Bank” to “Union Bank & Trust.”

SEGMENTS

The Company has two reportable segments: its traditional full service community banking business and its mortgage banking business. For more financial data and other information about each of the Company’s operating segments, refer to Item 7. - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections, “Segment Information – Community Bank Segment” and “Segment Information – Mortgage Segment,” and to Note 17 “Segment Reporting Disclosures” in the “Notes to Consolidated Financial Statements” contained in Item 8 of this Form 10-K.

EXPANSION AND STRATEGIC ACQUISITIONS

The Company expands its market area and increases its market share through organic growth (internal growth and de novo expansion) and strategic acquisitions. Strategic acquisitions by the Company to date have included whole bank acquisitions, branch and deposit acquisitions, and purchases of existing branches from other banks. The Company generally considers acquisitions of companies in strong growth markets or with unique products or services that will benefit the entire organization. Targeted acquisitions are priced to be economically feasible with expected minimal short-term drag to achieve positive long-term benefits. These acquisitions may be paid for in the form of cash, stock, debt, or a combination thereof. The amount and type of consideration and deal charges paid could have a short-term dilutive effect on the Company’s earnings per share or book value. However, management anticipates that the cost savings and revenue enhancements in such transactions will provide long-term economic benefit to the Company.

On January 1, 2014, the Company acquired StellarOne by merger in an all-stock transaction. Pursuant to the StellarOne merger agreement, StellarOne’s common shareholders received 0.9739 shares of the Company’s common stock in exchange for each share of StellarOne’s common stock, resulting in the Company issuing 22,147,874 shares of common stock. The Company operated StellarOne Bank as a separate wholly-owned bank subsidiary until May 2014, at which time StellarOne Bank was merged with and into the Bank. As part of the acquisition plan and cost control efforts, the Company consolidated 13 overlapping bank branches into nearby locations during 2014.

On May 31, 2016 ODCM was acquired by Union Bank & Trust and currently operates as a stand-alone direct subsidiary of Union Bank & Trust from its offices in Charlottesville and Alexandria, Virginia. ODCM is a registered investment advisory firm with over $300.0 million in assets under management.

As of December 31, 2016, the Bank operated in-store bank branches in 11 MARTIN'S Food Markets, one Fas Mart location, and one Walmart location. The MARTIN's Food Markets stores were acquired in connection with the Company's acquisition of FMB in 2010. In 2016, MARTIN's Food Markets sold 10 locations in the Richmond area, and as a result, the Company was required to relocate six in-store branches. As of January 31, 2017 there were six MARTIN's Food Markets in-store bank branches remaining in operation. The Company does not have any additional information about the plans that MARTIN's Food Markets has for their remaining locations in the Richmond area, but as of February 24, 2017, the six branches were operating as normal. Additionally, the Company built no new branches during the last five years.

EMPLOYEES

As of December 31, 2016, the Company had 1,416 full-time equivalent employees, including executive officers, loan and other banking officers, branch personnel, and operations and other support personnel. Of this total, 105 were mortgage segment personnel. None of the Company's employees are represented by a union or covered under a collective bargaining agreement. The Company provides employees with a comprehensive employee benefit program which includes the following: group life, health and dental insurance, paid time off, educational opportunities, a cash incentive plan, a stock purchase plan, stock incentive plans, deferred compensation plans for officers and key employees, an ESOP, and a 401(k) plan with employer match.

COMPETITION

The financial services industry remains highly competitive and is constantly evolving. The Company experiences strong competition in all aspects of its business. In its market areas, the Company competes with large national and regional financial institutions, credit unions, other independent community banks, as well as consumer finance companies, mortgage companies, loan production offices, mutual funds, and life insurance companies. Competition for deposits and loans is affected by various factors including interest rates offered, the number and location of branches and types of products offered, and the reputation of the institution. Credit unions increasingly have been allowed to expand their membership definitions, and because they enjoy a favorable tax status, they have been able to offer more attractive loan and deposit pricing. The Company's non-bank affiliates also operate in highly competitive environments. The Company believes its community bank framework and philosophy provide a competitive advantage, particularly with regard to larger national and regional institutions, allowing the Company to compete effectively. The Company's community bank segment generally has strong market shares within the markets it serves. The Company's deposit market share in Virginia was 3.2% of total bank deposits as of June 30, 2016, making it the largest community bank headquartered in Virginia.

ECONOMY

The economies in the Company's market areas are widely diverse and include local and federal government, military, agriculture, and manufacturing. The Company believes Virginia has weathered the recent economic challenges better than most other states over the last several years but is still faced with a protracted low interest rate environment and the burden of regulatory requirements enacted in response to the most recent financial crisis. Virginia's year-over-year employment growth finished 2016 slightly below the national rate after exceeding the nation for most of 2016. Based on the most recent reported rate from the Virginia Employment Commission, the state's unemployment rate is 4.1% as of December 2016 compared to 4.2% at year-end 2015, and continues to be below the national rate of 4.7% at year-end 2016. Virginia's annualized residential home sales closed in the preceding twelve months rose 6.6% from 2015. The Company's management continues to consider future economic events and their impact on the Company's performance while focusing attention on managing nonperforming assets, controlling costs, and working with borrowers to mitigate and protect against risk of loss.

SUPERVISION AND REGULATION

The Company and the Bank are extensively regulated under both federal and state laws. The following description briefly addresses certain historic and current provisions of federal and state laws and certain regulations, proposed regulations, and the potential impacts on the Company and the Bank. To the extent statutory or regulatory provisions or proposals are described in this report, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions or proposals.

The Company

General. As a financial holding company and a bank holding company registered under the BHCA, the Company is subject to supervision, regulation, and examination by the Federal Reserve. The Company elected to be treated as financial holding company by the Federal Reserve in September 2013. The Company is also registered under the bank holding company laws of Virginia and is subject to supervision, regulation, and examination by the SCC.

Permitted Activities. The permitted activities of a bank holding company are limited to managing or controlling banks, furnishing services to or performing services for its subsidiaries, and engaging in other activities that the Federal Reserve determines by regulation or order to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition, bank holding companies that qualify and elect to be financial holding companies, such as the Company, may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve), without prior approval of the Federal Reserve. Activities that are financial in nature include but are not limited to securities underwriting and dealing, insurance underwriting, and making merchant banking investments.

To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be "well capitalized" and "well managed." A depository institution subsidiary is considered to be "well capitalized" if it satisfies the requirements for this status under applicable Federal Reserve capital requirements. A depository institution subsidiary is considered "well managed" if it received a composite rating and management rating of at least "satisfactory" in its most recent examination. A financial holding company's status will also depend upon it maintaining its status as "well capitalized" and "well managed" under applicable Federal Reserve regulations. If a financial holding company ceases to meet these capital and management requirements, the Federal Reserve's regulations provide that the financial holding company must enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements. Until the financial holding company returns to compliance, the Federal Reserve may impose limitations or conditions on the conduct of its activities, and the company may not commence any of the broader financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the Federal Reserve. If the company does not return to compliance within 180 days, the Federal Reserve may require the financial holding company to divest its depository institution subsidiaries or to cease engaging in any activity that is financial in nature (or incident to such financial activity) or complementary to a financial activity.

In order for a financial holding company to commence any new activity permitted by the BHCA or to acquire a company engaged in any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the CRA. See below under "The Bank – Community Reinvestment Act."

Despite prior approval, the Federal Reserve may order a bank holding company or its subsidiaries to terminate any activity or to terminate ownership or control of any subsidiary when the Federal Reserve has reasonable cause to believe that a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company may result from such an activity.

Banking Acquisitions; Changes in Control. The BHCA and related regulations require, among other things, the prior approval of the Federal Reserve in any case where a bank holding company proposes to (i) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank or bank holding company (unless it already owns a majority of such voting shares), (ii) acquire all or substantially all of the assets of another bank or bank holding company, or (iii) merge or consolidate with any other bank holding company. In determining whether to approve a proposed bank acquisition, the Federal Reserve will consider, among other factors, the effect of the acquisition on competition, the public benefits expected to be received from the acquisition, any outstanding regulatory compliance issues of any institution that is a party to the transaction, the projected capital ratios and levels on a post-acquisition basis, the financial condition of each institution that is a party to the transaction and of the combined institution after the transaction, and the acquiring institution's performance under the CRA and its compliance with fair housing and other consumer protection laws.

Subject to certain exceptions, the BHCA and the Change in Bank Control Act, together with the applicable regulations, require Federal Reserve approval (or, depending on the circumstances, no notice of disapproval) prior to any person or company's acquiring "control" of a bank or bank holding company. A conclusive presumption of control exists if an individual or company acquires the power, directly or indirectly, to direct the management or policies of an insured depository institution or to vote 25% or more of any class of voting securities of any insured depository institution. A rebuttable presumption of control exists if a person or company acquires 10% or more but less than 25% of any class of voting securities of an insured depository institution and either the institution has registered its securities with the SEC under Section 12 of the Exchange Act or no other person will own a greater percentage of that class of voting securities immediately after the acquisition. The Company's common stock is registered under Section 12 of the Exchange Act.

In addition, Virginia law requires the prior approval of the SCC for (i) the acquisition by a Virginia bank holding company of more than 5% of the voting shares of a Virginia bank or a Virginia bank holding company, or (ii) the acquisition by any other person of control of a Virginia bank holding company or a Virginia bank.

Source of Strength. Federal Reserve policy has historically required bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. The Dodd-Frank Act codified this policy as a statutory requirement. Under this requirement, the Company is expected to commit resources to support the Bank, including times when the Company may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to depositors and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Safety and Soundness. There are a number of obligations and restrictions imposed on bank holding companies and their subsidiary banks by law and regulatory policy that are designed to minimize potential loss to the depositors of such depository institutions and the FDIC insurance fund in the event of a depository institution insolvency, receivership, or default. For example, under the FDICIA, to avoid receivership of an insured depository institution subsidiary, a bank holding company is required to guarantee the compliance of any subsidiary bank that may become "undercapitalized" with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal bank regulatory agency up to the lesser of (i) an amount equal to 5% of the institution's total assets at the time the institution became undercapitalized, or (ii) the amount that is necessary (or would have been necessary) to bring the institution into compliance with all applicable capital standards as of the time the institution fails to comply with such capital restoration plan.

Under the FDIA, the federal bank regulatory agencies have adopted guidelines prescribing safety and soundness standards. These guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees, and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines.

Capital Requirements. The Federal Reserve imposes certain capital requirements on bank holding companies under the BHCA, including a minimum leverage ratio and a minimum ratio of "qualifying" capital to risk-weighted assets. These requirements are described below under "The Bank – Capital Requirements". Subject to its capital requirements and certain other restrictions, the Company is able to borrow money to make a capital contribution to the Bank, and such loans may be repaid from dividends paid by the Bank to the Company.

Limits on Dividends and Other Payments. The Company is a legal entity, separate and distinct from its subsidiaries. A significant portion of the revenues of the Company result from dividends paid to it by the Bank. There are various legal limitations applicable to the payment of dividends by the Bank to the Company and to the payment of dividends by the Company to its shareholders. The Bank is subject to various statutory and regulatory restrictions on its ability to pay dividends to the Company. Under current regulations, prior approval from the Federal Reserve is required if cash dividends declared by the Bank in any given year exceed net income for that year, plus retained net profits of the two preceding years. The payment of dividends by the Bank or the Company may be limited by other factors, such as requirements to maintain capital above regulatory guidelines. Bank regulatory agencies have the authority to prohibit the Bank or the Company from engaging in an unsafe or unsound practice in conducting its respective business. The payment of dividends, depending on the financial condition of the Bank, or the Company, could be deemed to constitute such an unsafe or unsound practice.

Under the FDIA, insured depository institutions such as the Bank, are prohibited from making capital distributions, including the payment of dividends, if, after making such distributions, the institution would become "undercapitalized" (as such term is used in the statute). Based on the Bank's current financial condition, the Company does not expect that this provision will have any impact on its ability to receive dividends from the Bank. The Company's non-bank subsidiaries pay dividends to the Company periodically, subject to certain statutory restrictions.

In addition to dividends it receives from the Bank, the Company receives management fees from its affiliated companies for expenses incurred related to external financial reporting and audit fees, investor relations expenses, Board of Directors fees, and legal fees related to corporate actions. These fees are charged to each subsidiary based upon various specific allocation methods measuring the estimated usage of such services by that subsidiary. The fees are eliminated from the financial statements in the consolidation process.

The Bank

General. The Bank is supervised and regularly examined by the Federal Reserve and the SCC. The various laws and regulations administered by the bank regulatory agencies affect corporate practices, such as the payment of dividends, incurrence of debt, and acquisition of financial institutions and other companies; they also affect business practices, such as the payment of interest on deposits, the charging of interest on loans, types of business conducted, and location of offices. Certain of these law and regulations are referenced above under "The Company."

Capital Requirements. The Federal Reserve and the other federal banking agencies have issued risk-based and leverage capital guidelines applicable to U.S. banking organizations. Those regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels because of its financial condition or actual or anticipated growth.

The Federal Reserve has adopted final rules regarding capital requirements and calculations of risk-weighted assets to implement the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act.

Under these updated risk-based capital requirements of the Federal Reserve, the Company and the Bank are required to maintain (i) a minimum ratio of total capital (which is defined as core capital and supplementary capital less certain specified deductions from total capital such as reciprocal holdings of depository institution capital instruments and equity investments) to risk-weighted assets of at least 8.0% (unchanged from the prior requirement), (ii) a minimum ratio of Tier 1 capital (which consists principally of common and certain qualifying preferred shareholders' equity (including grandfathered trust preferred securities) as well as retained earnings, less certain intangibles and other adjustments) to risk-weighted assets of at least 6.0% (increased from the prior requirement of 4.0%), and (iii) a minimum ratio of common equity Tier 1 capital to risk-weighted assets of at least 4.5% (a new requirement). These rules provide that "Tier 2 capital" consists of cumulative preferred stock, long-term perpetual preferred stock, a limited amount of subordinated and other qualifying debt (including certain hybrid capital instruments), and a limited amount of the general loan loss allowance. The Tier 1, common equity Tier 1, and total capital to risk-weighted asset ratios of the Company were 10.97%, 9.72% and 13.56%, respectively, as of December 31, 2016, thus exceeding the minimum requirements for "well capitalized" status. The Tier 1, common equity Tier 1, and total capital to risk-weighted asset ratios of the Bank were 12.58%, 12.58% and 13.11%, respectively, as of December 31, 2016, also exceeding the minimum requirements for "well capitalized" status.

Each of the federal bank regulatory agencies also has established a minimum leverage capital ratio of Tier 1 capital to average adjusted assets ("Tier 1 leverage ratio"). The guidelines require a minimum Tier 1 leverage ratio of 3.0% for advanced approach banking organizations; all other banking organizations are required to maintain a minimum Tier 1 leverage ratio of 4.0%. In addition, for a depository institution to be considered "well capitalized" under the regulatory framework for PCA, its Tier 1 leverage ratio must be at least 5.0%. Banking organizations that have experienced internal growth or made acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. The Federal Reserve has not advised the Company or the Bank of any specific minimum leverage ratio applicable to either entity. As of December 31, 2016, the Tier 1 leverage ratios of the Company and the Bank were 9.87% and 11.31%, respectively, well above the minimum requirements.

The Federal Reserve's final rules also impose a capital conservation buffer requirement that is being phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, increasing by the same amount each year until fully implemented at 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

When fully phased in on January 1, 2019, the rules will require the Company and the Bank to maintain (i) a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% common equity Tier 1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 7.0% upon full implementation); (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation); (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation); and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets.

With respect to the Bank, the Federal Reserve's final rules also revised the "prompt corrective action" regulations pursuant to Section 38 of the FDIA by (i) introducing a common equity Tier 1 capital ratio requirement at each level (other than critically undercapitalized), with the required ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum ratio for well-capitalized status being 8.0% (as compared to the prior ratio of

6.0%); and (iii) eliminating the provision that provided that a bank with a composite supervisory rating of 1 may have a 3.0% Tier 1 leverage ratio and still be well-capitalized. These new thresholds were effective for the Bank as of January 1, 2015. The minimum total capital to risk-weighted assets ratio (10.0%) and minimum leverage ratio (5.0%) for well-capitalized status were unchanged by the final rules.

The Federal Reserve's final rules also include changes in the risk weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development, and construction loans and nonresidential mortgage loans that are 90 days past due or otherwise on nonaccrual status, a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable, a 250% risk weight (up from 100%) for mortgage servicing rights and deferred tax assets that are not deducted from capital, and increased risk-weights (from 0% to up to 600%) for equity exposures.

Deposit Insurance. The deposits of the Bank are insured up to applicable limits by the DIF of the FDIC and are subject to deposit insurance assessments based on average total assets minus average tangible equity to maintain the DIF.

As required by the Dodd-Frank Act, the FDIC has adopted a large-bank pricing assessment structure, set a target “designated reserve ratio” of 2 percent for the DIF and established a lower assessment rate schedule when the reserve ratio reaches 1.15 percent and, in lieu of dividends, provides for a lower assessment rate schedule, when the reserve ratio reaches 2 percent and 2.5 percent. An institution's assessment rate is based on a statistical analysis of financial ratios that estimates the likelihood of failure over a three year period, which considers the institution’s weighted average CAMELS component rating, and is subject to further adjustments including related to levels of unsecured debt and brokered deposits (not applicable to banks with less than $10 billion in assets). At December 31, 2016, total base assessment rates institutions that have been insured for at least five years range from 1.5 to 40 basis points, with rates of 1.5 to 30 basis points applying to banks with less than $10 billion in assets. In 2016 and 2015, the Company paid $4.4 million and $4.5 million, respectively, in deposit insurance assessments.

In addition, all FDIC insured institutions are required to pay assessments to the FDIC at an annual rate of approximately one basis point of insured deposits to fund interest payments on bonds issued by the Financing Corporation, an agency of the federal government established to recapitalize the predecessor to the Savings Association Insurance Fund. These assessments will continue until the FICO bonds mature in 2017 through 2019.

Transactions with Affiliates. Pursuant to Sections 23A and 23B of the Federal Reserve Act and Regulation W, the authority of the Bank to engage in transactions with related parties or “affiliates,” or to make loans to insiders, is limited. Loan transactions with an affiliate generally must be collateralized and certain transactions between the Bank and its affiliates, including the sale of assets, the payment of money or the provision of services, must be on terms and conditions that are substantially the same, or at least as favorable to the Bank, as those prevailing for comparable nonaffiliated transactions. In addition, the Bank generally may not purchase securities issued or underwritten by affiliates.

Loans to executive officers, directors, or to any person who directly or indirectly, or acting through or in concert with one or more persons, owns, controls, or has the power to vote more than 10% of any class of voting securities of a bank (“10% Shareholders”), are subject to Sections 22(g) and 22(h) of the Federal Reserve Act and their corresponding regulations (Regulation O) and Section 13(k) of the Exchange Act relating to the prohibition on personal loans to executives (which exempts financial institutions in compliance with the insider lending restrictions of Section 22(h) of the Federal Reserve Act). Among other things, these loans must be made on terms substantially the same as those prevailing on transactions made to unaffiliated individuals and certain extensions of credit to those persons must first be approved in advance by a disinterested majority of the entire Board of Directors. Section 22(h) of the Federal Reserve Act prohibits loans to any of those individuals where the aggregate amount exceeds an amount equal to 15% of an institution’s unimpaired capital and surplus plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral, or when the aggregate amount on all of the extensions of credit outstanding to all of these persons would exceed the Bank’s unimpaired capital and unimpaired surplus. Section 22(g) of the Federal Reserve Act identifies limited circumstances in which the Bank is permitted to extend credit to executive officers.

Prompt Corrective Action. Federal banking regulators are authorized and, under certain circumstances, required to take certain actions against banks that fail to meet their capital requirements. The federal bank regulatory agencies have additional enforcement authority with respect to undercapitalized depository institutions. “Well capitalized” institutions may generally operate without additional supervisory restriction. With respect to “adequately capitalized” institutions, such banks cannot normally pay dividends or make any capital contributions that would leave it undercapitalized, they cannot pay a management fee to a controlling person if, after paying the fee, it would be undercapitalized, and they cannot accept, renew, or roll over any brokered deposit unless the bank has applied for and been granted a waiver by the FDIC.

Immediately upon becoming “undercapitalized,” a depository institution becomes subject to the provisions of Section 38 of the FDIA, which: (i) restrict payment of capital distributions and management fees; (ii) require that the appropriate federal banking agency monitor the condition of the institution and its efforts to restore its capital; (iii) require submission of a capital restoration plan; (iv) restrict the growth of the institution’s assets; and (v) require prior approval of certain expansion proposals. The appropriate federal banking agency for an undercapitalized institution also may take any number of discretionary supervisory actions if the agency determines that any of these actions is necessary to resolve the problems of the institution at the least possible long-term cost to the DIF, subject in certain cases to specified procedures. These discretionary supervisory actions include: (i) requiring the institution to raise additional capital; (ii) restricting transactions with affiliates; (iii) requiring divestiture of the institution or the sale of the institution to a willing purchaser; and (iv) any other supervisory action that the agency deems appropriate. These and additional mandatory and permissive supervisory actions may be taken with respect to significantly undercapitalized and critically undercapitalized institutions. The Bank met the definition of being “well capitalized” as of December 31, 2016.

As described above in “The Bank – Capital Requirements,” the Federal Reserve's final rules to implement the Basel III regulatory capital reforms incorporate new requirements into the PCA framework.

Community Reinvestment Act. The Bank is subject to the requirements of the CRA. The CRA imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of the local communities, including low and moderate income neighborhoods. If the Bank receives a rating from the Federal Reserve of less than “satisfactory” under the CRA, restrictions on operating activities would be imposed. In addition, in order for a financial holding company, like the Company, to commence any new activity permitted by the BHCA, or to acquire any company engaged in any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least “satisfactory” in its most recent examination under the CRA. The Bank received a “satisfactory” CRA rating in its most recent examination.

Confidentiality of Customer Information. The Company and the Bank are subject to various laws and regulations that address the privacy of nonpublic personal financial information of customers. A financial institution must provide to its customers information regarding its policies and procedures with respect to the handling of customers’ personal information. Each institution must conduct an internal risk assessment of its ability to protect customer information. These privacy laws and regulations generally prohibit a financial institution from providing a customer’s personal financial information to unaffiliated parties without prior notice and approval from the customer.

Required Disclosure of Customer Information. The Company and the Bank are also subject to various laws and regulations that attempt to combat money laundering and terrorist financing. The Bank Secrecy Act requires all financial institutions to, among other things, create a system of controls designed to prevent money laundering and the financing of terrorism, and imposes recordkeeping and reporting requirements. The USA Patriot Act added additional regulations to facilitate information sharing among governmental entities and financial institutions for the purpose of combating terrorism and money laundering, imposes standards for verifying customer identification at account opening, and requires financial institutions to establish anti-money laundering programs. The OFAC, which is a division of the Treasury, is responsible for helping to ensure that United States entities do not engage in transactions with “enemies” of the United States, as defined by various Executive Orders and Acts of Congress. If the Bank finds a name of an “enemy” of the United States on any transaction, account, or wire transfer that is on an OFAC list, it must freeze such account or place transferred funds into a blocked account, and report it to OFAC.

Volcker Rule. The Dodd-Frank Act prohibits insured depository institutions and their holding companies from engaging in proprietary trading except in limited circumstances and prohibits them from owning equity interests in excess of 3% of Tier 1 capital in private equity and hedge funds (known as the “Volcker Rule”). On December 10, 2013, the federal bank regulatory agencies adopted final rules implementing the Volcker Rule. These final rules prohibit banking entities from (i) engaging in short-term proprietary trading for their own accounts, and (ii) having certain ownership interests in and relationships with hedge funds or private equity funds. The final rules are intended to provide greater clarity with respect to both the extent of those primary prohibitions and of the related exemptions and exclusions. The final rules also require each regulated entity to establish an internal compliance program that is consistent with the extent to which it engages in activities covered by the Volcker Rule, which must include (for the largest entities) making regular reports about those activities to regulators. Although the final rules provide some tiering of compliance and reporting obligations based on size, the fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including the Company and the Bank. The final rules were effective April 1, 2014, with full compliance being phased in over a period that ended on July 21, 2016. The final rules did not have a material impact on the Company's financial position.

Consumer Financial Protection. The Bank is subject to a number of federal and state consumer protection laws that extensively govern its relationship with its customers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act, laws governing flood insurance, federal and state laws prohibiting unfair and deceptive business practices, foreclosure laws, and various regulations that implement some or all of the foregoing. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans, and providing other services. If the Bank fails to comply with these laws and regulations, it may be subject to various penalties. Failure to comply with consumer protection requirements may also result in failure to obtain any required bank regulatory approval for merger or acquisition transactions the Bank may wish to pursue or being prohibited from engaging in such transactions even if approval is not required.

The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the CFPB, and giving it responsibility for implementing, examining, and enforcing compliance with federal consumer protection laws. The CFPB focuses on (i) risks to consumers and compliance with the federal consumer financial laws, (ii) the markets in which firms operate and risks to consumers posed by activities in those markets., (iii) depository institutions that offer a wide variety of consumer financial products and services, and (iv) non-depository companies that offer one or more consumer financial products or services. The CFPB is responsible for implementing, examining and enforcing compliance with federal consumer financial laws for institutions with more than $10 billion of assets. While the Bank, like all banks, is subject to federal consumer protection rules enacted by the CFPB, because the Company and the Bank have total consolidated assets of $10 billion or less, the Federal Reserve oversees the application to the Bank of most consumer protection aspects of the Dodd-Frank Act and other laws and regulations.

The CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit “unfair, deceptive, or abusive” acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer’s ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer’s (i) lack of financial savvy, (ii) inability to protect himself in the selection or use of consumer financial products or services, or (iii) reasonable reliance on a covered entity to act in the consumer’s interests. The CFPB can issue cease-and-desist orders against banks and other entities that violate consumer financial laws. The CFPB may also institute a civil action against an entity in violation of federal consumer financial law in order to impose a civil penalty or injunction. Further, regulatory positions taken by the CFPB with respect to financial institutions with more than $10 billion in assets may influence how other regulatory agencies apply the subject consumer financial protection laws and regulations.

Mortgage Banking Regulation. In connection with making mortgage loans, the Company and the Bank are subject to rules and regulations that, among other things, establish standards for loan origination, prohibit discrimination, provide for inspections and appraisals of property, require credit reports on prospective borrowers, in some cases restrict certain loan features and fix maximum interest rates and fees, require the disclosure of certain basic information to mortgagors concerning credit and settlement costs, limit payment for settlement services to the reasonable value of the services rendered and require the maintenance and disclosure of information regarding the disposition of mortgage applications based on race, gender, geographical distribution and income level.

The Company’s and the Bank’s mortgage origination activities are subject to Regulation Z, which implements the Truth in Lending Act. Certain provisions of Regulation Z require creditors to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Creditors are required to determine consumers’ ability to repay in one of two ways. The first alternative requires the creditor to consider the following eight underwriting factors when making the credit decision: (i) current or reasonably expected income or assets; (ii) current employment status; (iii) the monthly payment on the covered transaction; (iv) the monthly payment on any simultaneous loan; (v) the monthly payment for mortgage-related obligations; (vi) current debt obligations, alimony, and child support; (vii) the monthly debt-to-income ratio or residual income; and (viii) credit history. Alternatively, the creditor can originate “qualified mortgages,” which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a “qualified mortgage” is a mortgage loan without negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years. In addition, to be a qualified mortgage the points and fees paid by a consumer cannot exceed 3% of the total loan amount. Qualified mortgages that are “higher-priced” (e.g. subprime loans) garner a rebuttable presumption of compliance with the ability-to-repay rules, while qualified mortgages that are not “higher-priced” (e.g. prime loans) are given a safe harbor of compliance. To meet the mortgage credit needs of a broader customer base, the Company is predominantly an originator of mortgages that are intended to be in compliance with the ability-to-pay requirements.

Incentive Compensation. In 2010, the federal bank regulatory agencies issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of financial institutions do not undermine the safety and soundness of such institutions by encouraging excessive risk-taking. The *Interagency Guidance on Sound Incentive Compensation Policies*, which covers all employees that have the ability to materially affect the risk profile of financial institutions, either individually or as part of a group, is based upon the key principles that a financial institution's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the institution's ability to effectively identify and manage risks; (ii) be compatible with effective internal controls and risk management; and (iii) be supported by strong corporate governance, including active and effective oversight by the financial institution's Board of Directors.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of financial institutions, such as the Company and the Bank, that are not "large, complex banking organizations." These reviews will be tailored to each financial institution based on the scope and complexity of the institution's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the institution's supervisory ratings, which can affect the institution's ability to make acquisitions and take other actions. Enforcement actions may be taken against a financial institution if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the institution's safety and soundness and the financial institution is not taking prompt and effective measures to correct the deficiencies.

In 2016, the SEC and the federal banking agencies proposed rules that prohibit covered financial institutions (including bank holding companies and banks) from establishing or maintaining incentive-based compensation arrangements that encourage inappropriate risk taking by providing covered persons (consisting of senior executive officers and significant risk takers, as defined in the rules) with excessive compensation, fees, or benefits that could lead to material financial loss to the financial institution. The proposed rules outline factors to be considered when analyzing whether compensation is excessive and whether an incentive-based compensation arrangement encourages inappropriate risks that could lead to material loss to the covered financial institution, and establishes minimum requirements that incentive-based compensation arrangements must meet to be considered to not encourage inappropriate risks and to appropriately balance risk and reward. The proposed rules also impose additional corporate governance requirements on the boards of directors of covered financial institutions and impose additional record-keeping requirements. The comment period for these proposed rules has closed and a final rule has not yet been published.

Heightened Requirements for Bank Holding Companies with $10 Billion or More in Assets

Various federal banking laws and regulations, including rules adopted by the Federal Reserve pursuant to the requirements of the Dodd-Frank Act, impose heightened requirements on certain large banks and bank holding companies. Most of these rules apply primarily to bank holding companies with at least $50 billion in total consolidated assets, but certain rules also apply to banks and bank holding companies with at least $10 billion in total consolidated assets.

If the Company's or the Bank's total consolidated assets, as applicable, equal or exceed $10 billion, the Company or the Bank, as applicable, may, among other requirements: (i) be required to perform annual stress tests; (ii) be required to establish a dedicated risk committee of the board of directors responsible for overseeing enterprise-wide risk management policies, which must be commensurate with capital structure, risk profile, complexity, activities, size, and other appropriate risk-related factors, and must include as a member at least one risk management expert; (iii) be examined for compliance with federal consumer protection laws primarily by the CFPB; (iv) be subject to increased FDIC deposit insurance assessment requirements; (v) be subject to a cap on debit card interchange fees; and (vi) be subject to higher regulatory capital requirements.

While the Company and the Bank do not currently have $10 billion or more in total consolidated assets, the Company's has begun analyzing these requirements and developing action plans for complying with the rules when and if they become applicable. Assuming the Company continues to grow assets organically, and not as a result of acquisitions, at the same rate of growth experienced in 2016, the Company would expect to cross the $10 billion asset threshold in early 2019.

Future Regulation

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company and the Bank in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company or the Bank.

Effect of Governmental Monetary Policies

The Company's operations are affected not only by general economic conditions but also by the policies of various regulatory authorities. In particular, the Federal Reserve uses monetary policy tools to impact money market and credit market conditions and interest rates to influence general economic conditions. These policies have a significant impact on overall growth and distribution of loans, investments, and deposits; they affect market interest rates charged on loans or paid for time and savings deposits. Federal Reserve monetary policies have had a significant effect on the operating results of commercial banks, including the Company, in the past and are expected to do so in the future.

Filings with the SEC

The Company files annual, quarterly, and other reports under the Exchange Act with the SEC. These reports and this Form 10-K are posted and available at no cost on the Company's investor relations website, *http://investors.bankatunion.com*, as soon as reasonably practicable after the Company files such documents with the SEC. The information contained on the Company's website is not a part of this Form 10-K or of any other filing with the SEC. The Company's filings are also available through the SEC's website at *http://www.sec.gov*.

ITEM 1A. - RISK FACTORS

An investment in the Company's securities involves risks. In addition to the other information set forth in this report, including the information addressed under "Forward-Looking Statements," investors in the Company's securities should carefully consider the factors discussed below. These factors could materially and adversely affect the Company's business, financial condition, liquidity, results of operations, and capital position and could cause the Company's actual results to differ materially from its historical results or the results contemplated by the forward-looking statements contained in this report, in which case the trading price of the Company's securities could decline.

Risks Related to the Company's Operations

The Company's business may be adversely affected by conditions in the financial markets and economic conditions generally.

The community banking industry is directly affected by national, regional, and local economic conditions. The economies in the Company's market areas continued to improve during 2016, though growth remained sluggish and there is no assurance that economic improvements will continue in the future. Management allocates significant resources to mitigate and respond to risks associated with changing economic conditions, however, such conditions cannot be predicted or controlled. Adverse changes in economic conditions, including a reduction in federal government spending, a flatter yield curve, extended low interest rates, or negative changes in consumer and business spending, borrowing, and savings habits, could adversely affect the credit quality of the Company's loans, and/or the Company's results of operations and financial condition. The Company's financial performance is dependent on the business environment in the markets where the Company operates, in particular, the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services the Company offers. In addition, the Company holds securities which can be significantly affected by various factors, including interest rates and credit ratings assigned by third parties. Rising interest rates or an adverse credit rating on securities held by the Company could result in a reduction of the fair value of its securities portfolio and have an adverse impact on the Company's financial condition.

Adverse changes in economic conditions in Virginia and adverse conditions in an industry on which a local market in which the Company does business could hurt the Company's business in a material way.

The Company provides full service banking and other financial services to the Northern, Central, Rappahannock, Roanoke Valley, Shenandoah, Tidewater and Northern Neck regions of Virginia. The Company's loan and deposit activities are directly affected by, and the Company's financial success depends on, economic conditions within the local markets in which the Company does business, as well as conditions in the industries on which those markets are economically dependent. A deterioration in local economic conditions or in the condition of an industry on which a local market depends could adversely affect such factors as unemployment rates, business formations and expansions, housing demand, apartment vacancy rates and real estate values in the local market, and this could result in, among other things, a decline in loan demand, a reduction in the number of creditworthy borrowers seeking loans, an increase in loan delinquencies, defaults and foreclosures, an increase in classified and nonaccrual loans, a decrease in the value of loan collateral and a decline in the net worth and liquidity of borrowers and guarantors. Any of these factors could hurt the Company's business in a material way.

The Company's operations may be adversely affected by cyber security risks.

In the ordinary course of business, the Company collects and stores sensitive data, including proprietary business information and personally identifiable information of its customers and employees in systems and on networks. The secure processing, maintenance, and use of this information is critical to the Company's operations and business strategy. In addition, the Company relies heavily on communications and information systems to conduct its business. Any failure, interruption, or breach in security or operational integrity of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, deposit, loan, and other systems. The Company has invested in accepted technologies, and continually reviews processes and practices that are designed to protect its networks, computers, and data from damage or unauthorized access. Despite these security measures, the Company's computer systems and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. A breach of any kind could compromise systems and the information stored there could be accessed, damaged, or disclosed. A breach in security or other failure could result in legal claims, regulatory penalties, disruption in operations, increased expenses, loss of customers and business partners, and damage to the Company's reputation, which could adversely affect its business and financial condition. Furthermore, as cyber threats continue to evolve and increase, the Company may be required to expend significant additional financial and operational resources to modify or enhance its protective measures, or to investigate and remediate any identified information security vulnerabilities.

The inability of the Company to successfully manage its growth or implement its growth strategy may adversely affect the Company's results of operations and financial conditions.

The Company may not be able to successfully implement its growth strategy if it is unable to identify and compete for attractive markets, locations, or opportunities to expand in the future. In addition, the ability to manage growth successfully depends on whether the Company can maintain adequate capital levels, maintain cost controls, effectively manage asset quality, and successfully integrate any businesses acquired into the organization.

As consolidation within the financial services industry continues, the competition for suitable strategic acquisition candidates may increase. The Company will compete with other financial services companies for acquisition and expansion opportunities, and many of those competitors will have greater financial resources than the Company does and may be able to pay more for an acquisition than the Company is able or willing to pay. The Company cannot assure that it will have opportunities to acquire other financial institutions or acquire or establish any new branches on attractive terms or at all, or that the Company will be able to negotiate, finance, and complete any opportunities available to it.

If the Company is unable to effectively implement its strategies for organic growth and strategic acquisitions, its business, results of operations, and financial condition may be materially adversely affected.

Difficulties in combining the operations of acquired entities with the Company's own operations may prevent the Company from achieving the expected benefits from acquisitions.

The Company may not be able to achieve fully the strategic objectives and operating efficiencies expected in an acquisition. Inherent uncertainties exist in integrating the operations of an acquired entity. In addition, the markets and industries in which the Company and its potential acquisition targets operate are highly competitive. The Company may lose its customers and/or key personnel or those of acquired entities as a result of an acquisition. The Company may also not be able to control the incremental increase in noninterest expense arising from an acquisition in a manner that improves its overall operating efficiencies. These factors could contribute to the Company not achieving the expected benefits from its acquisitions within desired time frames, if at all. Future business acquisitions could be material to the Company and it may issue additional shares of common stock to pay for those acquisitions, which would dilute current shareholders' ownership interests. Acquisitions also could require the Company to use substantial cash or other liquid assets or to incur debt; the Company could therefore become more susceptible to economic downturns and competitive pressures. Further, acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution of the Company's tangible book value and net income per common share may occur in connection with any future acquisitions.

Changes in interest rates could adversely affect the Company's income and cash flows.

The Company's income and cash flows depend to a great extent on the difference between the interest rates earned on interest-earning assets, such as loans and investment securities, and the interest rates paid on interest-bearing liabilities, such as deposits and borrowings. These rates are highly sensitive to many factors beyond the Company's control, including general economic conditions and the policies of the Federal Reserve and other governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the prepayment of loans, the fair value of existing assets and liabilities, the purchase of investments, the retention and generation of deposits, and the rates received on loans and investment securities and paid on deposits or other sources of funding. The impact of these changes may be magnified if the Company does not effectively manage the relative sensitivity of its assets and liabilities to changes in market interest rates. In addition, the Company's ability to reflect such interest rate changes in pricing its products is influenced by competitive pressures. Fluctuations in these areas may adversely affect the Company and its shareholders.

The Company generally seeks to maintain a neutral position in terms of the volume of assets and liabilities that mature or re-price during any period so that it may reasonably maintain its net interest margin; however, interest rate fluctuations, loan prepayments, loan production, deposit flows, and competitive pressures are constantly changing and influence the ability to maintain a neutral position. Generally, the Company's earnings will be more sensitive to fluctuations in interest rates depending upon the variance in volume of assets and liabilities that mature and re-price in any period. The extent and duration of the sensitivity will depend on the cumulative variance over time, the velocity and direction of changes in interest rates, shape and slope of the yield curve, and whether the Company is more asset sensitive or liability sensitive. Accordingly, the Company may not be successful in maintaining a neutral position and, as a result, the Company's net interest margin may be affected.

The Company's mortgage revenue is cyclical and is sensitive to the level of interest rates, changes in economic conditions, decreased economic activity, and slowdowns in the housing market, any of which could adversely impact the Company's profits.

The success of the Company's mortgage business is dependent upon its ability to originate loans and sell them to investors, in each case at or near current volumes. Loan production levels are sensitive to changes in the level of interest rates and changes in economic conditions. Loan production levels may suffer if the Company experiences a slowdown in the local housing market or tightening credit conditions. Any sustained period of decreased activity caused by fewer refinancing transactions, higher interest rates, housing price pressure, or loan underwriting restrictions would adversely affect the Company's mortgage originations and, consequently, could significantly reduce its income from mortgage activities. As a result, these conditions would also adversely affect the Company's results of operations.

Deteriorating economic conditions may also cause home buyers to default on their mortgages. In certain cases where the Company has originated loans and sold them to investors, the Company may be required to repurchase loans or provide a financial settlement to investors if it is proven that the borrower failed to provide full and accurate information on, or related to, their loan application, if appraisals for such properties have not been acceptable or if the loan was not underwritten in accordance with the loan program specified by the loan investor. In the ordinary course of business, the Company records an indemnification reserve relating to mortgage loans previously sold based on historical statistics and loss rates. If such reserves were insufficient to cover claims from investors, such repurchases or settlements would adversely affect the Company's results of operations.

The Company's ALL may prove to be insufficient to absorb losses in its loan portfolio.

Like all financial institutions, the Company maintains an allowance for loan losses to provide for loans that its borrowers may not repay in their entirety. The Company believes that it maintains an allowance for loan losses at a level adequate to absorb probable losses inherent in the loan portfolio as of the corresponding balance sheet date and in compliance with applicable accounting and regulatory guidance. However, the allowance for loan losses may not be sufficient to cover actual loan losses and future provisions for loan losses could materially and adversely affect the Company's operating results. Accounting measurements related to impairment and the loan loss allowance requires significant estimates that are subject to uncertainty and changes relating to new information and changing circumstances. The significant uncertainties surrounding the ability of the Company's borrowers to execute their business models successfully through changing economic environments, competitive challenges, and other factors complicate the Company's estimates of the risk of loss and amount of loss on any loan. Because of the degree of uncertainty and susceptibility of these factors to change, the actual losses may vary from current estimates. The Company expects possible fluctuations in the loan loss provisions due to the uncertain economic conditions.

The Company's banking regulators, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Company to increase its allowance for loan losses by recognizing additional provisions for loan losses charged to expense, or to decrease the allowance for loan losses by recognizing loan charge-offs, net of recoveries. Any such required additional provisions for loan losses or charge-offs could have a material adverse effect on the Company's financial condition and results of operations.

The Bank's concentration in loans secured by real estate may adversely affect earnings due to changes in the real estate markets.

The Bank offers a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer, and other loans. Many of the Bank's loans are secured by real estate (both residential and commercial). A major change in the real estate markets, resulting in deterioration in the value of this collateral, or in the local or national economy, could adversely affect borrowers' ability to pay these loans, which in turn could negatively affect the Bank. Risks of loan defaults and foreclosures are unavoidable in the banking industry; the Bank tries to limit its exposure to these risks by monitoring extensions of credit carefully. The Bank cannot fully eliminate credit risk; thus, credit losses will occur in the future. Additionally, changes in the real estate market also affect the value of foreclosed assets, and therefore, additional losses may occur when management determines it is appropriate to sell the assets.

The Bank has significant credit exposure in commercial real estate, and loans with this type of collateral are viewed as having more risk of default.

The Bank's commercial real estate portfolio consists primarily of non-owner-operated properties and other commercial properties. These types of loans are generally viewed as having more risk of default than residential real estate loans. They are also typically larger than residential real estate loans and consumer loans and depend on cash flows from the owner's business or the property to service the debt. Cash flows may be affected significantly by general economic conditions, and a downturn in the local economy or in occupancy rates in the local economy where the property is located could increase the likelihood of default. Because the Bank's loan portfolio contains a number of commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in the percentage of non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for loan losses and an increase in charge-offs, all of which could have a material adverse effect on the Bank's financial condition and results of operations.

The Bank's banking regulators generally give commercial real estate lending greater scrutiny and may require banks with higher levels of commercial real estate loans to implement enhanced risk management practices, including underwriting, internal controls, risk management policies, and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures, which could have a material adverse effect on the Bank's results of operations.

The Bank's loan portfolio contains construction and development loans, and a decline in real estate values and economic conditions could adversely affect the value of the collateral securing the loans and have an adverse effect on the Bank's financial condition.

Construction and development loans are generally viewed as having more risk than residential real estate loans because repayment is often dependent on completion of the project and the subsequent financing of the completed project as a commercial real estate or residential real estate loan and, in some instances, on the rent or sale of the underlying project.

Although the Bank's construction and development loans are primarily secured by real estate, the Bank believes that, in the case of the majority of these loans, the real estate collateral by itself may not be a sufficient source for repayment of the loan if real estate values decline. If the Bank is required to liquidate the collateral securing a construction and development loan to satisfy the debt, its earnings and capital may be adversely affected. A period of reduced real estate values may continue for some time, resulting in potential adverse effects on the Bank's earnings and capital.

The Bank relies upon independent appraisals to determine the value of the real estate which secures a significant portion of its loans, and the values indicated by such appraisals may not be realizable if the Bank is forced to foreclose upon such loans.

A significant portion of the Bank's loan portfolio consists of loans secured by real estate. The Bank relies upon independent appraisers to estimate the value of such real estate. Appraisals are only estimates of value and the independent appraisers may make mistakes of fact or judgment that adversely affect the reliability of their appraisals. In addition, events occurring after the initial appraisal may cause the value of the real estate to increase or decrease. As a result of any of these factors, the real estate securing some of the Bank's loans may be more or less valuable than anticipated at the time the loans were made. If a default occurs on a loan secured by real estate that is less valuable than originally estimated, the Bank may not be able to recover the outstanding balance of the loan.

The Company's credit standards and its on-going credit assessment processes might not protect it from significant credit losses.

The Company assumes credit risk by virtue of making loans and extending loan commitments and letters of credit. The Company manages credit risk through a program of underwriting standards, the heightened review of certain credit decisions, and a continuous quality assessment process of credit already extended. The Company's exposure to credit risk is managed through the use of consistent underwriting standards that emphasize local lending while avoiding highly leveraged transactions as well as excessive industry and other concentrations. The Company's credit administration function employs risk management techniques to help ensure that problem loans are promptly identified. While these procedures are designed to provide the Company with the information needed to implement policy adjustments where necessary and to take appropriate corrective actions, there can be no assurance that such measures will be effective in avoiding undue credit risk.

The Company's focus on lending to small to mid-sized community-based businesses may increase its credit risk.

Most of the Company's commercial business and commercial real estate loans are made to small business or middle market customers. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and have a heightened vulnerability to economic conditions. If general economic conditions in the market areas in which the Company operates negatively impact this important customer sector, the Company's results of operations and financial condition may be adversely affected. Moreover, a portion of these loans have been made by the Company in recent years and the borrowers may not have experienced a complete business or economic cycle. Any deterioration of the borrowers' businesses may hinder their ability to repay their loans with the Company, which could have a material adverse effect on the Company's financial condition and results of operations.

Nonperforming assets take significant time to resolve and adversely affect the Company's results of operations and financial condition.

The Company's nonperforming assets adversely affect its net income in various ways. The Company does not record interest income on nonaccrual loans, which adversely affects its income and increases loan administration costs. When the Company receives collateral through foreclosures and similar proceedings, it is required to mark the related loan to the then fair market value of the collateral less estimated selling costs, which may result in a loss. An increase in the level of nonperforming assets also increases the Company's risk profile and may affect the minimum capital levels regulators believe are appropriate for the Company in light of such risks. The Company utilizes various techniques such as workouts, restructurings, and loan sales to manage problem assets. Increases in or negative adjustments in the value of these problem assets, the underlying collateral, or in the borrowers' performance or financial condition, could adversely affect the Company's business, results of operations, and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and staff, which can be detrimental to the performance of their other responsibilities, including origination of new loans. There can be no assurance that the Company will avoid further increases in nonperforming assets in the future.

The Company faces substantial competition that could adversely affect the Company's growth and/or operating results.

The Company operates in a competitive market for financial services and faces intense competition from other financial institutions both in making loans and attracting deposits which can greatly affect pricing for its products and services. The Company's primary competitors include community, regional, and national banks as well as credit unions and mortgage companies. Many of these financial institutions are significantly larger and have established customer bases, have greater financial resources, and higher lending limits. In addition, credit unions are exempt from corporate income taxes, providing a significant competitive pricing advantage compared to banks. Accordingly, some of the Company's competitors in its market have the ability to offer products and services that it is unable to offer or to offer such products and services at more competitive rates.

The Company's consumers may increasingly decide not to use the Bank to complete their financial transactions, which would have a material adverse impact on the Company's financial condition and operations.

Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds, or general-purpose reloadable prepaid cards. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on the Company's financial condition and results of operations.

Any future action by the U.S. Congress lowering the federal corporate income tax rate and/or eliminating the federal corporate alternative minimum tax could result in the need to establish a deferred tax asset valuation allowance and a corresponding charge against earnings.

The President of the U.S. and the majority political party in the U.S. Congress have announced plans to lower the federal corporate income tax rate from its current level of 35% and to eliminate the corporate alternative minimum tax. If these plans ultimately result in the enactment of new laws lowering the corporate income tax rate by a material amount and/or eliminating the corporate alternative minimum tax, certain of the Company's deferred tax assets would need to be re-measured to evaluate the impact that the lower tax rate and/or the elimination of the corporate alternative minimum tax will have on the currently expected full utilization of the deferred tax assets. If the lower tax rate and/or the elimination of the corporate alternative minimum tax makes it more likely than not that some portion or all of the deferred tax asset will not be realized, a valuation allowance will need to be recognized and this would result in a corresponding charge against the Company's earnings.

The carrying value of goodwill and other intangible assets may be adversely affected.

When the Company completes an acquisition, often times, goodwill and other intangible assets are recorded on the date of acquisition as an asset. Current accounting guidance requires goodwill to be tested for impairment, and the Company performs such impairment analysis at least annually. A significant adverse change in expected future cash flows or sustained adverse change in the Company's common stock could require the asset to become impaired. If impaired, the Company would incur a charge to earnings that would have a significant impact on the results of operations. The Company's carrying value of goodwill was approximately $298.2 million at December 31, 2016, which included goodwill recorded with the Company's acquisition of StellarOne.

The Company's risk-management framework may not be effective in mitigating risk and loss.

The Company maintains an enterprise risk management program that is designed to identify, assess, mitigate, monitor, and report the risks that it faces. These risks include: interest-rate, credit, liquidity, operational, reputation, compliance, and legal. While the Company assesses and improves this program on an ongoing basis, there can be no assurance that its approach and framework for risk management and related controls will effectively mitigate all risk and limit losses in its business. If conditions or circumstances arise that expose flaws or gaps in the Company's risk-management program, or if the Company's controls break down, the Company's results of operations and financial condition may be adversely affected.

The Company’s exposure to operational, technological, and organizational risk may adversely affect the Company.

Similar to other financial institutions, the Company is exposed to many types of operational and technological risk, including reputation, legal, and compliance risk. The Company’s ability to grow and compete is dependent on its ability to build or acquire the necessary operational and technological infrastructure and to manage the cost of that infrastructure while it expands and integrates acquired businesses. Operational risk can manifest itself in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or persons outside of the Company, and exposure to external events. The Company is dependent on its operational infrastructure to help manage these risks. From time to time, it may need to change or upgrade its technology infrastructure. The Company may experience disruption, and it may face additional exposure to these risks during the course of making such changes. As the Company acquires other financial institutions, it faces additional challenges when integrating different operational platforms. Such integration efforts may be more disruptive to the Company's business and/or more costly or time-intensive than anticipated.

The Company continually encounters technological change which could affect its ability to remain competitive.

The financial services industry is continually undergoing technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Company continues to invest in technology and connectivity to automate functions previously performed manually, to facilitate the ability of customers to engage in financial transactions, and otherwise to enhance the customer experience with respect to its products and services. The Company’s continued success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that satisfy customer demands and create efficiencies in its operations. A failure to maintain or enhance a competitive position with respect to technology, whether because of a failure to anticipate customer expectations, substantially fewer resources to invest in technological improvements than larger competitors, or because the Company’s technological developments fail to perform as desired or are not rolled out in a timely manner, may cause the Company to lose market share or incur additional expense.

New lines of business or new products and services may subject the Company to additional risk.

From time to time, the Company may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business and/or a new product or service. Furthermore, strategic planning remains important as the Company adopts innovative products, services, and processes in response to the evolving demands for financial services and the entrance of new competitors, such as out-of-market banks and financial technology firms. Any new line of business and/or new product or service could have a significant impact on the effectiveness of the Company’s system of internal controls, so the Company must responsibly innovate in a manner that is consistent with sound risk management and is aligned with the Bank’s overall business strategies. Failure to successfully manage these risks in the development and implementation of new lines of business and/or new products or services could have a material adverse effect on the Company’s business, results of operations and financial condition.

The operational functions of business counterparties over which the Company may have limited or no control may experience disruptions that could adversely impact the Company.

Multiple major U.S. retailers have experienced data systems incursions in recent years reportedly resulting in the thefts of credit and debit card information, online account information, and other financial data of tens of millions of the retailers’ customers. Retailer incursions affect cards issued and deposit accounts maintained by many banks, including the Bank. Although neither the Company’s nor the Bank’s systems are breached in retailer incursions, such incursions can still cause customers to be dissatisfied with the Bank and otherwise adversely affect the Company's and the Bank's reputation. These events can also cause the Bank to reissue a significant number of cards and take other costly steps to avoid significant theft loss to the Bank and its customers. In some cases, the Bank may be required to reimburse customers for the losses they incur. Other possible points of intrusion or disruption not within the Company’s nor the Bank’s control include internet service providers, electronic mail portal providers, social media portals, distant-server (“cloud”) service providers, electronic data security providers, telecommunications companies, and smart phone manufacturers.

The Company and the Bank rely on other companies to provide key components of their business infrastructure.

Third parties provide key components of the Company’s (and the Bank’s) business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, internet connections, and network access. While the Company has selected these third party vendors carefully, it does not control their actions. Any problem caused by these third parties, such as poor performance of services, failure to provide services, disruptions in communication services provided by a vendor, and failure to handle current or higher volumes could adversely affect the Company's ability to deliver products and services to its customers and otherwise conduct its business, and may harm its reputation. Financial or operational difficulties of a third party vendor could also hurt the Company's operations if those difficulties affect the vendor's ability to serve the Company. Replacing these third party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to the Company's business operations.

The Company depends on the accuracy and completeness of information about clients and counterparties, and its financial condition could be adversely affected if it relies on misleading information.

In deciding whether to extend credit or to enter into other transactions with clients and counterparties, the Company may rely on information furnished to it by or on behalf of clients and counterparties, including financial statements and other financial information, which the Company does not independently verify. The Company also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, the Company may assume that a customer's audited financial statements conform to GAAP and present fairly, in all material respects, the financial condition, results of operations, and cash flows of the customer. The Company's financial condition and results of operations could be negatively impacted to the extent it relies on financial statements that do not comply with GAAP or are materially misleading.

Negative perception of the Company through social media may adversely affect the Company's reputation and business.

The Company's reputation is critical to the success of its business. The Company believes that its brand image has been well received by customers, reflecting the fact that the brand image, like the Company's business, is based in part on trust and confidence. The Company's reputation and brand image could be negatively affected by rapid and widespread distribution of publicity through social media channels. The Company's reputation could also be affected by the Company's association with clients affected negatively through social media distribution, or other third parties, or by circumstances outside of the Company's control. Negative publicity, whether true or untrue, could affect the Company's ability to attract or retain customers, or cause the Company to incur additional liabilities or costs, or result in additional regulatory scrutiny.

The Company's dependency on its management team and the unexpected loss of any of those personnel could adversely affect operations.

The Company is a customer-focused and relationship-driven organization. Future growth is expected to be driven in large part by the relationships maintained with customers. While the Company has assembled an experienced management team, is building the depth of that team, and has management development plans in place, the unexpected loss of key employees could have a material adverse effect on the Company's business and may result in lower revenues or greater expenses.

Failure to maintain effective systems of internal control over financial reporting and disclosure controls and procedures could have a material adverse effect on the Company's results of operation and financial condition.

Effective internal control over financial reporting and disclosure controls and procedures are necessary for the Company to provide reliable financial reports, to effectively prevent fraud, and to operate successfully as a public company. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results would be harmed. As part of the Company's ongoing monitoring of internal control, it may discover material weaknesses or significant deficiencies in its internal control that require remediation. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company has in the past discovered, and may in the future discover, specific areas of its internal controls that need improvement. In addition, the Company continually works to improve the overall operation of its internal controls. The Company cannot, however, be certain that these measures will ensure that it implements and maintains adequate controls over its financial processes and reporting in the future. Any failure to maintain effective controls or to timely implement any necessary improvement of the Company's internal and disclosure controls could, among other things, result in losses from fraud or error, harm the Company's reputation, or cause investors to lose confidence in the Company's reported financial information, all of which could have a material adverse effect on the Company's results of operation and financial condition and the trading price of the Company's securities.

Limited availability of financing or inability to raise capital could adversely impact the Company.

The amount, type, source, and cost of the Company's funding directly impacts the ability to grow assets. In addition, the Company could need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet its commitments and business needs, particularly if the Company's asset quality or earnings were to deteriorate significantly. The ability to raise funds through deposits, borrowings, and other sources could become more difficult, more expensive, or altogether unavailable. A number of factors, many of which are outside the Company's control, could make such financing more difficult, more expensive or unavailable including: the financial condition of the Company at any given time; rate disruptions in the capital markets; the reputation for soundness and security of the financial services industry as a whole; and competition for funding from other banks or similar financial service companies, some of which could be substantially larger or have stronger credit ratings.

The Company is subject to claims and litigation pertaining to fiduciary responsibility.

From time to time, customers make claims and take legal action pertaining to the performance of the Company's fiduciary responsibilities. Whether customer claims and legal action related to the performance of the Company's fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to the Company, they may result in significant financial liability and/or adversely affect the market perception of the Company and its products and services, as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

The Company is a defendant in a variety of litigation and other actions, which may have a material adverse effect on its financial condition and results of operation.

The Company may be involved from time to time in a variety of litigation arising out of its business. The Company's insurance may not cover all claims that may be asserted against it, and any claims asserted against it, regardless of merit or eventual outcome, may harm the Company's reputation. Should the ultimate judgments or settlements in any litigation exceed the Company's insurance coverage, they could have a material adverse effect on the Company's financial condition and results of operation for any period. In addition, the Company may not be able to obtain appropriate types or levels of insurance in the future, nor may the Company be able to obtain adequate replacement policies with acceptable terms, if at all.

Risks Related to the Company's Regulatory Environment

The Company will become subject to additional regulatory requirements if and when its total assets exceed $10 billion, which could have an adverse effect on its financial condition or results of operations.

Various federal banking laws and regulations, including rules adopted by the Federal Reserve pursuant to the requirements of the Dodd-Frank Act, impose heightened requirements on certain large banks and bank holding companies. Most of these rules apply primarily to bank holding companies with at least $50 billion in total consolidated assets, but certain rules also apply to banks and bank holding companies with at least $10 billion in total consolidated assets.

Following the fourth consecutive quarter (and any applicable phase-in period) where the Company's or the Bank's total average consolidated assets equals or exceeds $10 billion, the Company or the Bank, as applicable, will, among other requirements:

- be required to perform annual stress tests;
- be required to establish a dedicated risk committee of its board of directors responsible for overseeing its enterprise-risk management policies, commensurate with its capital structure, risk profile, complexity, size and other risk-related factors, and including as a member at least one risk management expert;
- be required to calculate its FDIC deposits assessment base using a performance score and loss-severity score system;
- be subject to more frequent regulatory examinations; and
- may be subject to examination for compliance with federal consumer protection laws, primarily by the CFPB.

While the Company does not currently have $10 billion or more in total consolidated assets, it has begun analyzing these requirements to prepare the Company to comply with the rules when and if they become applicable. It is reasonable to assume that the Company's total assets will exceed $10 billion in the future, based on the Company's historic organic growth rates and its potential to grow through acquisitions.

Current and proposed regulation addressing consumer privacy and data use and security could increase the Company's costs and impact its reputation.

The Company is subject to a number of laws concerning consumer privacy and data use and security, including information safeguard rules under the Gramm-Leach-Bliley Act. These rules require that financial institutions develop, implement, and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities, and the sensitivity of any customer information at issue. The United States has experienced a heightened legislative and regulatory focus on privacy and data security, including requiring consumer notification in the event of a data breach. In addition, most states have enacted security breach legislation requiring varying levels of consumer notification in the event of certain types of security breaches. New regulations in these areas may increase compliance costs, which could negatively impact earnings. In addition, failure to comply with the privacy and data use and security laws and regulations to which the Company is subject, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions, penalties, or other adverse consequences and loss of consumer confidence, which could materially adversely affect the Company's results of operations, overall business, and reputation.

Legislative or regulatory changes or actions, or significant litigation, could adversely affect the Company or the businesses in which the Company is engaged.

The Company is subject to extensive state and federal regulation, supervision, and legislation that govern almost all aspects of its operations. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy, and growth, among other things. Laws and regulations change from time to time and are primarily intended for the protection of consumers, depositors, the FDIC's DIF, and the banking system of the whole, rather than shareholders. The impact of any changes to laws and regulations or other actions by regulatory agencies are unpredictable, but may negatively affect the Company or its ability to increase the value of its business. Such changes could include higher capital requirements, increased insurance premiums, increased compliance costs, reductions of noninterest income, limitations on services and products that can be provided, or the increased ability of nonbanks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, and policies could result in actions by regulatory agencies or significant litigation against the Company, which could cause the Company to devote significant time and resources to defend itself and may lead to liability, penalties, reputational damage, or regulatory restrictions that materially adversely affect the Company and its shareholders. Future changes in the laws or regulations or their interpretations or enforcement could be materially adverse to the Company and its shareholders.

The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy.

At this time, it is difficult to predict the legislative and regulatory changes that will result from the combination of a new President of the United States and the first year since 2010 in which both Houses of Congress and the White House have majority memberships from the same political party. The new administration and/or Congress may change existing financial services regulations or enact new policies affecting financial institutions, specifically community banks. Such changes may include amendments to the Dodd-Frank Act and structural changes to the CFPB. The new Administration and Congress also may cause broader economic changes due to changes in governing ideology and governing style. New appointments to the Board of Governors of the Federal Reserve could affect monetary policy and interest rates, and changes in fiscal policy could affect broader patterns of trade and economic growth. Future legislation, regulation, and government policy could affect the banking industry as a whole, including the Company's business and results of operations, in ways that are difficult to predict. In addition, the Company's results of operations also could be adversely affected by changes in the way in which existing statutes and regulations are interpreted or applied by courts and government agencies.

The Company is subject to more stringent capital and liquidity requirements as a result of the Basel III regulatory capital reforms and the Dodd-Frank Act, which could adversely affect its return on equity and otherwise affect its business.

The Company and the Bank are each subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital which each must maintain. From time to time, regulators implement changes to these regulatory capital adequacy guidelines. Under the Dodd-Frank Act, the federal banking agencies have established stricter capital requirements and leverage limits for banks and bank holding companies that are based on the Basel III regulatory capital reforms. These stricter capital requirements will be phased-in over a four-year period, which began on January 1, 2015, until they are fully-implemented on January 1, 2019. See "Business − Supervision and Regulation – The Bank - Capital Requirements" for further information about the requirements.

The application of more stringent capital requirements could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions if the Company were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in the Company having to lengthen the term of its funding, restructure its business models, and/or increase its holdings of liquid assets. Implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy, and could limit the Company's ability to make distributions, including paying out dividends or buying back shares. If the Company and the Bank fail to meet these minimum capital guidelines and/or other regulatory requirements, the Company's financial condition would be materially and adversely affected.

Regulations issued by the CFPB could adversely impact the Company's earnings.

The CFPB has broad rulemaking authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. Pursuant to the Dodd-Frank Act, the CFPB issued a final rule effective January 10, 2014, requiring mortgage lenders to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms, or to originate "qualified mortgages" that meet specific requirements with respect to terms, pricing, and fees. The rule also contains additional disclosure requirements at mortgage loan origination and in monthly statements. These requirements could limit the Company's ability to make certain types of loans or loans to certain borrowers, or could make it more expensive and/or time consuming to make these loans, which could adversely impact the Company's profitability.

Changes in accounting standards could impact reported earnings.

The authorities that promulgate accounting standards, including the FASB, SEC, and other regulatory authorities, periodically change the financial accounting and reporting standards that govern the preparation of the Company's consolidated financial statements. These changes are difficult to predict and can materially impact how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retroactively, resulting in the restatement of financial statements for prior periods. Such changes could also require the Company to incur additional personnel or technology costs.

Risks Related to the Company's Securities

The Company relies on dividends from its subsidiaries for substantially all of its revenue.

The Company is a financial holding company and a bank holding company that conducts substantially all of its operations through the Bank and other subsidiaries. As a result, the Company relies on dividends from its subsidiaries, particularly the Bank, for substantially all of its revenues. There are various regulatory restrictions on the ability of the Bank to pay dividends or make other payments to the Company. Also, the Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event the Bank is unable to pay dividends to the Company, the Company may not be able to service debt, pay obligations, or pay a cash dividend to the holders of its common stock and the Company's business, financial condition, and results of operations may be materially adversely affected. Further, although the Company has historically paid a cash dividend to the holders of its common stock, holders of the common stock are not entitled to receive dividends, and regulatory or economic factors may cause the Company's Board of Directors to consider, among other things, the reduction of dividends paid on the Company's common stock even if the Bank continues to pay dividends to the Company.

While the Company's common stock is currently traded on the NASDAQ Global Select Market, it has less liquidity than stocks for larger companies quoted on a national securities exchange.

The trading volume in the Company's common stock on the NASDAQ Global Select Market has been relatively low when compared with larger companies listed on the NASDAQ Global Select Market or other stock exchanges. There is no assurance that a more active and liquid trading market for the common stock will exist in the future. Consequently, shareholders may not be able to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares. In addition, the Company cannot predict the effect, if any, that future sales of its common stock in the market, or the availability of shares of common stock for sale in the market, will have on the market price of the common stock. Sales of substantial amounts of common stock in the market, or the potential for large amounts of sales in the market, could cause the price of the Company's common stock to decline, or reduce the Company's ability to raise capital through future sales of common stock.

Future issuances of the Company's common stock could adversely affect the market price of the common stock and could be dilutive.

The Company is not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, shares of common stock. Issuances of a substantial number of shares of common stock, or the expectation that such issuances might occur, including in connection with acquisitions by the Company, could materially adversely affect the market price of the shares of common stock and could be dilutive to shareholders. Because the Company's decision to issue common stock in the future will depend on market conditions and other factors, it cannot predict or estimate the amount, timing, or nature of possible future issuances of its common stock. Accordingly, the Company's shareholders bear the risk that future issuances of common stock will reduce the market price of the common stock and dilute their stock holdings in the Company.

Common stock is equity and is subordinate to the Company's existing and future indebtedness and preferred stock and effectively subordinated to all the indebtedness and other non-common equity claims against the Bank and the Company's other subsidiaries.

Shares of the Company's common stock are equity interests and do not constitute indebtedness. As such, shares of the common stock will rank junior to all of the Company's indebtedness and to other non-equity claims against the Company and its assets available to satisfy claims against it, including in the event of the Company's liquidation. Additionally, holders of the Company's common stock are subject to prior dividend and liquidation rights of holders of outstanding preferred stock, if any. The Company's Board of Directors is authorized to issue classes or series of preferred stock without any action on the part of the holders of the Company’s common stock, and the Company is permitted to incur additional debt. Upon liquidation, lenders and holders of the Company’s debt securities and preferred stock would receive distributions of the Company’s available assets prior to holders of the Company’s common stock. Furthermore, the Company’s right to participate in a distribution of assets upon any of its subsidiaries’ liquidation or reorganization is subject to the prior claims of that subsidiary’s creditors, including holders of any preferred stock of that subsidiary.

The Company’s governing documents and Virginia law contain anti-takeover provisions that could negatively affect its shareholders.

The Company’s Articles of Incorporation and Bylaws and the Virginia Stock Corporation Act contain certain provisions designed to enhance the ability of the Company’s Board of Directors to respond to attempts to acquire control of the Company. These provisions and the ability to set the voting rights, preferences, and other terms of any series of preferred stock that may be issued, may be deemed to have an anti-takeover effect and may discourage takeovers (which certain shareholders may deem to be in their best interest). To the extent that such takeover attempts are discouraged, temporary fluctuations in the market price of the Company’s common stock resulting from actual or rumored takeover attempts may be inhibited. These provisions also could discourage or make more difficult a merger, tender offer, or proxy contest, even though such transactions may be favorable to the interests of shareholders, and could potentially adversely affect the market price of the Company’s common stock.

The current economic conditions may cause volatility in the Company’s common stock value.

In the current economic environment, the value of publicly traded stocks in the financial services sector has been volatile, which may make it more difficult for a holder to sell the Company's common stock when the holder wants and at prices that are attractive. However, even in a more stable economic environment the value of the Company’s common stock can be affected by a variety of factors such as expected results of operations, actual results of operations, actions taken by shareholders, news or expectations based on the performance of others in the financial services industry, and expected impacts of a changing regulatory environment. These factors not only impact the value of the Company’s common stock but could also affect the liquidity of the stock given the Company’s size, geographical footprint, and industry.

ITEM 1B. - UNRESOLVED STAFF COMMENTS.

The Company has no unresolved staff comments to report.

ITEM 2. - PROPERTIES.

The Company, through its subsidiaries, owns or leases buildings that are used in the normal course of business. The Company's corporate headquarters is located at 1051 East Cary Street, Suite 1200, Richmond, Virginia. The Company's subsidiaries own or lease various other offices in the counties and cities in which they operate. At December 31, 2016, the Bank operated 114 branches throughout Virginia. All of the offices of UMG are leased, either from a third party or as a result of being within a Bank branch. Effective January 1, 2016, UISI was dissolved as a separate corporate entity and the securities, brokerage, and investment advisory businesses of UISI were integrated into Union Bank & Trust. The majority of UISI offices were located within Bank branch properties. The Company's operations center is in Ruther Glen, Virginia. See the Note 1 "Summary of Significant Accounting Policies" and Note 5 "Premises and Equipment" in the "Notes to the Consolidated Financial Statements" contained in Item 8 of this Form 10-K for information with respect to the amounts at which the Company's premises and equipment are carried and commitments under long-term leases.

ITEM 3. - LEGAL PROCEEDINGS.

In the ordinary course of its operations, the Company and its subsidiaries are parties to various legal proceedings. Although the amount of any ultimate liability with respect to such matters cannot be determined, based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome of such proceedings, including any liability imposed on the Company thereby, in the aggregate, will not have a material adverse effect on the business or the financial condition or results of operations of the Company.

ITEM 4. - MINE SAFETY DISCLOSURES.

None.

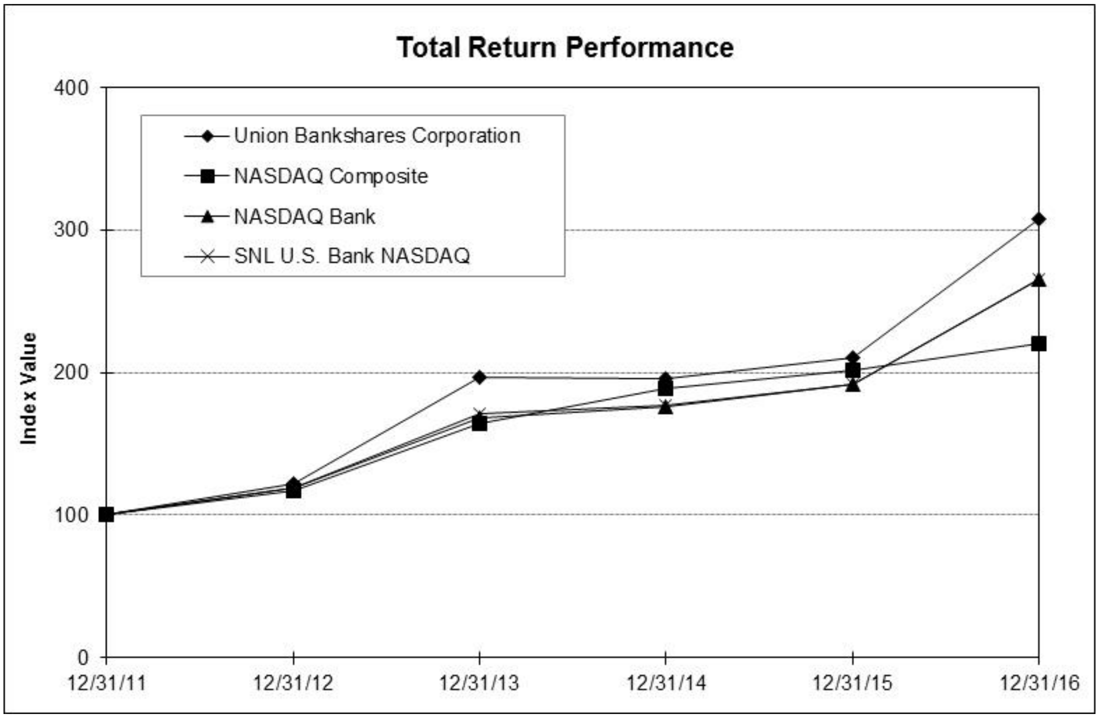
PART II

ITEM 5. - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The following performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates the performance graph by reference therein.

Five-Year Stock Performance Graph

The following chart compares the yearly percentage change in the cumulative shareholder return on the Company's common stock during the five years ended December 31, 2016, with (1) the Total Return Index for the NASDAQ Composite, (2) the Total Return Index for NASDAQ Bank Stocks, and (3) the Total Return Index for SNL U.S. Bank NASDAQ. This comparison assumes $100 was invested on December 31, 2011 in the Company's common stock and the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect and retention of all stock dividends. In prior years, the Company has used the Total Return Index for NASDAQ Bank Stock, which will no longer be available from the Company's service provider in future periods. Going forward, the Company will be using the SNL U.S. Bank NASDAQ index as a replacement. This index includes many of the same companies that are in the NASDAQ Bank Stock index and are also part of the Company's peer group. Both indices are provided for the five years ended December 31, 2016 below.



	Period Ending					
Index	**12/31/2011**	**12/31/2012**	**12/31/2013**	**12/31/2014**	**12/31/2015**	**12/31/2016**
Union Bankshares Corporation	$ 100.00	$ 121.76	$ 196.56	$ 195.39	$ 210.82	$ 307.66
NASDAQ Composite	100.00	117.45	164.57	188.84	201.98	219.89
NASDAQ Bank	100.00	118.69	168.21	176.48	192.08	265.02
SNL U.S. Bank NASDAQ	100.00	119.19	171.31	177.42	191.53	265.56

Source: SNL Financial Corporation LC, Charlottesville, VA (2017)

Information on Common Stock, Market Prices and Dividends

The Company's common stock is listed on the NASDAQ Global Select Market and is traded under the symbol "UBSH." There were 43,609,317 shares of the Company's common stock outstanding at the close of business on December 30, 2016, which was the last business day of 2016. The shares were held by 4,469 shareholders of record. The closing price of the Company's common stock on December 30, 2016, which was the last business day of 2016, was $35.74 per share compared to $25.24 on December 31, 2015.

The following table summarizes the high and low sales prices and dividends declared for quarterly periods during the years ended December 31, 2016 and 2015.

	Sales Prices				Dividends Declared	
	2016		2015		2016	2015
	High	Low	High	Low		
First Quarter	**$ 25.48**	**$ 20.57**	$ 24.23	$ 19.92	**$ 0.19**	$ 0.15
Second Quarter	**27.39**	**23.79**	23.75	21.01	**$ 0.19**	$ 0.17
Third Quarter	**27.96**	**23.28**	25.00	21.77	**$ 0.19**	$ 0.17
Fourth Quarter	**36.69**	**26.13**	27.25	22.78	**$ 0.20**	$ 0.19
					$ 0.77	$ 0.68

Regulatory restrictions on the ability of the Bank to transfer funds to the Company at December 31, 2016 are set forth in Note 19 "Parent Company Financial Information," contained in the "Notes to the Consolidated Financial Statements" in Item 8 of this Form 10-K. A discussion of certain limitations on the ability of the Bank to pay dividends to the Company and the ability of the Company to pay dividends on its common stock, is set forth in Part I, Item 1 "Business" of this Form 10-K under the headings "Supervision and Regulation – The Company - Limits on Dividends and Other Payments."

It is anticipated that dividends will continue to be paid on a quarterly basis. In making its decision on the payment of dividends on the Company's common stock, the Board of Directors considers operating results, financial condition, capital adequacy, regulatory requirements, shareholder returns, and other factors.

Stock Repurchase Program

On October 29, 2015, the Company's Board of Directors authorized a share repurchase program to purchase up to $25.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. The repurchase program expired on December 31, 2016, and completed in February 2016. On February 25, 2016, the Company's Board of Directors authorized a new share repurchase program to purchase up to $25.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. The new repurchase program expired on December 31, 2016.

The following information provides details of the Company's common stock repurchases for the year ended December 31, 2016:

Period	Total number of shares purchased	Average price paid per share ($)	Approximate value of shares that may be purchased under the plan ($)
January 1 - January 31, 2016	380,882	23.70	12,114,000
February 1 - February 28, 2016	553,566	21.99	24,942,000
March 1 - March 31, 2016	106,164	23.55	22,442,000
April 1 - April 30, 2016	102,144	24.48	19,942,000
May 1 - May 31, 2016	82,800	26.24	17,769,000
June 1 - June 30, 2016	87,000	26.21	15,489,000
July 1 - July 31, 2016	98,575	25.22	13,003,000
August 1 - August 31, 2016	—	—	13,003,000
September 1 - September 30, 2016	—	—	13,003,000
October 1 - October 31, 2016	—	—	13,003,000
November 1 - November 30, 2016	—	—	13,003,000
December 1 - December 31, 2016	—	—	13,003,000
Total common stock repurchases for the year ended December 31, 2016	1,411,131	23.48	

ITEM 6. - SELECTED FINANCIAL DATA.

The following table sets forth selected financial data for the Company over each of the past five years ended December 31, (dollars in thousands, except per share amounts):

	2016	2015	2014 (1)	2013 (1)	2012 (1)
Results of Operations					
Interest and dividend income	$ 294,920	$ 276,771	$ 274,945	$ 172,127	$ 181,863
Interest expense	29,770	24,937	19,927	20,501	27,508
Net interest income	265,150	251,834	255,018	151,626	154,355
Provision for credit losses	9,100	9,571	7,800	6,056	12,200
Net interest income after provision for credit losses	256,050	242,263	247,218	145,570	142,155
Noninterest income	70,907	65,007	61,287	38,728	41,068
Noninterest expenses	222,703	216,882	238,216	137,047	133,390
Income before income taxes	104,254	90,388	70,289	47,251	49,833
Income tax expense	26,778	23,309	18,125	12,885	14,571
Net income (2)	$ 77,476	$ 67,079	$ 52,164	$ 34,366	$ 35,262
Financial Condition					
Assets	$ 8,426,793	$ 7,693,291	$ 7,358,643	$ 4,176,353	$ 4,095,692
Loans held for investment, net of deferred fees and costs	6,307,060	5,671,462	5,345,996	3,039,368	2,966,847
Deposits	6,379,489	5,963,936	5,638,770	3,236,842	3,297,767
Securities available for sale, at fair value	946,764	903,292	1,102,114	677,348	585,382
Securities held to maturity, at carrying value	201,526	205,374	—	—	—
Loans held for sale	36,487	36,030	42,519	53,185	167,698
Allowance for loan losses	37,192	34,047	32,384	30,135	34,916
Tangible assets, net (3)	8,108,000	7,376,459	7,033,366	4,104,973	4,020,481
Intangible assets, net	318,793	316,832	325,277	71,380	75,211
Total borrowings	990,089	680,175	686,935	463,314	329,395
Total liabilities	7,425,761	6,697,924	6,381,474	3,783,543	3,660,128
Common stockholders' equity	1,001,032	995,367	977,169	437,810	435,564
Tangible common stockholders' equity (3)	682,239	678,535	651,892	366,430	360,353
Ratios					
Net interest margin	3.66%	3.75%	3.96%	4.08%	4.23%
Net interest margin (FTE)	3.80%	3.89%	4.09%	4.22%	4.34%
Return on average assets (2)	0.96%	0.90%	0.72%	0.85%	0.89%
Return on average common stockholders' equity (2)	7.79%	6.76%	5.30%	7.89%	8.10%
Return on average tangible common stockholders' equity (2)(3)	11.45%	10.00%	8.02%	9.48%	9.86%
Efficiency ratio	66.27%	68.45%	75.31%	72.00%	68.26%
Efficiency ratio (FTE) (2)(3)	64.31%	66.54%	73.43%	70.06%	66.81%
CET1 capital (to risk weighted assets)	9.72%	10.55%	11.20%	11.26%	11.27%
Tier 1 capital (to risk weighted assets)	10.97%	11.93%	12.76%	13.03%	13.14%
Total capital (to risk weighted assets)	13.56%	12.46%	13.38%	14.16%	14.57%
Leverage Ratio	9.87%	10.68%	10.62%	10.69%	10.52%
Common equity to total assets	11.88%	12.94%	13.28%	10.48%	10.63%
Tangible common equity / tangible assets (3)	8.41%	9.20%	9.27%	8.93%	8.96%

	2016	2015	2014 (1)	2013 (1)	2012 (1)
Asset Quality					
Allowance for loan losses	$ 37,192	$ 34,047	$ 32,384	$ 30,135	$ 34,916
Nonaccrual loans	$ 9,973	$ 11,936	$ 19,255	$ 15,035	$ 26,206
OREO	$ 10,084	$ 15,299	$ 28,118	$ 34,116	$ 32,834
ALL / total outstanding loans	0.59%	0.60%	0.61%	0.99%	1.18%
ALL / total outstanding loans, adjusted for acquisition accounting (3)	0.86%	0.98%	1.08%	1.10%	1.35%
Nonaccrual loans/total loans	0.16%	0.21%	0.36%	0.49%	0.88%
ALL / nonaccrual loans	372.93%	285.25%	168.18%	200.43%	133.24%
NPAs / total outstanding loans	0.32%	0.48%	0.89%	1.62%	1.99%
Net charge-offs / total average loans	0.09%	0.14%	0.11%	0.36%	0.58%
Provision / total average loans	0.15%	0.17%	0.15%	0.20%	0.42%
Per Share Data					
Earnings per share, basic (2)	$ 1.77	$ 1.49	$ 1.13	$ 1.38	$ 1.36
Earnings per share, diluted (2)	1.77	1.49	1.13	1.37	1.36
Cash dividends paid per share	0.77	0.68	0.58	0.54	0.37
Market value per share	35.74	25.24	24.08	24.81	15.77
Book value per share	23.15	22.38	21.73	17.63	17.29
Tangible book value per share (3)	15.78	15.25	14.50	14.76	14.30
Price to earnings ratio, diluted	20.19	16.94	21.31	18.11	11.60
Price to book value ratio	1.54	1.13	1.11	1.41	0.91
Dividend payout ratio	43.50%	45.64%	51.33%	39.42%	27.21%
Weighted average shares outstanding, basic	43,784,193	45,054,938	46,036,023	24,975,077	25,872,316
Weighted average shares outstanding, diluted	43,890,271	45,138,891	46,130,895	25,030,711	25,900,863

(1) Changes to previously reported 2014, 2013, and 2012 amounts were the result of the adoption of ASU No. 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects."

(2) The metrics presented here are presented on a GAAP basis; however, there are related supplemental non-GAAP performance measures that the Company believes may be useful to investors as they exclude non-operating adjustments resulting from acquisitions and allow investors to see the combined economic results of the organization. These measures are a supplement to GAAP used to prepare the Company's financial statements and should not be viewed as a substitute for GAAP measures. In addition, the Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies. Refer to Item 7. - "Management's Discussion and Analysis of Financial Condition and Results of Operations" section "Non-GAAP Measures" of this Form 10-K for operating metrics, which exclude acquisition-related costs, including operating earnings, return on average assets, return on average equity, return on average tangible common equity, efficiency ratio, and earnings per share.

(3) Refer to Item 7. - "Management's Discussion and Analysis of Financial Condition and Results of Operations" section "Non-GAAP Measures" of this Form 10-K.

ITEM 7. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis provides information about the major components of the results of operations and financial condition, liquidity, and capital resources of the Company and its subsidiaries. This discussion and analysis should be read in conjunction with the "Consolidated Financial Statements" and the "Notes to the Consolidated Financial Statements" presented in Item 8 "Financial Statements and Supplementary Data" contained in this Form 10-K.

CRITICAL ACCOUNTING POLICIES

General

The accounting and reporting policies of the Company and its subsidiaries are in accordance with GAAP and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions, and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses, and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company's consolidated financial position and/or results of operations.

The more critical accounting and reporting policies include the Company's accounting for the ALL, acquired loans, and goodwill and intangible assets. The Company's accounting policies are fundamental to understanding the Company's consolidated financial position and consolidated results of operations. Accordingly, the Company's significant accounting policies are discussed in detail in Note 1 "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" contained in Item 8 of this Form 10-K.

The following is a summary of the Company's critical accounting policies that are highly dependent on estimates, assumptions, and judgments.

Allowance for Loan Losses - The provision for loan losses charged to operations is an amount sufficient to bring the ALL to an estimated balance that management considers adequate to absorb probable losses inherent in the portfolio. Loans are charged against the ALL when management believes the collectability of the principal is unlikely, while recoveries of amounts previously charged-off are credited to the ALL. Management's determination of the adequacy of the ALL is based on an evaluation of the composition of the loan portfolio, the value and adequacy of collateral, current economic conditions, historical loan loss experience, and other risk factors. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly those affecting real estate values. Management believes that the ALL is adequate.

The Company performs regular credit reviews of the loan portfolio to review the credit quality and adherence to its underwriting standards. The credit reviews consist of reviews by its Loan Review Group. Upon origination, each commercial loan is assigned a risk rating ranging from one to nine, with loans closer to one having less risk. This risk rating scale is the Company's primary credit quality indicator. Consumer loans are generally not risk rated; the primary credit quality indicator for this loan segment is delinquency status. The Company has various committees that review and ensure that the ALL methodology is in accordance with GAAP and loss factors used appropriately reflect the risk characteristics of the loan portfolio.

The Company's ALL consists of specific, general, and qualitative components.

Specific Reserve Component

The specific reserve component relates to impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Upon being identified as impaired, for loans not considered to be collateral dependent, an ALL is then established when the discounted cash flows of the impaired loan are lower than the carrying value of that loan. The impairment of collateral dependent loans is measured based on the fair value of the underlying collateral, less selling costs, compared to the carrying value of the loan. If the Company determines that the value of an impaired collateral dependent loan is less than the recorded investment in the loan, it either recognizes an impairment reserve as a specific component to be provided for in the ALL or charges off the deficiency if it is determined that such amount represents a confirmed loss. Typically, a loss is confirmed when the Company is moving towards foreclosure (or final disposition) of the underlying collateral, the collateral deficiency has not improved for two consecutive quarters, or when there is a payment default of 180 days, whichever occurs first.

The Company obtains independent appraisals from a pre-approved list of independent, third party appraisal firms located in the market in which the collateral is located. The Company's approved appraiser list is continuously maintained to ensure the list only includes such appraisers that have the experience, reputation, character, and knowledge of the respective real estate market. At a minimum, it is ascertained that the appraiser is currently licensed in the state in which the property is located, experienced in the appraisal of properties similar to the property being appraised, has knowledge of current real estate market conditions and financing trends, and is reputable. The Company's internal Real Estate Valuation Group, which reports to the Risk and Compliance Group, performs either a technical or administrative review of all appraisals obtained. A technical review will ensure the overall quality of the appraisal, while an administrative review ensures that all of the required components of an appraisal are present. Generally, independent appraisals are updated every 12 to 24 months, or as necessary. The Company's impairment analysis documents the date of the appraisal used in the analysis, whether the officer preparing the report deems it current, and, if not, allows for internal valuation adjustments with justification. Adjustments to appraisals generally include discounts for continued market deterioration subsequent to the appraisal date. Any adjustments from the appraised value to carrying value are documented in the impairment analysis, which is reviewed and approved by senior credit administration officers and the Special Assets Loan Committee. External appraisals are the primary source to value collateral dependent loans; however, the Company may also utilize values obtained through other valuation sources. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. Impairment analyses are updated, reviewed, and approved on a quarterly basis at or near the end of each reporting period.

General Reserve Component

The general reserve component covers non-impaired loans and is quantitatively derived from an estimate of credit losses adjusted for various environmental factors applicable to both commercial and consumer loan segments. The estimate of credit losses is a function of the net charge-off historical loss experience to the average loan balance of the portfolio averaged during a period that management has determined to be adequately reflective of the losses inherent in the loan portfolio. Effective December 31, 2016, the Company implemented a rolling 20-quarter look back period, which will be re-evaluated on a periodic basis to ensure the reasonableness of period being utilized. Previously, the Company had utilized a 12-quarter look back period. The change to the 20-quarter look back period is due to the protracted recovery in the economy and management's conclusion that a 20-quarter period better reflects a full economic cycle. This change did not have a material impact on the Company's ALL.

The qualitative environmental factors consist of portfolio, national/international, and local characteristics and are applied to both the commercial and consumer loan segments.

The following table shows the types of environmental factors management considers:

ENVIRONMENTAL FACTORS

Portfolio	National / International	Local
Experience and ability of lending team	Interest rates	Level of economic activity
Compare ratio consideration	Inflation	Unemployment
Pace of loan growth	Unemployment	Competition
Footprint and expansion	Gross domestic product	Military/government impact
Execution of loan risk rating process	General market risk and other concerns	
Degree of oversight	Legislative and regulatory environment	
Underwriting standards	International uncertainty	
Delinquency levels in portfolio	Home Price Index	
Charge-off levels in portfolio	Commercial Real Estate Price Index	
Credit concentrations / nature and volume of the portfolio		

Impaired Loans- A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The impairment loan policy is the same for all segments within the commercial loan segment.

For the consumer loan segment, large groups of smaller balance homogeneous loans are collectively evaluated for impairment. This evaluation subjects each of the Company's homogenous pools to a historical loss factor derived from net charge-offs experienced over the preceding 20 quarters, as previously discussed. The Company applies payments received on impaired loans to principal and interest based on the contractual terms until they are placed on nonaccrual status. All payments received are then applied to reduce the principal balance and recognition of interest income is terminated, as previously discussed.

Acquired Loans - Loans acquired in a business combination are recorded at fair value on the date of the acquisition. Loans acquired with deteriorated credit quality are accounted for in accordance with ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* and are initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Loans acquired in business combinations with evidence of credit deterioration are not considered to be impaired unless they deteriorate further subsequent to the acquisition. Certain acquired loans, including performing loans and revolving lines of credit (consumer and commercial), are accounted for in accordance with ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, where the discount is accreted through earnings based on estimated cash flows over the estimate life of the loan.

Goodwill and Intangible Assets - The Company follows ASC 350, *Goodwill and Other Intangible Assets,* which prescribes the accounting for goodwill and intangible assets subsequent to initial recognition. Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected April 30th as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives, which range from 4 to 14 years, to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the Company's Consolidated Balance Sheets.

Long-lived assets, including purchased intangible assets subject to amortization, such as the core deposit intangible asset, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Management concluded that no circumstances indicating an impairment of these assets existed as of the balance sheet date.

The Company performed its annual impairment testing as of April 30, 2016 and determined that there was no impairment to its goodwill or intangible assets. The Company also performed a qualitative analysis to determine if any factors necessitated additional testing and no indicators of impairment were noted as of year-end.

RESULTS OF OPERATIONS

Executive Overview

- The Company reported net income of $77.5 million and earnings per share of $1.77 for the year ended December 31, 2016. These results represent an increase of $10.4 million, or 15.5%, from $67.1 million and $0.28, or 18.8%, from earnings per share of $1.49 for the year ended December 31, 2015.
- The Company's community banking segment reported net income of $75.7 million for the year ended December 31, 2016, an increase of $8.4 million from the prior year, and earnings per share of $1.73, an increase of $0.24 per share from the prior year.
- The Company's mortgage segment reported net income of $1.8 million, or $0.04 per share, an improvement of $2.0 million, from a net loss of $202,000 in the prior year.
- The Company experienced continued improvement in asset quality. Nonaccrual loans, past due loans, and OREO balances declined from December 31, 2015.
- Loans held for investment, net of deferred fees and costs, were $6.3 billion at December 31, 2016, an increase of $635.6 million, or 11.2%, from December 31, 2015. The increase was primarily driven by a combined growth of $535.5 million in commercial real estate, commercial and industrial, and consumer loans. Year-to-date average loan balances increased $468.8 million, or 8.5%, from the prior year.

- Total deposits at December 31, 2016 were $6.4 billion, an increase of $415.6 million, or 7.0%, when compared to $6.0 billion at December 31, 2015. The Company continued to experience a shift from time deposits into lower cost transaction accounts, specifically NOW and money market accounts, driven by the Company's focus on acquiring low cost funding sources and customer preference for liquidity in response to current market conditions.
- Total borrowings at December 31, 2016 were $990.1 million, an increase of $309.9 million, or 45.6%, when compared to $680.2 million at December 31, 2105. The increase was primarily driven by increases in short-term FHLB borrowings of $213.5 million. Additionally, the Company issued $150.0 million of long-term fixed-to-floating rate subordinated notes in the fourth quarter of 2016.
- On May 31, 2016, the Company completed the acquisition of ODCM and recorded goodwill of $4.7 million and other amortizable intangible assets of $4.5 million.
- Cash dividends per common share increased to $0.77 during 2016 from $0.68 per common share during 2015.

Net Income

2016 compared to 2015

Net income for the year ended December 31, 2016 increased $10.4 million, or 15.5%, from $67.1 million to $77.5 million and represented earnings per share of $1.77 compared to $1.49 for the prior year. Return on average tangible common equity (non-GAAP) for the year ended December 31, 2016 was 11.45% compared to 10.00% for the prior year, while return on average assets was 0.96% compared to 0.90% for the prior year. For reconciliation of the non-GAAP measures, refer to section "Non-GAAP Measures" included within this Item 7.

Net interest income increased $13.3 million from 2015, primarily driven by an increase in interest and fees on loans due to higher average loan balances, partially offset by higher interest expense on borrowings and the impact of lower accretion of fair value adjustments for deposits. The provision for credit losses decreased $471,000 from $9.6 million in 2015 to $9.1 million in 2016 mainly due to lower charge-off levels and continued improvement in asset quality metrics in 2016.

Noninterest income increased $5.9 million from $65.0 million in 2015 to $70.9 million in 2016. The increase was driven by increases in loan-related interest-rate swap fees, customer-related fee income, mortgage banking income and fiduciary and asset management fees, which were partially offset by declines in other operating income due to nonrecurring income in 2015 related to gains from the dissolution of a limited partnership and the resolution of a problem credit resulting in a note sale.

Noninterest expense increased $5.8 million, or 2.7%, from $216.9 million in 2015 to $222.7 million in 2016. This increase is primarily driven by an increase in salaries and benefits expenses, professional services, and technology expenses, which were partially offset by decreases in OREO and credit-related expenses, and amortization of intangible assets.

2015 compared to 2014

Net income for the year ended December 31, 2015 increased $14.9 million, or 28.6%, from $52.2 million to $67.1 million and represented earnings per share of $1.49 compared to $1.13 for the prior year. Excluding after-tax acquisition-related expenses of $13.7 million for the year ended December 31, 2014, operating earnings were $67.1 million and $65.9 million for the years ended December 31, 2015 and 2014, respectively. Operating earnings per share was $1.49 for the year ended December 31, 2015 compared to $1.43 for the year ended December 31, 2014. Operating return on average tangible common equity (which excludes after-tax acquisition-related expenses) for the year ended December 31, 2015 was 10.00% compared to 10.13% for 2014, while operating return on average assets was 0.90% compared to 0.91% for 2014. For reconciliation of the non-GAAP operating measures, excluding acquisition-related costs, refer to section "Non-GAAP Measures" included within this Item 7.

Net interest income decreased $3.2 million from 2014, primarily driven by the impact of lower loan yields and lower net accretion related to acquisition accounting. Excluding the impacts of acquisition accounting, interest expense declined as growth in low cost deposits outpaced the net run-off in higher cost certificates of deposit. The provision for credit losses increased $1.8 million from $7.8 million in 2014 to $9.6 million in 2015 primarily due to loan growth in 2015.

Noninterest income increased $3.7 million from $61.3 million in 2014 to $65.0 million in 2015. The majority of the increase was driven by increases in customer-related fee income and other operating income, which were partially offset by declines in gains on sales of securities and an OTTI charge in 2015.

Noninterest expense decreased $21.3 million, or 9.0%, from $238.2 million in 2014 to $216.9 million in 2015. Excluding acquisition-related costs of $20.3 million in 2014, noninterest expense decreased $989,000, or 0.5%. This decrease is primarily driven by a decrease in salaries and benefits expenses, OREO and credit-related expenses, and amortization of core deposit intangibles, which were partially offset by increases in technology expenses, marketing costs, professional fees, and fraud-related expenses.

Net Interest Income

Net interest income, which represents the principal source of revenue for the Company, is the amount by which interest income exceeds interest expense. The net interest margin is net interest income expressed as a percentage of average earning assets. Changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income, the net interest margin, and net income.

Short-term interest rates increased gradually during 2016; however, the broader decline in market interest rates over the last several years continues to place downward pressure on the Company's earning asset yields and related interest income. The Company's cost of funds increased slightly in 2016 due to the increase in short-term interest rates as FHLB advances were repriced at higher rates during the year.

The following tables show interest income on earning assets and related average yields, as well as interest expense on interest-bearing liabilities and related average rates paid for the periods indicated:

	For the Year Ended December 31,			
	2016	2015	Change	
		(Dollars in thousands)		
Average interest-earning assets	$ 7,249,090	$ 6,713,239	$ 535,851	
Interest income (FTE) (1)	$ 305,164	$ 285,850	$ 19,314	
Yield on interest-earning assets	4.21 %	4.26 %	(5)	bps
Average interest-bearing liabilities	$ 5,600,174	$ 5,147,689	$ 452,485	
Interest expense	$ 29,770	$ 24,937	$ 4,833	
Cost of interest-bearing liabilities	0.53 %	0.48 %	5	bps
Cost of funds	0.41 %	0.37 %	4	bps
Net interest income (FTE) (1)	$ 275,394	$ 260,913	$ 14,481	
Net interest margin (FTE) (1)	3.80 %	3.89 %	(9)	bps
Core net interest margin (FTE) (1) (2)	3.72 %	3.79 %	(7)	bps

(1) *Refer to Item 7. - "Management's Discussion and Analysis of Financial Condition and Results of Operations" section "Non-GAAP Measures" of this Form 10-K.*
(2) *Core net interest margin excludes the impact of acquisition accounting accretion and amortization adjustments in net interest income.*

For the year ended December 31, 2016, tax-equivalent net interest income was $275.4 million, an increase of $14.5 million from the prior year, primarily driven by higher average loan balances. Net accretion related to acquisition accounting decreased $946,000 from $6.6 million in 2015 to $5.7 million in 2016. The tax-equivalent net interest margin decreased by 9 basis points to 3.80% from 3.89% in the prior year. Core tax-equivalent net interest margin (which excludes the 8 basis point and 10 basis point impact of acquisition accounting accretion in 2016 and 2015, respectively) decreased by 7 basis points to 3.72% in 2016 from 3.79% in 2015. The decline in the core net interest margin was principally due to the 5 basis point decrease in interest-earning asset yields and the 2 basis point increase in cost of funds. The decline in interest-earning asset yields was primarily driven by lower loan yields, as new and renewed loans were originated and re-priced at lower rates, as well as lower levels of fees on loans.

	For the Year Ended December 31,		
	2015	2014	Change
		(Dollars in thousands)	
Average interest-earning assets	$ 6,713,239	$ 6,437,681	$ 275,558
Interest income (FTE) (1)	$ 285,850	$ 283,072	$ 2,778
Yield on interest-earning assets	4.26 %	4.40 %	(14) bps
Average interest-bearing liabilities	$ 5,147,689	$ 5,047,550	$ 100,139
Interest expense	$ 24,937	$ 19,927	$ 5,010
Cost of interest-bearing liabilities	0.48 %	0.39 %	9 bps
Cost of funds	0.37 %	0.31 %	6 bps
Net interest income (FTE) (1)	$ 260,913	$ 263,145	$ (2,232)
Net interest margin (FTE) (1)	3.89 %	4.09 %	(20) bps
Core net interest margin (FTE) (1) (2)	3.79 %	3.93 %	(14) bps

(1) *Refer to Item 7. - "Management's Discussion and Analysis of Financial Condition and Results of Operations" section "Non-GAAP Measures" of this Form 10-K.*
(2) *Core net interest margin excludes the impact of acquisition accounting accretion and amortization adjustments in net interest income.*

For the year ended December 31, 2015, tax-equivalent net interest income was $260.9 million, a decrease of $2.2 million from 2014, primarily driven by the impact of declines in net interest margin and lower net accretion related to acquisition accounting. Excluding the impacts of acquisition accounting, interest expense declined as growth in low cost deposits outpaced the net run-off in higher cost certificates of deposit. Net accretion related to acquisition accounting decreased $3.4 million from $10.0 million in 2014 to $6.6 million in 2015. The tax-equivalent net interest margin decreased by 20 basis points to 3.89% from 4.09% in 2014.

Core tax-equivalent net interest margin (which excludes the 10 basis point and 16 basis point impact of acquisition accounting accretion in 2015 and 2014, respectively) decreased by 14 basis points. The decline in the core net interest margin was principally due to the 20 basis point decrease in interest-earning asset yields outpacing the 6 basis point decline in cost of funds. The decline in interest-earning asset yields was primarily driven by lower loan yields, as new and renewed loans were originated and re-priced at lower rates.

The following table shows interest income on interest-earning assets and related average yields as well as interest expense on interest-bearing liabilities and related average rates paid for the years indicated (dollars in thousands):

AVERAGE BALANCES, INCOME AND EXPENSES, YIELDS AND RATES (TAXABLE EQUIVALENT BASIS)

	For the Year Ended December 31,								
	2016			2015			2014		
	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)
Assets:									
Securities:									
Taxable	**$ 754,287**	**$ 18,319**	**2.43%**	$ 717,816	$ 15,606	2.17%	$ 722,600	$ 15,226	2.11%
Tax-exempt	**448,405**	**21,216**	**4.73%**	426,000	20,744	4.87%	402,402	20,451	5.08%
Total securities	**1,202,692**	**39,535**	**3.29%**	1,143,816	36,350	3.18%	1,125,002	35,677	3.17%
Loans, net (3) (4)	**5,956,125**	**264,197**	**4.44%**	5,487,367	248,021	4.52%	5,235,471	245,529	4.69%
Other earning assets	**90,273**	**1,432**	**1.59%**	82,056	1,479	1.80%	77,208	1,866	2.42%
Total earning assets	**7,249,090**	**$ 305,164**	**4.21%**	6,713,239	$ 285,850	4.26%	6,437,681	$ 283,072	4.40%
Allowance for loan losses	**(36,034)**			(32,779)			(31,288)		
Total non-earning assets	**833,249**			812,435			844,101		
Total assets	**$ 8,046,305**			$ 7,492,895			$ 7,250,494		
Liabilities and Stockholders' Equity:									
Interest-bearing deposits:									
Transaction and money market accounts	**$ 2,952,625**	**$ 6,327**	**0.21%**	$ 2,676,012	$ 5,032	0.19%	$ 2,568,425	$ 4,714	0.18%
Regular savings	**592,215**	**850**	**0.14%**	564,265	1,021	0.18%	552,756	1,063	0.19%
Time deposits (5)	**1,177,732**	**10,554**	**0.90%**	1,231,593	9,500	0.77%	1,390,308	5,257	0.38%
Total interest-bearing deposits	**4,722,572**	**17,731**	**0.38%**	4,471,870	15,553	0.35%	4,511,489	11,034	0.24%
Other borrowings (6)	**877,602**	**12,039**	**1.37%**	675,819	9,384	1.39%	536,061	8,893	1.66%
Total interest-bearing liabilities	**5,600,174**	**$ 29,770**	**0.53%**	5,147,689	$ 24,937	0.48%	5,047,550	$ 19,927	0.39%
Noninterest-bearing liabilities:									
Demand deposits	**1,388,216**			1,296,343			1,164,032		
Other liabilities	**63,130**			56,886			55,185		
Total liabilities	**7,051,520**			6,500,918			6,266,767		
Stockholders' equity	**994,785**			991,977			983,727		
Total liabilities and stockholders' equity	**$ 8,046,305**			$ 7,492,895			$ 7,250,494		
Net interest income		**$275,394**			$260,913			$ 263,145	
Interest rate spread			3.68%			3.78%			4.01%
Cost of funds			0.41%			0.37%			0.31%
Net interest margin (7)			3.80%			3.89%			4.09%

(1) *Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 35%.*
(2) *Rates and yields are annualized and calculated from actual, not rounded amounts in thousands, which appear above.*
(3) *Nonaccrual loans are included in average loans outstanding.*
(4) *Interest income on loans includes $5.2 million, $4.4 million, and $586,000 for the years ended December 31, 2016, 2015, and 2014, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(5) *Interest expense on certificates of deposits includes $0, $1.8 million, and $8.9 million for the years ended December 31, 2016, 2015, and 2014, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(6) *Interest expense on borrowings includes $458,000, $424,000, and $550,000 for the years ended December 31, 2016, 2015, and 2014 in accretion of the fair market value adjustments related to acquisitions.*
(7) *Core net interest margin excludes purchase accounting adjustments and was 3.72%, 3.79%, and 3.93% for the years ended December 31, 2016, 2015, and 2014, respectively.*

The Volume Rate Analysis table below presents changes in interest income and interest expense and distinguishes between the changes related to increases or decreases in average outstanding balances of interest-earning assets and interest-bearing liabilities (volume), and the changes related to increases or decreases in average interest rates on such assets and liabilities (rate). Changes attributable to both volume and rate have been allocated proportionally. Results, on a taxable equivalent basis, are as follows in this Volume Rate Analysis table for the years ended December 31, (dollars in thousands):

	2016 vs. 2015 Increase (Decrease) Due to Change in:			2015 vs. 2014 Increase (Decrease) Due to Change in:		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Earning Assets:						
Securities:						
Taxable	**$ 821**	**$ 1,892**	**$ 2,713**	$ (101)	$ 481	$ 380
Tax-exempt	**1,071**	**(599)**	**472**	1,170	(877)	293
Total securities	**1,892**	**1,293**	**3,185**	1,069	(396)	673
Loans, net(1)	**20,864**	**(4,688)**	**16,176**	11,569	(9,077)	2,492
Other earning assets	**139**	**(186)**	**(47)**	(206)	(181)	(387)
Total earning assets	**$ 22,895**	**$ (3,581)**	**$ 19,314**	$ 12,432	$ (9,654)	$ 2,778
Interest-Bearing Liabilities:						
Interest-bearing deposits:						
Transaction and money market accounts	**$ 550**	**$ 745**	**$ 1,295**	$ 200	$ 118	$ 318
Regular savings	**49**	**(220)**	**(171)**	22	(64)	(42)
Time deposits (2)	**(430)**	**1,484**	**1,054**	(662)	4,905	4,243
Total interest-bearing deposits	**169**	**2,009**	**2,178**	(440)	4,959	4,519
Other borrowings (3)	**2,770**	**(115)**	**2,655**	2,086	(1,595)	491
Total interest-bearing liabilities	**2,939**	**1,894**	**4,833**	1,646	3,364	5,010
Change in net interest income	**$ 19,956**	**$ (5,475)**	**$ 14,481**	$ 10,786	$ (13,018)	$ (2,232)

(1) *The rate-related change in interest income on loans includes the impact of higher accretion of the acquisition-related fair market value adjustments of $863,000 and $3.8 million for the 2016 vs. 2015 and 2015 vs. 2014 change, respectively.*
(2) *The rate-related change in interest expense on time deposits includes the impact of lower accretion of the acquisition-related fair market value adjustments of $1.8 million and $7.1 million for the 2016 vs. 2015 and 2015 vs. 2014 change, respectively.*
(3) *The rate-related change in interest expense on other borrowings includes the impact of higher (lower) accretion of the acquisition-related fair market value adjustments of $34,000 and ($126,000) for the 2016 vs. 2015 and 2015 vs. 2014 change, respectively.*

The Company's fully taxable equivalent net interest margin includes the impact of acquisition accounting fair value adjustments. The 2014, 2015, 2016, and remaining estimated discount/premium and net accretion impact are reflected in the following table (dollars in thousands):

	Accretion (Amortization)			
	Loans	**Certificates of Deposit**	**Borrowings**	**Total**
For the year ended December 31, 2014	$ 586	$ 8,914	$ 550	$ 10,050
For the year ended December 31, 2015	4,355	1,843	424	6,622
For the year ended December 31, 2016	5,218	—	458	5,676
For the years ending:				
2017	4,657	—	170	4,827
2018	4,120	—	(143)	3,977
2019	3,320	—	(286)	3,034
2020	2,810	—	(301)	2,509
2021	2,236	—	(316)	1,920
Thereafter	8,461	—	(5,306)	3,155

Noninterest Income

	For the Year Ended December 31,		Change	
	2016	2015	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	$ **19,496**	$ 18,904	$ 592	3.1 %
Other service charges, commissions and fees	**17,175**	15,575	1,600	10.3 %
Fiduciary and asset management fees	**10,199**	9,141	1,058	11.6 %
Mortgage banking income, net	**10,953**	9,767	1,186	12.1 %
Gains on securities transactions, net	**205**	1,486	(1,281)	(86.2)%
Other-than-temporary impairment losses	—	(300)	300	100.0 %
BOLI income	**5,513**	4,593	920	20.0 %
Loan-related interest rate swap fees	**4,254**	412	3,842	932.5 %
Other operating income	**3,112**	5,429	(2,317)	(42.7)%
Total noninterest income	**$ 70,907**	**$ 65,007**	**$ 5,900**	9.1 %
Mortgage segment operations	$ (12,008)	$ (10,044)	$ (1,964)	(19.6)%
Intercompany eliminations	606	682	(76)	(11.1)%
Community bank segment	**$ 59,505**	**$ 55,645**	**$ 3,860**	**6.9 %**

For the year ended December 31, 2016, noninterest income increased $5.9 million, or 9.1%, to $70.9 million, from $65.0 million for the year ended December 31, 2015. Loan-related interest-rate swap fees increased by $3.8 million, and customer-related fee income increased by $2.2 million due to higher overdraft, debit card interchange, and letter of credit fees. Mortgage banking income, net of commissions, increased $1.2 million related to higher gain on sale margins. Fiduciary and asset management fees increased $1.1 million related to the acquisition of ODCM. These increases were partially offset by a decline of $2.3 million in other operating income mainly due to nonrecurring income in 2015 related to gains from the dissolution of a limited partnership and the resolution of a problem credit resulting in a note sale.

	For the Year Ended December 31,		Change	
	2015	2014	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	18,904	17,721	$ 1,183	6.7 %
Other service charges, commissions and fees	15,575	14,983	592	4.0 %
Fiduciary and asset management fees	9,141	9,036	105	1.2 %
Mortgage banking income, net	9,767	9,707	60	0.6 %
Other-than-temporary impairment losses	1,486	1,695	(209)	(12.3)%
Gains on securities transactions, net	(300)	—	(300)	NM
BOLI income	4,593	4,648	(55)	(1.2)%
Loan-related interest rate swap fees	412	293	119	40.6 %
Other operating income	5,429	3,204	2,225	69.4 %
Total noninterest income	**$ 65,007**	**$ 61,287**	**$ 3,720**	**6.1 %**
Mortgage segment operations	$ (10,044)	$ (10,091)	$ 47	0.5 %
Intercompany eliminations	682	682	—	— %
Community bank segment	**$ 55,645**	**$ 51,878**	**$ 3,767**	**7.3 %**

NM - Not Meaningful

For the year ended December 31, 2015, noninterest income increased $3.7 million, or 6.1%, to $65.0 million, from $61.3 million for the year ended December 31, 2014. This increase was driven primarily by an increase in customer-related fee income of $1.8 million and an increase in other operating income of $2.3 million. The increase in customer-related fee income was primarily related to higher overdraft and interchange fees, while the increase in other operating income is driven by a combination of higher insurance-related income in 2015, gains from the dissolution of a limited partnership in the first quarter of 2015, gains on the resolution of a problem credit in the third quarter of 2015, and gains from the sale of the credit card portfolio in the fourth quarter of 2015. These increases were partially offset by declines in gains on sales of securities of $209,000 compared to 2014 and a $300,000 OTTI charge on a municipal security in the available for sale portfolio in 2015.

Noninterest Expense

	For the Year Ended December 31,		Change	
	2016	2015	$	%
	(Dollars in thousands)			
Noninterest expense:				
Salaries and benefits	$ 117,103	$ 104,192	$ 12,911	12.4 %
Occupancy expenses	19,528	20,053	(525)	(2.6)%
Furniture and equipment expenses	10,475	11,674	(1,199)	(10.3)%
Printing, postage, and supplies	4,692	5,124	(432)	(8.4)%
Communications expense	3,850	4,634	(784)	(16.9)%
Technology and data processing	15,368	13,667	1,701	12.4 %
Professional services	8,085	6,309	1,776	28.2 %
Marketing and advertising expense	7,784	7,215	569	7.9 %
FDIC assessment premiums and other insurance	5,406	5,376	30	0.6 %
Other taxes	5,456	6,227	(771)	(12.4)%
Loan-related expenses	4,790	4,097	693	16.9 %
OREO and credit-related expenses (1)	2,602	8,911	(6,309)	(70.8)%
Amortization of intangible assets	7,210	8,445	(1,235)	(14.6)%
Training and other personnel costs	3,435	3,675	(240)	(6.5)%
Other operating expenses	6,919	7,283	(364)	(5.0)%
Total noninterest expense	**$ 222,703**	**$ 216,882**	**$ 5,821**	**2.7 %**
Mortgage segment operations	$ (10,535)	$ (11,571)	$ 1,036	9.0 %
Intercompany eliminations	606	682	(76)	(11.1)%
Community bank segment	**$ 212,774**	**$ 205,993**	**$ 6,781**	**3.3 %**

(1) OREO related costs include foreclosure related expenses, gains/losses on the sale of OREO, valuation reserves, and asset resolution related legal expenses.

For the year ended December 31, 2016, noninterest expense increased $5.8 million, or 2.7%, to $222.7 million, from $216.9 million for the year ended December 31, 2015. Salaries and benefits expense increased $12.9 million related to annual merit adjustments as well as increases in incentive and equity-based compensation and benefit-related costs; the increase in salaries also relates to investments in key positions to support the Company's long-term growth strategy. Professional services increased $1.8 million due to higher project-related consulting expense, and technology and data processing increased $1.7 million due to investments in infrastructure to support the Company's growth. These increases were partially offset by decreases of $6.3 million in OREO and credit-related expenses as a result of lower valuation adjustments and property and legal-related expenses. Other noninterest expenses declines primarily related to lower amortization of intangible assets, franchise taxes, and communication expenses. Furniture and equipment expenses declined $1.2 million due to lower depreciation and equipment rental expenses.

	For the Year Ended December 31,		Change	
	2015	2014	$	%
	(Dollars in thousands)			
Noninterest expense:				
Salaries and benefits	$ 104,192	$ 107,804	$ (3,612)	(3.4)%
Occupancy expenses	20,053	20,136	(83)	(0.4)%
Furniture and equipment expenses	11,674	11,872	(198)	(1.7)%
Printing, postage, and supplies	5,124	4,924	200	4.1 %
Communications expense	4,634	4,902	(268)	(5.5)%
Technology and data processing	13,667	12,465	1,202	9.6 %
Professional services	6,309	5,594	715	12.8 %
Marketing and advertising expense	7,215	6,406	809	12.6 %
FDIC assessment premiums and other insurance	5,376	6,125	(749)	(12.2)%
Other taxes	6,227	5,784	443	7.7 %
Loan-related expenses	4,097	3,469	628	18.1 %
OREO and credit-related expenses (1)	8,911	10,164	(1,253)	(12.3)%
Amortization of intangible assets	8,445	9,795	(1,350)	(13.8)%
Training and other personnel costs	3,675	2,893	782	27.0 %
Acquisition-related expenses	—	20,345	(20,345)	(100.0)%
Other operating expenses	7,283	5,538	1,745	31.5 %
Total noninterest expense	**$ 216,882**	**$ 238,216**	**$ (21,334)**	**(9.0)%**
Mortgage segment operations	$ (11,571)	$ (16,587)	$ 5,016	30.2 %
Intercompany eliminations	682	682	—	— %
Community bank segment	**$ 205,993**	**$ 222,311**	**$ (16,318)**	**(7.3)%**

(1) OREO related costs include foreclosure related expenses, gains/losses on the sale of OREO, valuation reserves, and asset resolution related legal expenses.

For the year ended December 31, 2015, noninterest expense decreased $21.3 million, or 9.0%, to $216.9 million, from $238.2 million for the year ended December 31, 2014. This decrease is primarily driven by acquisition expenses incurred in 2014. Excluding acquisition-related costs of $20.3 million, noninterest expense decreased $989,000, or 0.5%. Salaries and benefits decreased $3.6 million from 2014 due to lower salaries, as the Company began to recognize full-year benefits of the StellarOne acquisition in 2015, and profit sharing expenses, partially offset by increased incentive compensation. The decrease in OREO and credit-related expenses of $1.3 million is primarily due to lower valuation adjustments of $1.6 million. Amortization of core deposit intangibles decreased $1.4 million when compared to 2014. The decreases were partially offset by $1.2 million in higher technology expenses related to online banking and data processing fees, $809,000 in higher marketing expenses related to advertising campaigns in 2015, $736,000 in increased losses related to data breaches at third party retailers, $715,000 in higher professional fees related to consulting and legal fees, and $701,000 in increased investments related to employee training.

SEGMENT INFORMATION

Community Bank Segment

2016 compared to 2015

For the year ended December 31, 2016, the community bank segment's net income increased $8.4 million, or 12.5%, to $75.7 million when compared to the prior year. Net interest income increased $13.2 million from 2015, primarily driven by the impact of higher average loan balances. The provision for credit losses decreased $567,000 from $9.5 million in 2015 to $8.9 million in 2016 mainly due to lower charge-off levels and continued improvement in asset quality metrics.

Noninterest income increased $3.9 million from $55.6 million in 2015 to $59.5 million in 2016. Customer-related fee income increased $2.2 million primarily related to higher overdraft, debit card interchange, and letter of credit fees. Fiduciary and asset management fees increased by $1.1 million related to the acquisition of ODCM. Loan-related interest-rate swap fees increased $3.8 million. These increases were partially offset by a decline in gains on sales of securities in the current year as well as nonrecurring income in 2015 related to gains from the dissolution of a limited partnership and the resolution of a problem credit resulting in a note sale.

Noninterest expense increased $6.8 million, or 3.3%, from $206.0 in 2015 to $212.8 million in 2016. The increases are primarily driven by a $13.5 million increase in salaries and benefits related to annual merit adjustments as well as increases in incentive and equity-based compensation and benefit-related costs; the increase in salaries also relates to investments in key positions to support the Company's long-term growth strategy. Professional fees increased $2.0 million due to higher project-related consulting expense, and technology and data processing increased $1.7 million due to investment in infrastructure to support the Company's growth. These increases in noninterest expense were partially offset by a $6.3 million decrease in OREO and credit-related expenses as a result of lower valuation adjustments and property and legal-related expenses. Furniture and equipment expenses declined $1.2 million due to lower depreciation and equipment rental expense. Other noninterest expenses declines included lower amortization of intangible assets of $1.2 million, declines in franchise taxes of $755,000, and reduced communication expenses of $723,000.

2015 compared to 2014

For the year ended December 31, 2015, the community bank segment’s net income increased $11.6 million, or 20.9%, to $67.3 million when compared to 2014. Excluding after-tax acquisition-related costs of $13.7 million in 2014, net income decreased $2.1 million, or 3.0%. Net interest income decreased $3.4 million from 2014, primarily driven by the impact of lower loan yields and lower net accretion related to acquisition accounting. Excluding the impacts of acquisition accounting, interest expense declined as growth in low cost deposits outpaced the net run-off in higher cost certificates of deposit. The provision for credit losses increased $1.7 million from $7.8 million in 2014 to $9.5 million in 2015 due to loan growth and an increase in net charge-offs, primarily due to a large recovery related to a single credit relationship in the first quarter of 2014. Additionally, a $300,000 provision was recognized during 2015 for unfunded loan commitments.

Noninterest income increased $3.7 million from $51.9 million in 2014 to $55.6 million in 2015. Customer-related fee income increased $1.8 million primarily related to higher overdraft and interchange fees. Other operating income increased $2.4 million primarily driven by higher insurance-related income in 2015, gains from the dissolution of a limited partnership in the first quarter of 2015, gains on the resolution of a problem credit in the third quarter of 2015, and gains from the sale of the credit card portfolio in the fourth quarter of 2015. These increases were partially offset by declines in gains on sales of securities compared to 2014, an OTTI charge on a municipal security in the available for sale portfolio in 2015, and declines in interest recognized on previously charged off loans.

Noninterest expense decreased $16.3 million, or 7.3%, from $222.3 in 2014 to $206.0 million in 2015. Excluding 2014 acquisition-related costs of $20.3 million, noninterest expense increased $4.0 million, or 2.0%, compared to 2014. Salaries and benefits decreased $287,000 from 2014 due to lower profit sharing expenses, partially offset by increased incentive compensation. The decrease in OREO and credit-related expenses of $1.3 million is primarily due to lower valuation adjustments of $1.6 million. Amortization of core deposit intangibles decreased $1.4 million when compared to 2014. FDIC assessments and other insurance expenses decreased $742,000. The decreases were partially offset by $1.4 million in higher technology expenses related to online banking and data processing fees, $1.1 million in higher professional fees related to consulting and legal fees, $859,000 in higher marketing expenses related to advertising campaigns in 2015, $701,000 in increased investments in employee training, and $681,000 in increased fraud-related losses.

Mortgage Segment

2016 compared to 2015

For the year ended December 31, 2016, the mortgage segment reported net income of $1.8 million, an improvement of $2.0 million, compared to a net loss of $202,000 in the prior year. The improvement was primarily due to an increase in noninterest income of $2.0 million, primarily driven by increases in mortgage banking income, net of commissions. Mortgage banking income, net of commissions, increased $1.2 million to $11.0 million for year ended 2016 due to higher gain on sale margins. Mortgage origination volume was consistent with the prior year. Additionally, there was a reduction in noninterest expense of $1.0 million, largely a result of cost control initiatives in personnel costs and other operating expenses.

2015 compared to 2014

For the year ended December 31, 2015, the mortgage segment reported a net loss of $202,000 compared to a loss of $3.5 million in 2014, representing an improvement of $3.3 million, or 94.2%. The improvement was due to a reduction in noninterest expense of $5.0 million, largely a result of cost control initiatives in personnel costs and professional fees as well as declines in volume-driven expenses. Noninterest income remained stable during 2015 compared to 2014, despite a decline in origination volume of $137.3 million, or 20.3%, to $540.1 million from $677.4 million during 2014, as gain on sale margins improved from 2014. The significant decline in origination volume was primarily driven by lower construction and purchased volume.

INCOME TAXES

The provision for income taxes is based upon the results of operations, adjusted for the effect of certain tax-exempt income and non-deductible expenses. In addition, certain items of income and expense are reported in different periods for financial reporting and tax return purposes. The tax effects of these temporary differences are recognized currently in the deferred income tax provision or benefit. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted marginal tax rate.

In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of temporary differences, projected future taxable income, and tax planning strategies. Management continues to believe that it is not likely that the Company will realize its deferred tax asset related to net operating losses generated at the state level and accordingly has established a valuation allowance. The Company’s bank subsidiary is not subject to a state income tax in its primary place of business (Virginia). The Company’s other subsidiaries are subject to state income taxes and have generated losses for state income tax purposes which the Company is currently unable to utilize. State net operating loss carryovers will begin to expire after 2026.

The effective tax rate for the years ended December 31, 2016, 2015, and 2014 was 25.7%, 25.8%, and 25.8%, respectively.

BALANCE SHEET

Assets

At December 31, 2016, total assets were $8.4 billion, an increase of $733.5 million, from $7.7 billion at December 31, 2015. The increase in assets was primarily related to loan growth.

Loans held for investment, net of deferred fees and costs, were $6.3 billion at December 31, 2016, an increase of $635.6 million, or 11.2%, from December 31, 2015. The increase was primarily driven by a combined growth of $535.5 million in commercial real estate - non-owner occupied loans, commercial and industrial loans, and consumer loans from third party lending programs. Year-to-date average loan balances increased $468.8 million, or 8.5%, from the prior year. For additional information on the Company’s loan activity, please refer to section “Loan Portfolio” included within this Item 7, or Note 4 “Loans and Allowance for Loan Losses” in the “Notes to Consolidated Financial Statements” contained in Item 8 of this Form 10-K.

Liabilities and Stockholders’ Equity

At December 31, 2016, total liabilities were $7.4 billion, an increase of $727.8 million, from $6.7 billion at December 31, 2015.

Total deposits at December 31, 2016 were $6.4 billion, an increase of $415.6 million, or 7.0%, when compared to $6.0 billion at December 31, 2015, and were one of the predominate sources that funded asset growth in 2016. Year-to-date average deposit balances increased $342.6 million, or 5.9%, from the prior year. The Company continued to experience a shift from time deposits to lower cost transaction accounts, specifically NOW and money market accounts, driven by the Company’s focus on acquiring low cost funding sources and customer preference for liquidity in response to current market conditions. For additional information on this topic, see section “Deposits” included within this Item 7.

Total borrowings at December 31, 2016 were $990.1 million, an increase of $309.9 million, or 45.6%, when compared to $680.2 million at December 31, 2015. The increase was primarily driven by increases in short-term FHLB borrowings of $213.5 million. Additionally, the Company issued $150.0 million of long-term fixed-to-floating rate subordinated notes in the fourth quarter of 2016. For additional information on the Company’s borrowing activity, please refer to Note 8 “Borrowings” in the “Notes to Consolidated Financial Statements” contained in Item 8 of this Form 10-K.

At December 31, 2016, stockholders' equity was $1.0 billion, an increase of $5.7 million from $995.4 million reported at December 31, 2015. The Company's capital ratios continue to exceed the minimum capital requirements for regulatory purposes. The total risk-based capital ratios at December 31, 2016 and December 31, 2015 were 13.56% and 12.46%, respectively. The Tier 1 risk-based capital ratios were 10.97% and 11.93% at December 31, 2016 and December 31, 2015, respectively. The common equity Tier 1 risk-based capital ratio was 9.72% and 10.55% at December 31, 2016 and December 31, 2015, respectively. The Company's common equity to total asset ratios at December 31, 2016 and December 31, 2015 were 11.88% and 12.94%, respectively, while its tangible common equity to tangible assets ratios were 8.41% and 9.20%, respectively, at the same dates.

During 2016, the Company declared and paid cash dividends of $0.77 per share, an increase of $0.09 per share, or 13.2%, over cash dividends paid in 2015.

Securities

At December 31, 2016, the Company had total investments in the amount of $1.2 billion, or 14.3% of total assets, as compared to$1.2 billion, or 15.1% of total assets, at December 31, 2015. The Company seeks to diversify its portfolio to minimize risk. It focuses on purchasing mortgage-backed securities for cash flow and reinvestment opportunities and securities issued by states and political subdivisions due to the tax benefits and the higher yield offered from these securities. All of the Company's mortgage-backed securities are considered investment grade. The investment portfolio has a high percentage of municipals and mortgage-backed securities; therefore a higher taxable equivalent yield exists on the portfolio compared to its peers. The Company does not engage in structured derivative or hedging activities within the investment portfolio.

During 2015, the Company transferred securities, which it intends and has the ability to hold until maturity, with a fair value of $201.8 million on the date of transfer, from securities available for sale to securities held to maturity. The Company transferred these securities to held to maturity to reduce the impact of price volatility on capital and in consideration of changes to the regulatory environment. The securities included net pre-tax unrealized gains of $8.1 million at the date of transfer with a remaining balance of $5.2 million and $6.8 million as of December 31, 2016 and 2015.

The table below sets forth a summary of the securities available for sale, securities held to maturity, and restricted stock for the following periods (dollars in thousands):

	December 31, 2016	December 31, 2015
Available for Sale:		
Obligations of states and political subdivisions	$ 275,890	$ 268,079
Corporate and other bonds	121,780	75,979
Mortgage-backed securities	535,286	548,171
Other securities	13,808	11,063
Total securities available for sale, at fair value	946,764	903,292
Held to Maturity:		
Obligations of states and political subdivisions, at carrying value	201,526	205,374
Restricted Stock:		
Federal Reserve Bank stock	23,808	23,808
FHLB stock	36,974	28,020
Total restricted stock, at cost	60,782	51,828
Total investments	$ 1,209,072	$ 1,160,494

During each quarter and at year end, the Company conducts an assessment of the securities portfolio for OTTI consideration. No OTTI was recognized for the year ended December 31, 2016. For the year ended December 31, 2015, the Company determined that a municipal security in the available for sale portfolio incurred credit-related OTTI of $300,000. During the first quarter of 2016, the municipal security was sold. As a result, the Company recognized an additional loss on sale of the previously written down security. During 2014, a trust preferred security with OTTI recorded in a prior period was called at a premium. As a result, the Company recognized a gain on the call of the previously written down security of $400,000 related to the previous OTTI charge. The Company monitors the portfolio, which is subject to liquidity needs, market rate changes, and credit risk changes, to determine whether adjustments are needed. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following table summarizes the contractual maturity of securities available for sale at fair value and their weighted average yields as of December 31, 2016 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
Mortgage backed securities:					
Amortized cost	$ —	$ 51,545	$ 165,232	$ 319,254	$ 536,031
Fair value	$ —	$ 51,346	$ 164,378	$ 319,562	$ 535,286
Weighted average yield [(1)]	—	1.99	2.22	2.45	2.34
Obligations of states and political subdivisions:					
Amortized cost	$ 10,018	$ 56,131	$ 73,999	$ 133,859	$ 274,007
Fair value	$ 10,209	$ 57,910	$ 75,666	$ 132,105	$ 275,890
Weighted average yield [(1)]	6.32	4.65	4.59	3.94	4.36
Corporate bonds and other securities:					
Amortized cost	$ 11,385	$ 522	$ 61,321	$ 64,331	$ 137,559
Fair value	$ 11,308	$ 522	$ 61,844	$ 61,914	$ 135,588
Weighted average yield [(1)]	1.30	1.24	4.45	2.25	3.15
Total securities available for sale:					
Amortized cost	$ 21,403	$ 108,198	$ 300,552	$ 517,444	$ 947,597
Fair value	$ 21,517	$ 109,778	$ 301,888	$ 513,581	$ 946,764
Weighted average yield [(1)]	3.65	3.37	3.26	2.81	3.04

(1) Yields on tax-exempt securities have been computed on a tax-equivalent basis.

The following table summarizes the contractual maturity of securities held to maturity at carrying value and their weighted average yields as of December 31, 2016 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
Obligations of states and political subdivisions:					
Carrying Value	$ 4,403	$ 28,383	$ 51,730	$ 117,010	$ 201,526
Fair value	$ 4,440	$ 28,763	$ 51,522	$ 117,590	$ 202,315
Weighted average yield [(1)]	2.80	2.96	3.06	3.82	3.48

(1) Yields on tax-exempt securities have been computed on a tax-equivalent basis.

As of December 31, 2016, the Company maintained a diversified municipal bond portfolio with approximately 74% of its holdings in general obligation issues and the remainder backed by revenue bonds. Issuances within the Commonwealth of Virginia and the State of Texas both represented 12% and issuances within the State of Washington represented 11% of the municipal portfolio; no other state had a concentration above 10%. Substantially all municipal holdings are considered investment grade. When purchasing municipal securities, the Company focuses on strong underlying ratings for general obligation issuers or bonds backed by essential service revenues.

Loan Portfolio

Loans held for investment, net of deferred fees and costs, were $6.3 billion and $5.7 billion at December 31, 2016 and 2015, respectively. Commercial real estate - non-owner occupied loans continue to represent the Company's largest category, comprising 24.8% of the total loan portfolio at December 31, 2016.

The following table presents the Company's composition of loans held for investment, net of deferred fees and costs, in dollar amounts and as a percentage of total gross loans as of December 31, (dollars in thousands):

	2016		2015		2014		2013		2012	
Construction and Land Development	**$ 751,131**	**11.9%**	$ 749,720	13.2%	$ 656,380	12.3%	$ 470,684	15.5%	$ 470,638	15.9%
Commercial Real Estate - Owner Occupied	**857,805**	**13.6%**	860,086	15.2%	869,200	16.3%	503,318	16.6%	513,518	17.3%
Commercial Real Estate - Non-Owner Occupied	**1,564,295**	**24.8%**	1,270,480	22.3%	1,183,514	22.0%	591,133	19.4%	530,878	17.9%
Multifamily Real Estate	**334,276**	**5.3%**	322,528	5.7%	297,366	5.6%	146,433	4.8%	140,038	4.7%
Commercial & Industrial	**551,526**	**8.7%**	435,365	7.7%	374,096	7.0%	194,809	6.4%	186,528	6.3%
Residential 1-4 Family	**1,029,547**	**16.3%**	978,469	17.3%	983,074	18.4%	510,579	16.8%	512,910	17.3%
Auto	**262,071**	**4.2%**	234,061	4.1%	207,813	3.9%	179,976	5.9%	164,066	5.5%
HELOC	**526,884**	**8.4%**	516,726	9.1%	523,341	9.8%	302,965	10.0%	307,668	10.4%
Consumer and all other	**429,525**	**6.8%**	304,027	5.4%	251,212	4.7%	139,471	4.6%	140,603	4.7%
Total loans held for investment	**$ 6,307,060**	**100.0%**	$ 5,671,462	100.0%	$ 5,345,996	100.0%	$ 3,039,368	100.0%	$ 2,966,847	100.0%

The following table presents the remaining maturities, based on contractual maturity, by loan type and by rate type (variable or fixed), as of December 31, 2016 (dollars in thousands):

			Variable Rate			Fixed Rate		
	Total Maturities	**Less than 1 year**	**Total**	**1-5 years**	**More than 5 years**	**Total**	**1-5 years**	**More than 5 years**
Construction and Land Development	**$ 751,131**	$ 455,017	$ 175,393	$ 146,337	$ 29,056	$ 120,721	$ 97,963	$ 22,758
Commercial Real Estate - Owner Occupied	**857,805**	102,831	254,318	46,648	207,670	500,656	346,702	153,954
Commercial Real Estate - Non-Owner Occupied	**1,564,295**	142,308	526,982	183,897	343,085	895,005	651,474	243,531
Multifamily Real Estate	**334,276**	22,219	117,531	27,346	90,185	194,526	160,600	33,926
Commercial & Industrial	**551,526**	169,959	163,769	119,571	44,198	217,798	139,503	78,295
Residential 1-4 Family	**1,029,547**	78,524	349,607	14,431	335,176	601,416	327,432	273,984
Auto	**262,071**	2,237	—	—	—	259,834	125,552	134,282
HELOC	**526,884**	34,291	492,287	40,356	451,931	306	187	119
Consumer and all other	**429,525**	38,583	46,820	13,333	33,487	344,122	120,349	223,773
Total loans held for investment	**$ 6,307,060**	$ 1,045,969	$ 2,126,707	$ 591,919	$ 1,534,788	$ 3,134,384	$ 1,969,762	$ 1,164,622

While the current economic environment is challenging, the Company remains committed to originating soundly underwritten loans to qualifying borrowers within its markets. The Company is focused on providing community-based financial services and discourages the origination of portfolio loans outside of its principal trade areas. As reflected in the loan table, at December 31, 2016, the largest component of the Company's loan portfolio consisted of commercial real estate loans, residential 1-4 family loans, and construction and land development loans. The risks attributable to these concentrations are mitigated by the Company's credit underwriting and monitoring processes, including oversight by a centralized credit administration function and credit policy and risk management committee, as well as seasoned bankers focusing their lending to borrowers with proven track records in markets with which the Company is familiar. UMG primarily serves as a secondary mortgage banking operation, selling the majority of its loan production in the secondary market or selling loans to meet the Bank's current asset/liability management needs.

Asset Quality

Overview

The Company believes that its continued proactive efforts to effectively manage its loan portfolio have contributed to the improvement in asset quality. Efforts include identifying existing problem credits as well as generating new business relationships. Through early identification and diligent monitoring of specific problem credits where the uncertainty has been realized, or conversely, has been reduced or eliminated, the Company's management has been able to quantify the credit risk in its loan portfolio, adjust collateral dependent credits to appropriate reserve levels, and further identify those credits that are not recoverable. The Company continues to refrain from originating or purchasing loans from foreign entities or loans classified by regulators as highly leveraged transactions. The Company's loan portfolio generally does not include exposure to option adjustable rate mortgage products, high loan-to-value ratio mortgages, interest only mortgage loans, subprime mortgage loans or mortgage loans with initial teaser rates, which are all considered higher risk instruments.

During 2016, the Company experienced declines in nonperforming asset balances and past due loan levels as well as lower net charge-off levels. OREO balances declined from the prior year; the declines were mostly attributable to sales in foreclosed land and residential real estate and developed lots. The loan loss provision decreased from the prior year due to lower levels of net charge-offs and continued improvement in credit quality metrics, while the allowance for loan loss increased from the prior year due to loan growth.

Troubled Debt Restructurings

A modification of a loan's terms constitutes a TDR if the creditor grants a concession that it would not otherwise consider to the borrower for economic or legal reasons related to the borrower's financial difficulties. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, extension of terms that are considered to be below market, conversion to interest only, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring accordingly and in accordance with the impaired loan policy.

Restructured loans for which there was no rate concession, and therefore made at a market rate of interest, may subsequently be eligible to be removed from TDR status in periods subsequent to the restructuring depending on the performance of the loan. The Company reviews previously restructured loans quarterly in order to determine whether any have performed, subsequent to the restructure, at a level that would allow for them to be removed from TDR status. The Company generally would consider a change in this classification if the borrower is no longer experiencing financial difficulties; the loan has performed under the restructured terms for a consecutive twelve month period, and is no longer considered to be impaired. All changes to TDR designations must be approved by the Bank's Special Asset Loan Committee.

The total recorded investment in TDRs as of December 31, 2016 was $15.4 million, an increase of $2.7 million, or 21.3%, from $12.7 million at December 31, 2015. Of the $15.4 million of TDRs at December 31, 2016, $14.0 million, or 90.7%, were considered performing while the remaining $1.4 million were considered nonperforming. Of the $12.7 million of TDRs at December 31, 2015, $10.8 million, or 84.9%, were considered performing while the remaining $1.9 million were considered nonperforming. The increase in the TDR balance from the prior year is attributable to $6.6 million in additions, partially offset by $1.3 million being removed from TDR status, $1.8 million in net payments, and $810,000 in charge-offs. Loans are removed from TDR status in accordance with the established policy described in Note 1 "Summary of Significant Accounting Policies" in Item 8 – Financial Statements and Supplementary Data, of this Form 10-K.

Nonperforming Assets

At December 31, 2016, NPAs totaled $20.1 million, a decrease of $7.2 million, or 26.4%, from December 31, 2015. In addition, NPAs as a percentage of total outstanding loans declined 16 basis points to 0.32% from 0.48% at the end of the prior year. All nonaccrual and past due metrics discussed below exclude PCI loans, which aggregated $59.3 million (net of fair value mark of $14.3 million) at December 31, 2016.

The following table shows a summary of asset quality balances and related ratios as of and for the years ended December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
Nonaccrual loans, excluding PCI loans	**$ 9,973**	$ 11,936	$ 19,255	$ 15,035	$ 26,206
Foreclosed properties	**7,430**	11,994	23,058	34,116	32,834
Former bank premises	**2,654**	3,305	5,060	—	—
Total nonperforming assets	**20,057**	27,235	47,373	49,151	59,040
Loans past due 90 days and accruing interest	**3,005**	5,829	10,047	6,746	8,843
Total nonperforming assets and loans past due 90 days and accruing interest	**$ 23,062**	$ 33,064	$ 57,420	$ 55,897	$ 67,883
Performing restructurings	**$ 13,967**	$ 10,780	$ 22,829	$ 34,520	$ 51,468
PCI loans	**59,292**	73,737	105,788	3,622	4,565
Balances					
Allowance for loan losses	**$ 37,192**	$ 34,047	$ 32,384	$ 30,135	$ 34,916
Average loans, net of deferred fees and costs	**5,956,125**	5,487,367	5,235,471	2,985,733	2,875,916
Loans, net of deferred fees and costs	**6,307,060**	5,671,462	5,345,996	3,039,368	2,966,847
Ratios					
NPAs to total loans	**0.32%**	0.48%	0.89%	1.62%	1.99%
NPAs & loans 90 days past due to total loans	**0.37%**	0.58%	1.07%	1.84%	2.29%
NPAs to total loans & OREO	**0.32%**	0.48%	0.88%	1.60%	1.97%
NPAs & loans 90 days past due to total loans & OREO	**0.37%**	0.58%	1.07%	1.82%	2.26%
ALL to nonaccrual loans	**372.93%**	285.25%	168.18%	200.43%	133.24%
ALL to nonaccrual loans & loans 90 days past due	**286.58%**	191.65%	110.52%	138.35%	99.62%

Nonperforming assets at December 31, 2016 included $10.0 million in nonaccrual loans, a net decrease of $2.0 million, or 16.4%, from the prior year. The following table shows the activity in nonaccrual loans for the years ended December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
Beginning Balance	**$ 11,936**	$ 19,255	$ 15,035	$ 26,206	$ 44,834
Net customer payments	**(7,159)**	(10,240)	(8,053)	(12,393)	(13,624)
Additions	**13,171**	12,517	20,961	16,725	10,265
Charge-offs	**(4,418)**	(7,064)	(2,732)	(8,743)	(8,510)
Loans returning to accruing status	**(2,390)**	(1,497)	(3,492)	(2,718)	(3,455)
Transfers to OREO	**(1,167)**	(1,035)	(2,464)	(4,042)	(3,304)
Ending Balance	**$ 9,973**	$ 11,936	$ 19,255	$ 15,035	$ 26,206
Nonaccrual loans to total loans	**0.16%**	0.21%	0.36%	0.49%	0.88%

The following table presents the composition of nonaccrual loans and the coverage ratio, which is the ALL expressed as a percentage of nonaccrual loans, at the years ended December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
Construction and Land Development	**$ 2,037**	$ 2,113	$ 3,419	$ 4,156	$ 15,108
Commercial Real Estate - Owner Occupied	**794**	3,904	1,060	2,037	2,206
Commercial Real Estate - Non-owner Occupied	**—**	100	5,903	175	812
Commercial & Industrial	**124**	429	2,754	3,475	1,139
Residential 1-4 Family	**5,279**	3,563	5,144	4,488	4,560
Auto	**169**	192	—	—	—
HELOC	**1,279**	1,348	604	416	2,223
Consumer and All Other	**291**	287	371	288	158
Total	**$ 9,973**	$ 11,936	$ 19,255	$ 15,035	$ 26,206
Coverage Ratio	**372.93%**	285.25%	168.18%	200.43%	133.24%

Nonperforming assets at December 31, 2016 also included $10.1 million in OREO, a decrease of $5.2 million, or 34.1%, from the prior year. The following table shows the activity in OREO for the years ended December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
Beginning Balance	**$ 15,299**	$ 28,118	$ 34,116	$ 32,834	$ 32,263
Additions	**2,062**	4,602	20,872	9,542	14,274
Capitalized Improvements	**—**	308	686	561	381
Valuation Adjustments	**(1,017)**	(6,002)	(7,646)	(791)	(301)
Proceeds from sales	**(6,602)**	(11,987)	(21,291)	(7,569)	(13,152)
Gains (losses) from sales	**342**	260	1,381	(461)	(631)
Ending Balance	**$ 10,084**	$ 15,299	$ 28,118	$ 34,116	$ 32,834

During 2016, the majority of sales of OREO were primarily related to land and residential real estate and developed lots.

The following table presents the composition of the OREO portfolio at the years ended December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
Land	**$ 3,328**	$ 5,731	$ 8,726	$ 10,310	$ 8,657
Land Development	**2,379**	2,918	7,162	10,904	10,886
Residential Real Estate	**1,549**	2,601	5,736	7,379	7,939
Commercial Real Estate	**174**	744	1,434	5,523	5,352
Former Bank Premises (1)	**2,654**	3,305	5,060	—	—
Total	**$ 10,084**	$ 15,299	$ 28,118	$ 34,116	$ 32,834

(1) *Includes closed branch property and land previously held for future branch sites.*

Past Due Loans

At December 31, 2016, total accruing past due loans were $27.9 million, or 0.44% of total loans, a decrease from $42.9 million, or 0.76% of total loans, a year ago. At December 31, 2016, loans past due 90 days or more and accruing interest totaled $3.0 million, or 0.05% of total loans, compared to $5.8 million, or 0.10%, at December 31, 2015.

Net Charge-offs

For the year ended December 31, 2016, net charge-offs of loans were $5.5 million, or 0.09%, compared to $7.6 million, or 0.13%, for the prior year. The lower level of net charge-offs in 2016 is mainly due to continued improvement in credit quality metrics.

Provision
The provision for loan losses for the year ended December 31, 2016 was $8.7 million, a decrease of $596,000, or 6.4%, from the prior year. The decrease in provision for loan losses in the current year compared to the prior year was primarily driven by lower net charge-off levels and improving credit quality metrics. Additionally, a $425,000 provision was recognized during the current year for unfunded loan commitments compared to $300,000 in the prior year.

Allowance for Loan Losses
The ALL increased $3.1 million from December 31, 2015 to $37.2 million at December 31, 2016. The ALL as a percentage of the total loan portfolio, unadjusted for acquisition accounting, was 0.59% at December 31, 2016, compared to 0.60% at December 31, 2015. The ALL as a percentage of the total loan portfolio, adjusted for acquisition accounting (non-GAAP), was 0.86% at December 31, 2016, a decrease from 0.98% at December 31, 2015. The decrease in the ALL ratios was primarily attributable to improving credit quality metrics (as a percentage of total loans). In acquisition accounting, there is no carryover of previously established ALL, as acquired loans are recorded at fair value.

The current level of the ALL reflects specific reserves related to nonperforming loans, current risk ratings on loans, net charge-off activity, loan growth, delinquency trends, and other credit risk factors that the Company considers important in assessing the adequacy of the ALL.

The following table summarizes activity in the ALL during the years ended December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
Balance, beginning of year	**$ 34,047**	$ 32,384	$ 30,135	$ 34,916	$ 39,470
Loans charged-off:					
Commercial	**1,920**	2,361	1,557	3,080	1,439
Real estate	**4,125**	7,158	5,855	8,596	14,127
Consumer	**2,510**	2,016	1,608	1,942	2,899
Total loans charged-off	**8,555**	11,535	9,020	13,618	18,465
Recoveries:					
Commercial	**483**	958	316	746	207
Real estate	**1,781**	2,154	2,314	1,125	465
Consumer	**761**	815	839	910	1,039
Total recoveries	**3,025**	3,927	3,469	2,781	1,711
Net charge-offs	**5,530**	7,608	5,551	10,837	16,754
Provision for loan losses	**8,675**	9,271	7,800	6,056	12,200
Balance, end of year	**$ 37,192**	$ 34,047	$ 32,384	$ 30,135	$ 34,916
ALL to loans	**0.59%**	0.60%	0.61%	0.99%	1.18%
ALL to loans, adjusted for acquisition accounting (Non-GAAP)	**0.86%**	0.98%	1.08%	1.10%	1.35%
Net charge-offs to average loans	**0.09%**	0.14%	0.11%	0.36%	0.58%
Provision to average loans	**0.15%**	0.17%	0.15%	0.20%	0.42%

The following table shows the ALL by loan segment and the percentage of the loan portfolio that the related ALL covers as of December 31, (dollars in thousands):

	2016		2015		2014		2013	
	$	%(1)	$	%(1)	$	%(1)	$	%(1)
Commercial	**$ 4,627**	**8.7%**	$ 3,163	7.7%	$ 2,610	7.0%	$ 2,021	6.4%
Real estate	**29,441**	**80.3%**	27,537	82.8%	26,408	84.4%	24,584	83.1%
Consumer	**3,124**	**11.0%**	3,347	9.5%	3,366	8.6%	3,530	10.5%
Total	**$ 37,192**	**100.0%**	$ 34,047	100.0%	$ 32,384	100.0%	$ 30,135	100.0%

(1) *The percent represents the loan balance divided by total loans.*

Deposits

As of December 31, 2016, total deposits were $6.4 billion, an increase of $415.6 million, or 7.0%, compared to December 31, 2015. Total interest-bearing deposits consist of NOW, money market, savings, and time deposit account balances. Total time deposit balances of $1.2 billion accounted for 23.9% of total interest-bearing deposits at December 31, 2016. The Company continues to experience a shift from time deposits into lower cost transaction accounts, specifically NOW and money market accounts, driven by the Company's focus on acquiring low cost funding sources and customer preference for liquidity in response to current market conditions.

The following table presents the deposit balances by major category as of December 31:

	2016		2015	
Deposits:	**Amount**	**% of total deposits**	**Amount**	**% of total deposits**
Non-interest bearing	**$ 1,393,625**	**21.8%**	$ 1,372,937	23.0%
NOW accounts	**1,765,956**	**27.7%**	1,521,906	25.5%
Money market accounts	**1,435,591**	**22.5%**	1,312,612	22.0%
Savings accounts	**591,742**	**9.3%**	572,800	9.6%
Time deposits of $100,000 and over	**530,275**	**8.3%**	514,286	8.7%
Other time deposits	**662,300**	**10.4%**	669,395	11.2%
Total Deposits	**$ 6,379,489**	**100.0%**	$ 5,963,936	100.0%

The Company may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions. The Company utilizes this funding source when rates are more favorable than other funding sources. As of December 31, 2016 and 2015, the Company did not have purchased certificates of deposits included in certificates of deposit on the Company's Consolidated Balance Sheet. Maturities of time deposits as of December 31, 2016 were as follows (dollars in thousands):

	Within 3 Months	**3 - 12 Months**	**Over 12 Months**	**Total**
Maturities of time deposits of $100,000 and over	$ 54,024	$ 122,254	$ 353,997	$ 530,275
Maturities of other time deposits	92,451	195,155	374,694	662,300
Total time deposits	$ 146,475	$ 317,409	$ 728,691	$ 1,192,575

Capital Resources

Capital resources represent funds, earned or obtained, over which financial institutions can exercise greater or longer control in comparison with deposits and borrowed funds. The adequacy of the Company's capital is reviewed by management on an ongoing basis with reference to size, composition, and quality of the Company's resources and consistency with regulatory requirements and industry standards. Management seeks to maintain a capital structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses, yet allow management to effectively leverage its capital to maximize return to shareholders.

In July 2013, the Federal Reserve issued final rules to include technical changes to its market risk capital rules to align them with the Basel III regulatory capital framework and meet certain requirements of the Dodd-Frank Act. Effective January 1, 2015, the final rules require the Company and the Bank to comply with the following minimum capital ratios: (i) a new common equity Tier 1 capital ratio of 4.5% of risk-weighted assets; (ii) a Tier 1 capital ratio of 6.0% of risk-weighted assets (increased from the prior requirement of 4.0%); (iii) a total capital ratio of 8.0% of risk-weighted assets (unchanged from the prior requirement); and (iv) a leverage ratio of 4.0% of total assets (unchanged from the prior requirement). These capital requirements will be phased in over a four-year period. When fully phased in on January 1, 2019, the rules will require the Company and the Bank to maintain (i) a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% common equity Tier 1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation), and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets.

Beginning January 1, 2016, the capital conservation buffer requirement is being phased in at 0.625% of risk-weighted assets, and will increase by the same amount each year until fully implemented at 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The table summarizes the Company's regulatory capital and related ratios for the periods ended December 31, (dollars in thousands):

	2016	2015	2014
Common equity Tier 1 capital	**$ 699,728**	$ 691,195	N/A
Tier 1 capital	**790,228**	781,695	$ 734,755
Tier 2 capital	**185,917**	34,346	35,830
Total risk-based capital	**976,145**	816,041	770,585
Risk-weighted assets	**7,200,778**	6,551,028	5,758,071
Capital ratios:			
Common equity Tier 1 capital ratio	**9.72%**	10.55%	N/A
Tier 1 capital ratio	**10.97%**	11.93%	12.76%
Total capital ratio	**13.56%**	12.46%	13.38%
Leverage ratio (Tier 1 capital to average assets)	**9.87%**	10.68%	10.62%
Capital conservation buffer ratio (1)	**4.97%**	N/A	N/A
Common equity to total assets	**11.88%**	12.94%	13.28%
Tangible common equity to tangible assets	**8.41%**	9.20%	9.27%

(1) *Calculated by subtracting the regulatory minimum capital ratio requirements from the Company's actual ratio results for Common equity, Tier 1, and Total risk based capital. The lowest of the three measures represents the Company's capital conservation buffer ratio.*

During the fourth quarter of 2016, the Company issued $150.0 million of fixed-to-floating rate subordinated notes with a maturity date of December 15, 2026. The notes were sold at par, resulting in net proceeds, after discounts and offering expenses, of approximately $148.0 million. The subordinated notes are classified as Tier 2 capital for the Company.

Commitments and Off-balance Sheet Obligations

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve elements of credit and interest rate risk in excess of the amount recognized in the Company's Consolidated Balance Sheets. The contractual amounts of these instruments reflect the extent of the Company's involvement in particular classes of financial instruments. For more information pertaining to these commitments, reference Note 9 "Commitments and Contingencies" in the "Notes to the Consolidated Financial Statements" contained in Item 8 of this Form 10-K.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Unless noted otherwise, the Company does not require collateral or other security to support off-balance sheet financial instruments with credit risk.

The following table represents the Company's other commitments with balance sheet or off-balance sheet risk as of December 31, (dollars in thousands):

	2016	2015
Commitments with off-balance sheet risk:		
Commitments to extend credit (1)	**$ 1,924,885**	$ 1,557,350
Standby letters of credit	**84,212**	139,371
Total commitments with off-balance sheet risk	**$ 2,009,097**	$ 1,696,721

(1) *Includes unfunded overdraft protection.*

The following table presents the Company's contractual obligations and scheduled payment amounts due at the various intervals over the next five years and beyond as of December 31, 2016 (dollars in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (1)	$ 340,000	$ 10,000	$ 40,000	$ —	$ 290,000
Trust preferred capital notes (1)	93,301	—	—	—	93,301
Operating leases	33,036	6,418	11,234	8,304	7,080
Other short-term borrowings	517,500	517,500	—	—	—
Repurchase agreements	59,281	59,281	—	—	—
Total contractual obligations	$ 1,043,118	$ 593,199	$ 51,234	$ 8,304	$ 390,381

(1) *Excludes related premium/discount amortization.*

For more information pertaining to the previous table, reference Note 5 "Premises and Equipment" and Note 8 "Borrowings" in the "Notes to the Consolidated Financial Statements" contained in Item 8 of this Form 10-K.

MARKET RISK

Interest Sensitivity

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. The Company's market risk is composed primarily of interest rate risk. The ALCO of the Company is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to this risk. The Company's Board of Directors reviews and approves the guidelines established by the ALCO.

Interest rate risk is monitored through the use of three complementary modeling tools: static gap analysis, earnings simulation modeling, and economic value simulation (net present value estimation). Each of these models measures changes in a variety of interest rate scenarios. While each of the interest rate risk models has limitations, taken together they represent a reasonably comprehensive view of the magnitude of interest rate risk in the Company, the distribution of risk along the yield curve, the level of risk through time, and the amount of exposure to changes in certain interest rate relationships. Static gap, which measures aggregate re-pricing values, is less utilized because it does not effectively measure the options risk impact on the Company and is not addressed here. Earnings simulation and economic value models, which more effectively measure the cash flow and optionality impacts, are utilized by management on a regular basis and are explained below.

The Company determines the overall magnitude of interest sensitivity risk and then formulates policies and practices governing asset generation and pricing, funding sources and pricing, and off-balance sheet commitments. These decisions are based on management's expectations regarding future interest rate movements, the states of the national, regional and, local economies, and other financial and business risk factors. The Company uses simulation modeling to measure and monitor the effect of various interest rate scenarios and business strategies on net interest income. This modeling reflects interest rate changes and the related impact on net interest income and net income over specified time horizons.

Earnings Simulation Analysis

Management uses simulation analysis to measure the sensitivity of net interest income to changes in interest rates. The model calculates an earnings estimate based on current and projected balances and rates. This method is subject to the accuracy of the assumptions that underlie the process, but it provides a better analysis of the sensitivity of earnings to changes in interest rates than other analyses, such as the static gap analysis discussed above.

Assumptions used in the model are derived from historical trends and management's outlook and include loan and deposit growth rates and projected yields and rates. These assumptions may not materialize and unanticipated events and circumstances may occur. The model also does not take into account any future actions of management to mitigate the impact of interest rate changes. Such assumptions are monitored by management and periodically adjusted as appropriate. All maturities, calls, and prepayments in the securities portfolio are assumed to be reinvested in like instruments. Mortgage loans and mortgage-backed securities prepayment assumptions are based on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. Different interest rate scenarios and yield curves are used to measure the sensitivity of earnings to changing interest rates. Interest rates on different asset and liability accounts move differently when the prime rate changes and are reflected in the different rate scenarios.

The Company uses its simulation model to estimate earnings in rate environments where rates are instantaneously shocked up or down around a "most likely" rate scenario, based on implied forward rates. The analysis assesses the impact on net interest income over a 12 month time horizon after an immediate increase or "shock" in rates, of 100 bps up to 300 bps. The shock down 300 bps analysis is not as meaningful as interest rates across most of the yield curve are near historic lows and are not likely to decrease another 300 bps. The model, under all scenarios, does not drop the index below zero.

The following table represents the interest rate sensitivity on net interest income for the Company across the rate paths modeled for balances at the period ended December 31, 2016 and 2015 (dollars in thousands):

	Change In Net Interest Income December 31,			
	2016		2015	
	%	$	%	$
Change in Yield Curve:				
+300 bps	**11.73**	**34,485**	**6.53**	**17,813**
+200 bps	**7.98**	**23,459**	**4.51**	**12,304**
+100 bps	**4.10**	**12,058**	**2.11**	**5,745**
Most likely rate scenario	—	—	—	—
-100 bps	**(4.14)**	**(12,162)**	**(1.92)**	**(5,248)**
-200 bps	**(7.57)**	**(22,257)**	**(5.03)**	**(13,708)**
-300 bps	**(8.34)**	**(24,515)**	**(5.34)**	**(14,564)**

Asset sensitivity indicates that in a rising interest rate environment the Company's net interest income would increase and in a decreasing interest rate environment the Company's net interest income would decrease. Liability sensitivity indicates that in a rising interest rate environment the Company's net interest income would decrease and in a decreasing interest rate environment the Company's net interest income would increase.

During 2016, the Company became more asset sensitive in a rising interest rate environment scenario when compared to the year ended December 31, 2015 in part due to the composition of the balance sheet and in part due to the market characteristics of certain deposit products. The Company would expect net interest income to increase with an immediate increase or shock in market rates. In a decreasing interest rate environment scenario, the Company would expect a decline in net interest income as interest-earning assets re-price at lower rates and interest-bearing deposits remain at or near their floors. It should be noted that although net interest income simulation results are presented through the down 300 bps interest rate environments, the Company does not believe the down 300 basis point scenarios is plausible given the current level of interest rates.

Economic Value Simulation

Economic value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Economic values are calculated based on discounted cash flow analysis. The net economic value of equity is the economic value of all assets minus the economic value of all liabilities. The change in net economic value over different rate environments is an indication of the longer-term earnings capability of the balance sheet. The same assumptions are used in the economic value simulation as in the earnings simulation. The economic value simulation uses instantaneous rate shocks to the balance sheet.

The following chart reflects the estimated change in net economic value over different rate environments using economic value simulation for the balances at the period ended December 31, 2016 and 2015 (dollars in thousands):

	Change In Economic Value of Equity December 31,			
	2016		2015	
	%	$	%	$
Change in Yield Curve:				
+300 bps	**2.43**	**35,121**	**(0.70)**	**(9,740)**
+200 bps	**2.13**	**30,752**	**0.28**	**3,875**
+100 bps	**1.43**	**20,715**	**0.71**	**9,942**
Most likely rate scenario			—	—
-100 bps	**(3.61)**	**(52,094)**	**(3.25)**	**(45,240)**
-200 bps	**(9.93)**	**(143,307)**	**(8.91)**	**(124,214)**
-300 bps	**(13.28)**	**(191,720)**	**(9.91)**	**(138,143)**

During 2016, the Company has become more sensitive to market interest rate fluctuations when compared to December 31, 2015. The shock down 300 bps analysis is not as meaningful since interest rates across most of the yield curve are near historic lows and are not likely to decrease another 300 bps. While management considers this scenario highly unlikely, the natural floor increases the Company's sensitivity in rates down scenarios.

Liquidity

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, money market investments, federal funds sold, securities available for sale, loans held for sale, and loans maturing or re-pricing within one year. Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary through federal funds lines with several correspondent banks, a line of credit with the FHLB, the purchase of brokered certificates of deposit, and a corporate line of credit with a large correspondent bank. Management considers the Company's overall liquidity to be sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

At December 31, 2016, the cash and cash equivalents, restricted stock, and securities classified as available for sale comprised 14.1% of total assets, compared to 14.3% at December 31, 2015. Asset liquidity is also provided by managing loan and securities maturities and cash flows.

Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary. The community bank segment maintains federal funds lines with several regional banks totaling $175.0 million at both December 31, 2016 and 2015. As of both December 31, 2016 and 2015, there were no borrowings outstanding on these federal funds lines. The Company had outstanding borrowings pursuant to securities sold under agreements to repurchase transactions with a maturity of one day of $59.3 million as of December 31, 2016 compared to $85.0 million as of December 31, 2015. In addition, the Company has an unsecured line of credit with a correspondent bank for up to $25.0 million. There were no borrowings outstanding under this line at December 31, 2016 or 2015. Lastly, the Company had a collateral dependent line of credit with the FHLB for up to $2.4 billion and $1.5 billion as of December 31, 2016 and 2015. Based on the underlying collateralized loans, the Company had $1.3 billion and $1.2 billion available as of December 31, 2016 and 2015, respectively. There was approximately $709.4 million outstanding under this line at December 31, 2016 compared to $504.9 million as of December 31, 2015.

The community bank segment may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions. The Bank utilizes this funding source when rates are more favorable than other funding sources. As of both December 31, 2016 and 2015, there were no borrowed funds included in certificates of deposit on the Company's Consolidated Balance Sheets.

At December 31, 2016, the cash, interest-bearing deposits in other banks, money market investments, federal funds sold, loans held for sale, and loans that mature within one year totaled $2.1 billion, or 27.5%, of total earning assets. As of December 31, 2016, approximately $1.9 billion, or 30.0% of total loans, are scheduled to mature within one year based on contractual maturity, adjusted for expected prepayments.

Impact of Inflation and Changing Prices

The Company's financial statements included in Item 8 of this Form 10-K below have been prepared in accordance with GAAP, which requires the financial position and operating results to be measured principally in terms of historic dollars without considering the change in the relative purchasing power of money over time due to inflation. Inflation affects the Company's results of operations mainly through increased operating costs, but since nearly all of the Company's assets and liabilities are monetary in nature, changes in interest rates affect the financial condition of the Company to a greater degree than changes in the rate of inflation. Although interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. The Company's management reviews pricing of its products and services, in light of current and expected costs due to inflation, to mitigate the inflationary impact on financial performance.

NON-GAAP MEASURES

In reporting the results of December 31, 2016, the Company has provided supplemental performance measures on a tax-equivalent, core, tangible, or operating basis. These measures are a supplement to GAAP used to prepare the Company's financial statements and should not be considered in isolation or as a substitute for comparable measures calculated in accordance with GAAP. In addition, the Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies.

Net interest income (FTE), which is used in computing net interest margin (FTE) and efficiency ratio (FTE), provides valuable additional insight into the net interest margin and the efficiency ratio by adjusting for differences in tax treatment of interest income sources.

Core net interest income (FTE), which is used in computing core net interest margin (FTE), provides valuable additional insight into the net interest margin by adjusting for differences in tax treatment of interest income sources as well as the net accretion of acquisition-related fair value marks.

The Company believes tangible common equity is an important indication of its ability to grow organically and through business combinations as well as its ability to pay dividends and to engage in various capital management strategies. Tangible common equity is used in the calculation of certain profitability, capital, and per share ratios. These ratios are meaningful measures of capital adequacy because they provide a meaningful base for period-to-period and company-to-company comparisons, which the Company believes will assist investors in assessing the capital of the Company and its ability to absorb potential losses.

Operating measures exclude acquisition costs unrelated to the Company's normal operations. The Company believes these measures are useful to investors as they exclude non-operating adjustments resulting from acquisition activity and allow investors to see the combined economic results of the organization.

The following table reconciles these non-GAAP measures from their respective GAAP basis measures for the years ended December 31, (dollars in thousands, except per share amounts):

	2016	2015	2014	2013	2012
Net Interest Income (FTE) & Core Net Interest Income (FTE)					
Net Interest Income (GAAP)	**$ 265,150**	$ 251,834	$ 255,018	$ 151,626	$ 154,355
FTE adjustment	**10,244**	9,079	8,127	5,256	4,222
Net Interest Income FTE (non-GAAP)	**$ 275,394**	$ 260,913	$ 263,145	$ 156,882	$ 158,577
Less: Net accretion of acquisition fair value marks	**5,676**	6,622	10,050	1,598	3,662
Core Net Interest Income FTE (non-GAAP)	**$ 269,718**	$ 254,291	$ 253,095	$ 155,284	$ 154,915
Average earning assets	**7,249,090**	6,713,239	6,437,681	3,716,849	3,649,865
Net interest margin	**3.66%**	3.75%	3.96%	4.08%	4.23%
Net interest margin (FTE)	**3.80%**	3.89%	4.09%	4.22%	4.34%
Core net interest margin (FTE)	**3.72%**	3.79%	3.93%	4.18%	4.24%
Tangible Assets					
Ending Assets	**$ 8,426,793**	$ 7,693,291	$ 7,358,643	$ 4,176,353	$ 4,095,692
Less: Ending goodwill	**298,191**	293,522	293,522	59,400	59,400
Less: Ending amortizable intangibles	**20,602**	23,310	31,755	11,980	15,811
Ending tangible assets (non-GAAP)	**$ 8,108,000**	$ 7,376,459	$ 7,033,366	$ 4,104,973	$ 4,020,481
Tangible Common Equity					
Ending equity	**$ 1,001,032**	$ 995,367	$ 977,169	$ 437,810	$ 435,564
Less: Ending goodwill	**298,191**	293,522	293,522	59,400	59,400
Less: Ending amortizable intangibles	**20,602**	23,310	31,755	11,980	15,811
Ending tangible common equity (non-GAAP)	**$ 682,239**	$ 678,535	$ 651,892	$ 366,430	$ 360,353
Average equity	**$ 994,785**	$ 991,977	$ 983,727	$ 435,635	$ 435,475
Less: Average goodwill	**296,087**	293,522	296,870	59,400	59,400
Less: Average core deposit intangibles	**22,044**	27,384	36,625	13,805	18,390
Average tangible common equity (non-GAAP)	**$ 676,654**	$ 671,071	$ 650,232	$ 362,430	$ 357,685
Operating Earnings & Metrics					
Net Income (GAAP)	**$ 77,476**	$ 67,079	$ 52,164	$ 34,366	$ 35,262
Plus: Merger and conversion related expense, after tax	**—**	—	13,724	2,042	—
Net operating earnings (non-GAAP)	**$ 77,476**	$ 67,079	$ 65,888	$ 36,408	$ 35,262
Operating earnings per share - Basic	**$ 1.77**	$ 1.49	$ 1.43	$ 1.45	$ 1.36
Operating earnings per share - Diluted	**1.77**	1.49	1.43	1.45	1.36
Operating return on average assets	**0.96%**	0.90%	0.91%	0.90%	0.89%
Operating return on average common stockholders' equity	**7.79%**	6.76%	6.70%	8.36%	8.10%
Operating return on average tangible common stockholders' equity	**11.45%**	10.00%	10.13%	10.05%	9.86%
Operating Efficiency Ratio FTE					
Net Interest Income FTE (non-GAAP)	**$ 275,394**	$ 260,913	$ 263,145	$ 156,882	$ 158,577
Noninterest Income (GAAP)	**70,907**	65,007	61,287	38,728	41,068
Noninterest Expense (GAAP)	**$ 222,703**	$ 216,882	$ 238,216	$ 137,047	$ 133,390
Merger and conversion related expense	**—**	—	20,345	2,132	—
Noninterest Expense (Non-GAAP)	**$ 222,703**	$ 216,882	$ 217,871	$ 134,915	$ 133,390
Operating Efficiency Ratio FTE (non-GAAP)	**64.31%**	66.54%	67.15%	68.97%	66.81%

The ALL ratio, adjusted for acquisition accounting (non-GAAP), includes an adjustment for the fair value mark on acquired performing loans. The acquired performing loans are reported net of the related fair value mark in loans, net of deferred fees and costs, on the Company’s Consolidated Balance Sheets; therefore, the fair value mark is added back to the balance to represent the total loan portfolio. The adjusted ALL, including the fair value mark, represents the total reserve on the Company's loan portfolio. The PCI loans, net of the respective fair value mark, are removed from the loans, net of deferred fees and costs, as these loans are not covered by the allowance established by the Company unless changes in expected cash flows indicate that one of the PCI loan pools is impaired, at which time an allowance for PCI loans will be established. GAAP requires the acquired ALL not be carried over in an acquisition or merger. The Company believes the presentation of the ALL ratio, adjusted for acquisition accounting, is useful to investors because the acquired loans were purchased at a market discount with no ALL carried over to the Company and the fair value mark on the purchased performing loans represents the allowance associated with those purchased loans. The Company believes that this measure is a better reflection of the reserves on the Company's loan portfolio. The following table shows the ALL as a percentage of the total loan portfolio, adjusted for acquisition accounting, at December 31, (dollars in thousands):

	2016	2015	2014	2013	2012
ALL	**$ 37,192**	$ 34,047	$ 32,384	$ 30,135	$ 34,916
Remaining fair value mark on acquired performing loans	**16,939**	20,819	24,340	3,341	5,350
Adjusted ALL	**$ 54,131**	$ 54,866	$ 56,724	$ 33,476	$ 40,266
Loans, net of deferred fees and costs	**$ 6,307,060**	$ 5,671,462	$ 5,345,996	$ 3,039,368	$ 2,966,847
Remaining fair value mark on acquired performing loans	**16,939**	20,819	24,340	3,341	5,350
Less: PCI loans, net of fair value mark	**59,292**	73,737	105,788	3,622	4,565
Adjusted loans, net of deferred fees and costs	**$ 6,264,707**	$ 5,618,544	$ 5,264,548	$ 3,039,087	$ 2,967,632
ALL ratio	**0.59%**	0.60%	0.61%	0.99%	1.18%
ALL ratio, adjusted for acquisition accounting	**0.86%**	0.98%	1.08%	1.10%	1.35%

QUARTERLY RESULTS

The following table presents the Company’s quarterly performance, as previously filed, for the years ended December 31, 2016 and 2015 (dollars in thousands, except per share amounts):

	Quarter			
	First	Second	Third	Fourth
For the Year 2016				
Interest and dividend income	**$ 70,749**	**$ 72,781**	**$ 74,433**	**$ 76,957**
Interest expense	**7,018**	**7,005**	**7,405**	**8,342**
Net interest income	**63,731**	**65,776**	**67,028**	**68,615**
Provision for credit losses	**2,604**	**2,300**	**2,472**	**1,723**
Net interest income after provision for credit losses	**61,127**	**63,476**	**64,556**	**66,892**
Noninterest income	**15,914**	**17,993**	**18,950**	**18,050**
Noninterest expenses	**54,272**	**55,251**	**56,913**	**56,267**
Income before income taxes	**22,769**	**26,218**	**26,593**	**28,675**
Income tax expense	**5,808**	**6,881**	**6,192**	**7,899**
Net income	**$ 16,961**	**$ 19,337**	**$ 20,401**	**$ 20,776**
Earnings per share, basic	**$ 0.38**	**$ 0.44**	**$ 0.47**	**$ 0.48**
Earnings per share, diluted	**$ 0.38**	**$ 0.44**	**$ 0.47**	**$ 0.48**
Basic weighted average number of common shares outstanding	**44,251,276**	**43,746,583**	**43,565,937**	**43,577,634**
Diluted weighted average number of common shares outstanding	**44,327,229**	**43,824,183**	**43,754,915**	**43,659,416**
For the Year 2015				
Interest and dividend income	$ 67,600	$ 69,854	$ 70,000	$ 69,317
Interest expense	5,631	6,038	6,556	6,712
Net interest income	61,969	63,816	63,444	62,605
Provision for credit losses	1,750	3,749	2,062	2,010
Net interest income after provision for credit losses	60,219	60,067	61,382	60,595
Noninterest income	15,054	16,212	16,725	17,016
Noninterest expenses	53,840	55,241	53,325	54,476
Income before income taxes	21,433	21,038	24,782	23,135
Income tax expense	5,732	5,690	6,566	5,321
Net income	$ 15,701	$ 15,348	$ 18,216	$ 17,814
Earnings per share, basic	$ 0.35	$ 0.34	$ 0.40	$ 0.40
Earnings per share, diluted	$ 0.35	$ 0.34	$ 0.40	$ 0.40
Basic weighted average number of common shares outstanding	45,105,969	45,128,698	45,087,409	44,899,629
Diluted weighted average number of common shares outstanding	45,187,516	45,209,814	45,171,610	44,988,577

ITEM 7A. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is incorporated herein by reference to the information in section "Market Risk" within Item 7. - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K.

ITEM 8. - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm on
Consolidated Financial Statements

The Board of Directors and Stockholders of Union Bankshares Corporation:

We have audited the accompanying consolidated balance sheets of Union Bankshares Corporation (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Union Bankshares Corporation at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Union Bankshares Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia
February 28, 2017

Report of Independent Registered Public Accounting Firm on
Internal Control Over Financial Reporting

The Board of Directors and Stockholders of Union Bankshares Corporation

We have audited Union Bankshares Corporation's (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Union Bankshares Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Union Bankshares Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Union Bankshares Corporation as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2016 and our report dated February 28, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia
February 28, 2017

Yount
Hyde &
Barbour
Certified Public Accountants
and Consultants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Union Bankshares Corporation
Richmond, Virginia

We have audited the accompanying consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year ended December 31, 2014, of Union Bankshares Corporation and subsidiaries (collectively, the financial statements). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations of Union Bankshares Corporation and subsidiaries and their cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 27, 2015

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015
(Dollars in thousands, except share data)

	2016	2015
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 120,758	$ 111,323
Interest-bearing deposits in other banks	58,030	29,670
Federal funds sold	449	1,667
Total cash and cash equivalents	179,237	142,660
Securities available for sale, at fair value	946,764	903,292
Securities held to maturity, at carrying value	201,526	205,374
Restricted stock, at cost	60,782	51,828
Loans held for sale, at fair value	36,487	36,030
Loans held for investment, net of deferred fees and costs	6,307,060	5,671,462
Less allowance for loan losses	37,192	34,047
Net loans held for investment	6,269,868	5,637,415
Premises and equipment, net	122,027	126,028
Other real estate owned, net of valuation allowance	10,084	15,299
Goodwill	298,191	293,522
Amortizable intangibles, net	20,602	23,310
Bank owned life insurance	179,318	173,687
Other assets	101,907	84,846
Total assets	$ 8,426,793	$ 7,693,291
LIABILITIES		
Noninterest-bearing demand deposits	$ 1,393,625	$ 1,372,937
Interest-bearing deposits	4,985,864	4,590,999
Total deposits	6,379,489	5,963,936
Securities sold under agreements to repurchase	59,281	84,977
Other short-term borrowings	517,500	304,000
Long-term borrowings	413,308	291,198
Other liabilities	56,183	53,813
Total liabilities	7,425,761	6,697,924
Commitments and contingencies (Note 9)		
STOCKHOLDERS' EQUITY		
Common stock, $1.33 par value, shares authorized 100,000,000; issued and outstanding, 43,609,317 shares and 44,785,674 shares, respectively.	57,506	59,159
Additional paid-in capital	605,397	631,822
Retained earnings	341,938	298,134
Accumulated other comprehensive income	(3,809)	6,252
Total stockholders' equity	1,001,032	995,367
Total liabilities and stockholders' equity	$ 8,426,793	$ 7,693,291

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(Dollars in thousands, except per share amounts)

	2016	2015	2014
Interest and dividend income:			
Interest and fees on loans	**$ 262,567**	$ 247,587	$ 246,366
Interest on deposits in other banks	**244**	94	60
Interest and dividends on securities:			
Taxable	**18,319**	15,606	15,226
Nontaxable	**13,790**	13,484	13,293
Total interest and dividend income	**294,920**	276,771	274,945
Interest expense:			
Interest on deposits	**17,731**	15,553	11,034
Interest on short-term borrowings	**2,894**	944	566
Interest on long-term borrowings	**9,145**	8,440	8,327
Total interest expense	**29,770**	24,937	19,927
Net interest income	**265,150**	251,834	255,018
Provision for credit losses	**9,100**	9,571	7,800
Net interest income after provision for credit losses	**256,050**	242,263	247,218
Noninterest income:			
Service charges on deposit accounts	**19,496**	18,904	17,721
Other service charges, commissions and fees	**17,175**	15,575	14,983
Fiduciary and asset management fees	**10,199**	9,141	9,036
Mortgage banking income, net	**10,953**	9,767	9,707
Gains on securities transactions, net	**205**	1,486	1,695
Other-than-temporary impairment losses	**—**	(300)	—
Bank owned life insurance income	**5,513**	4,593	4,648
Loan-related interest rate swap fees	**4,254**	412	293
Other operating income	**3,112**	5,429	3,204
Total noninterest income	**70,907**	65,007	61,287
Noninterest expenses:			
Salaries and benefits	**117,103**	104,192	107,804
Occupancy expenses	**19,528**	20,053	20,136
Furniture and equipment expenses	**10,475**	11,674	11,872
Printing, postage, and supplies	**4,692**	5,124	4,924
Communications expense	**3,850**	4,634	4,902
Technology and data processing	**15,368**	13,667	12,465
Professional services	**8,085**	6,309	5,594
Marketing and advertising expense	**7,784**	7,215	6,406
FDIC assessment premiums and other insurance	**5,406**	5,376	6,125
Other taxes	**5,456**	6,227	5,784
Loan-related expenses	**4,790**	4,097	3,469
OREO and credit-related expenses	**2,602**	8,911	10,164
Amortization of intangible assets	**7,210**	8,445	9,795
Training and other personnel costs	**3,435**	3,675	2,893
Acquisition and conversion costs	**—**	—	20,345
Other expenses	**6,919**	7,283	5,538
Total noninterest expenses	**222,703**	216,882	238,216
Income before income taxes	**104,254**	90,388	70,289
Income tax expense	**26,778**	23,309	18,125
Net income	**$ 77,476**	$ 67,079	$ 52,164
Basic earnings per common share	**$ 1.77**	$ 1.49	$ 1.13
Diluted earnings per common share	**$ 1.77**	$ 1.49	$ 1.13
Dividends declared per common share	**$ 0.77**	$ 0.68	$ 0.58
Basic weighted average number of common shares outstanding	**43,784,193**	45,054,938	46,036,023
Diluted weighted average number of common shares outstanding	**43,890,271**	45,138,891	46,130,895

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(Dollars in thousands)

	2016	2015	2014
Net income	**$ 77,476**	$ 67,079	$ 52,164
Other comprehensive income (loss):			
Cash flow hedges:			
Change in fair value of cash flow hedges	**270**	(1,394)	(2,393)
Reclassification adjustment for losses (gains) included in net income (net of tax, $274, $335, and $318 for the years ended December 31, 2016, 2015, and 2014, respectively)	**508**	621	591
AFS securities:			
Unrealized holding gains (losses) arising during period (net of tax, $4,408, $1,960, and $9,202 for the years ended December 31, 2016, 2015, and 2014, respectively)	**(8,186)**	(3,640)	17,089
Reclassification adjustment for losses (gains) included in net income (net of tax, $72, $415, and $453 for the years ended December 31, 2016, 2015, and 2014, respectively)	**(133)**	(771)	(842)
HTM securities:			
Accretion of unrealized gain for AFS securities transferred to HTM (net of tax, $568, $441, and $0 for the years ended December 31, 2016, 2015 and 2014, respectively)	**(1,055)**	(819)	—
Bank owned life insurance:			
Unrealized holding losses arising during period	**(1,728)**	—	—
Reclassification adjustment for losses included in net income	**263**	—	—
Other comprehensive income (loss)	**(10,061)**	(6,003)	14,445
Comprehensive income	**$ 67,415**	$ 61,076	$ 66,609

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

(Dollars in thousands, except share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings (1)	Accumulated Other Comprehensive Income (Loss)	Total
Balance - December 31, 2013	$ 33,020	170,770	236,210	(2,190)	$ 437,810
Net income - 2014			52,164		52,164
Other comprehensive income (net of taxes of $9,067)				14,445	14,445
Issuance of common stock in regard to acquisition (22,147,874 shares)	29,457	520,066			549,523
Dividends on common stock ($0.58 per share)			(25,494)		(25,494)
Stock purchased under stock repurchase plan (2,125,264 shares)	(2,826)	(49,773)			(52,599)
Issuance of common stock under Dividend Reinvestment Plan (52,252 shares)	69	1,135	(1,204)		—
Issuance of common stock under Equity Compensation Plans (75,282 shares)	100	1,130			1,230
Issuance of common stock for services rendered (30,057 shares)	39	674			713
Vesting of restricted stock, including tax effects, under Equity Compensation Plans (47,954 shares)	(64)	(1,538)			(1,602)
Stock-based compensation expense		979			979
Balance - December 31, 2014	59,795	643,443	261,676	12,255	977,169
Net income - 2015			67,079		67,079
Other comprehensive income (net of taxes of $2,481)				(6,003)	(6,003)
Dividends on common stock ($0.68 per share)			(29,082)		(29,082)
Stock purchased under stock repurchase plan (668,522 shares)	(889)	(15,371)			(16,260)
Issuance of common stock under Dividend Reinvestment Plan (69,628 shares)	93	1,446	(1,539)		—
Issuance of common stock under Equity Compensation Plans (60,637 shares)	80	848			928
Issuance of common stock for services rendered (23,800 shares)	32	532			564
Vesting of restricted stock, including tax effects, under Equity Compensation Plans (36,373 shares)	48	(464)			(416)
Stock-based compensation expense		1,388			1,388
Balance - December 31, 2015	59,159	631,822	298,134	6,252	995,367
Net income - 2016			77,476		77,476
Other comprehensive income (net of taxes of $4,774)				(10,061)	(10,061)
Issuance of common stock in regard to acquisition (17,232 shares)	23	430			453
Dividends on common stock ($0.77 per share)			(33,672)		(33,672)
Stock purchased under stock repurchase plan (1,411,131 shares)	(1,877)	(31,300)			(33,177)
Issuance of common stock under Equity Compensation Plans (88,409 shares)	118	1,311			1,429
Issuance of common stock for services rendered (19,132 shares)	25	508			533
Vesting of restricted stock, including tax effects, under Equity Compensation Plans (43,620 shares)	58	(644)			(586)
Stock-based compensation expense		3,270			3,270
Balance - December 31, 2016	$ 57,506	$ 605,397	$ 341,938	$ (3,809)	$ 1,001,032

(1) Retained earnings as of December 31, 2013, and 2014 includes the cumulative impact of $429,000, and $856,000, respectively, resulting from the adoption of ASU No. 2014-01 "*Investments - Equity Method and Joint Ventures (Topic 323): Accounting For Investments in Qualified Affordable Housing Projects*" See Note 1 "Summary of Significant Accounting Policies" for additional information.

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(Dollars in thousands)

	2016	2015	2014
Operating activities:			
Net income	**$ 77,476**	$ 67,079	$ 52,164
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:			
Depreciation of premises and equipment	**10,215**	10,776	10,742
Writedown of OREO	**1,017**	6,002	7,646
Other-than-temporary impairment recognized in earnings	**—**	300	—
Amortization, net	**13,555**	14,951	16,337
Amortization (accretion) related to acquisition, net	**1,534**	1,823	(255)
Provision for credit losses	**9,100**	9,571	7,800
Gains on securities transactions, net	**(205)**	(1,486)	(1,695)
Bank owned life insurance income	**(5,513)**	(4,593)	(4,648)
Deferred tax expense (benefit)	**243**	(1,212)	2,644
Decrease (increase) in loans held for sale, net	**(457)**	6,489	21,530
Gains on sales of other real estate owned, net	**(342)**	(260)	(1,381)
Losses on sales of premises, net	**125**	89	184
Gains on sale of loans held for investment	**—**	(470)	—
Stock-based compensation expenses	**3,270**	1,388	979
Issuance of common stock for services	**533**	564	713
Net decrease (increase) in other assets	**(14,810)**	2,692	9,896
Net increase (decrease) in other liabilities	**(1,898)**	(2,780)	4,564
Net cash and cash equivalents provided by operating activities	**93,843**	110,923	127,220
Investing activities:			
Purchases of securities available for sale and restricted stock	**(259,020)**	(259,761)	(411,916)
Purchases of securities held to maturity	**(2,390)**	(9,830)	—
Proceeds from sales of securities available for sale and restricted stock	**69,516**	101,154	289,389
Proceeds from maturities, calls and paydowns of securities available for sale	**115,670**	142,644	143,656
Proceeds from maturities, calls and paydowns of securities held to maturity	**2,686**	3,680	—
Net increase in loans held for investment	**(637,207)**	(356,300)	(74,753)
Proceeds from sale of loans held for investment	**—**	27,351	—
Net increase in premises and equipment	**(6,339)**	(3,870)	(7,124)
Proceeds from sales of other real estate owned	**5,837**	10,309	17,808
Improvements to other real estate owned	**—**	(308)	(686)
Purchases of BOLI policies	**—**	(30,000)	—
Cash paid for equity-method investments	**—**	(355)	(60)
Cash paid in acquisition	**(4,077)**	—	—
Cash acquired in bank acquisitions	**207**	—	49,989
Net cash and cash equivalents provided by (used in) investing activities	**(715,117)**	(375,286)	6,303
Financing activities:			
Net increase in noninterest-bearing deposits	**20,688**	173,559	95,664
Net increase (decrease) in interest-bearing deposits	**394,865**	153,450	(164,696)
Net increase in short-term borrowings	**187,804**	1,584	74,211
Proceeds from issuance of long-term debt	**178,000**	—	—
Repayments of long-term debt	**(57,500)**	(10,000)	—
Cash dividends paid - common stock	**(33,672)**	(29,082)	(25,494)
Repurchase of common stock	**(33,177)**	(16,260)	(52,599)
Issuance of common stock	**1,429**	928	1,230
Vesting of restricted stock, including tax effects	**(586)**	(416)	(1,602)
Net cash and cash equivalents provided by (used in) financing activities	**657,851**	273,763	(73,286)
Increase in cash and cash equivalents	**36,577**	9,400	60,237
Cash and cash equivalents at beginning of the period	**142,660**	133,260	73,023
Cash and cash equivalents at end of the period	**$ 179,237**	$ 142,660	$ 133,260

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(Dollars in thousands)

	2016	2015	2014
Supplemental Disclosure of Cash Flow Information			
Cash payments for:			
Interest	**$ 29,576**	$ 27,526	$ 28,394
Income taxes	**27,900**	21,400	17,500
Supplemental schedule of noncash investing and financing activities			
Transfer from securities available for sale to securities held to maturity	**—**	201,822	—
Transfers between loans and other real estate owned	**1,297**	700	2,141
Transfers from bank premises to other real estate owned	**—**	2,224	10,929
Issuance of common stock in exchange for net assets in acquisition	**453**	—	549,523
Transactions related to bank acquisition			
Assets acquired	**4,668**	—	2,957,521
Liabilities assumed [1]	**4,807**	—	2,642,120

[1] *2016 includes contingent consideration related to ODCM acquisition.*

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Effective April 25, 2014, the Company changed its name from "Union First Market Bankshares Corporation" to "Union Bankshares Corporation." The name change was approved at the Company's annual meeting of shareholders held April 22, 2014. Effective February 16, 2015, the Company changed its subsidiary bank's name from "Union First Market Bank" to "Union Bank & Trust."

The accounting policies and practices of Union Bankshares Corporation and subsidiaries conform to GAAP and follow general practices within the banking industry. Major policies and practices are described below.

Nature of Operations - Headquartered in Richmond, Virginia, the Company is the largest community banking organization headquartered in Virginia and operates in all major banking markets throughout the Commonwealth. The Company is the holding company for Union Bank & Trust, which provides banking, trust, and wealth management services and has a statewide presence of 114 bank branches and approximately 185 ATMs. Non-bank affiliates of the Company include: Union Mortgage Group, Inc., which provides a full line of mortgage products; Union Insurance Group, LLC, which provides various lines of insurance products; and Old Dominion Capital Management, Inc., which provides investment advisory services. Effective January 1, 2016, Union Investment Services, Inc., which provided securities, brokerage, and investment advisory services, was fully consolidated with the Bank.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company, which is a financial holding company and a bank holding company that owns all of the outstanding common stock of its banking subsidiary, Union Bank & Trust and of Union Insurance Group, LLC, Union Mortgage Group, Inc., and Old Dominion Capital Management, Inc. The Company's Statutory Trusts I and II, wholly owned subsidiaries of the Company, were formed for the purpose of issuing redeemable trust preferred capital notes in connection with two of the Company's acquisitions prior to 2006. ASC 860, *Transfers and Servicing*, precludes the Company from consolidating Statutory Trusts I and II. The subordinated debts payable to the trusts are reported as liabilities of the Company. All significant inter-company balances and transactions have been eliminated.

Variable Interest Entities - Current accounting guidance states that if a business enterprise is the primary beneficiary of a variable interest entity, the assets, liabilities, and results of the activities of the variable interest entity should be included in the consolidated financial statements of the business enterprise. This interpretation explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate the entity. It also requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risks will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. Management has evaluated the Company's investment in variable interest entities. The Company's primary exposure to variable interest entities are the trust preferred securities structures. This accounting guidance has not had a material impact on the financial condition or operating results of the Company.

Use of Estimates - The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the ALL, the valuation of goodwill and intangible assets, other real estate owned, deferred tax assets and liabilities, other-than-temporary impairment of securities, and the fair value of financial instruments.

Business Combinations - Business combinations are accounted for under ASC 805, *Business Combinations*, using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. To determine the fair values, the Company utilizes third party valuations, appraisals, and internal valuations based on discounted cash flow analyses or other valuation techniques. Under the acquisition method of accounting, the Company will identify the acquiree and the closing date and apply applicable recognition principles and conditions. If they are necessary to implement its plan to exit an activity of an acquiree, costs that the Company expects, but is not obligated, to incur in the future are not liabilities at the acquisition date, nor are costs to terminate the employment or relocate an acquiree's employees. The Company does not recognize these costs as part of applying the acquisition method. Instead, the Company recognizes these costs as expenses in its post-combination financial statements in accordance with other applicable GAAP.

Acquisition-related costs are costs the Company incurs to effect a business combination. Those costs include advisory, legal, accounting, valuation, and other professional or consulting fees. Some other examples of costs to the Company include systems conversions, integration planning consultants, and advertising costs. The Company will account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities will be recognized in accordance with other applicable accounting guidance. These acquisition-related costs are included within the Company's Consolidated Statements of Income classified within the noninterest expense caption.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Company defines cash and cash equivalents as cash, cash due from banks, interest-bearing deposits in other banks, money market investments, other interest-bearing deposits, and federal funds sold.

Investment Securities - Securities classified as available for sale are those debt and equity securities that management intends to hold for an indefinite period of time, including securities used as part of the Company's asset/liability strategy, and that may be sold in response to changes in interest rates, liquidity needs, or other factors. Securities available for sale are reported at fair value, with unrealized gains or losses, net of deferred taxes, included in accumulated other comprehensive income in stockholders' equity.

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Transfers of debt securities into the held to maturity category from the available for sale category are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in other comprehensive income and in the carrying value of the held to maturity securities. Such amounts are amortized over the remaining life of the security.

Securities classified as held for trading are those debt and equity securities that are bought and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses included in earnings. The Company has no securities in this category.

Purchased premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating OTTI losses, an impairment is other-than-temporary if any of the following conditions exist: the entity intends to sell the security; it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis; or, the entity does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into a credit portion to be recognized in earnings and the remaining amount relating to all other factors recognized as other comprehensive loss. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Due to restrictions placed upon the Company's common stock investments in the Federal Reserve Bank and FHLB, these securities have been classified as restricted equity securities and carried at cost. These restricted securities are not subject to the investment security classifications. The FHLB required the Bank to maintain stock in an amount equal to 4.25% of outstanding borrowings and a specific percentage of the member's total assets atDecember 31, 2016 and 2015. The Federal Reserve Bank requires the Company to maintain stock with a par value equal to 6% of its outstanding capital.

Loans Held for Sale - For loans originated prior to 2015, loans originated and intended for sale in the secondary market are sold, servicing released, and carried at the lower of cost or estimated fair value, which is determined in the aggregate based on sales commitments to permanent investors or on current market rates for loans of similar quality and type. During 2015, the Company transitioned from the lower of cost or estimated fair value method and elected the fair value option for loans held for sale. For further information regarding the fair value method and assumptions, refer to Note 13 "Fair Value Measurements." In addition, the Company requires a firm purchase commitment from a permanent investor before a loan can be closed, thus limiting interest rate risk. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. The change in fair value of loans held for sale is recorded as a component of "Mortgage banking income, net" within the Company's Consolidated Statements of Income.

Loans - The Company originates commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial and residential real estate loans (including acquisition and development loans and residential construction loans) throughout its market area. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in those markets.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for any charge-offs, the ALL, and any deferred fees and costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Beginning January 1, 2016, the Company enhanced the loan segmentation to better align with how the Company manages credit risk and to better align with industry practice. Below is a summary of the new loan segmentation:

Construction and Land Development – construction loans generally made to commercial and residential builders for specific construction projects. The successful repayment of these types of loans is generally dependent upon (a) a commitment for permanent financing from the Company, or (b) from the sale of the constructed property. These loans carry more risk than both types of commercial real estate term loans due to the dynamics of construction projects, changes in interest rates, the long-term financing market, and state and local government regulations. As in commercial real estate term lending, the Company manages risk by using specific underwriting policies and procedures for these types of loans and by avoiding excessive concentrations to any one business or industry.

Also, included in this category are loans generally made to residential home builders to support their lot and home inventory needs. Repayment relies upon the successful performance of the underlying residential real estate project. This type of lending carries a higher level of risk as compared to other commercial lending. This class of lending reflects risks related to residential real estate market conditions, a functioning first and secondary market in which to sell residential properties, and the borrower's ability to manage inventory and run projects. The Company manages this risk by lending to experienced builders and developers by using specific underwriting policies and procedures for these types of loans and by avoiding excessive concentrations with any particular customer or geographic region.

Commercial Real Estate – Owner Occupied - term loans made to support owner occupied real estate properties that rely upon the successful operation of the business occupying the property for repayment. General market conditions and economic activity may affect these types of loans. In addition to using specific underwriting policies and procedures for these types of loans, the Company manages risk by avoiding concentrations to any one business or industry.

Commercial Real Estate – Non-Owner Occupied - term loans typically made to borrowers to support income producing properties that rely upon the successful operation of the property for repayment. General market conditions and economic activity may impact the performance of these types of loans. In addition to using specific underwriting policies and procedures for these types of loans, the Company manages risk by diversifying the lending to various lines of businesses, such as retail, office, office warehouse, and hotel as well as avoiding concentrations to any one business or industry.

Residential 1-4 Family – loans generally made to both commercial and residential borrowers. Residential 1-4 family loan portfolios carry risks associated with the creditworthiness of the borrower or the tenant and changes in loan-to-value ratios. The Company manages these risks through policies and procedures such as limiting loan-to-value ratios at origination, experienced underwriting, requiring standards for appraisers, and not making subprime loans.

Multifamily Real Estate – loans made to real estate investors to support permanent financing for multifamily residential income producing properties that rely on the successful operation of the property for repayment. This management mainly involves property maintenance and collection of rents due from tenants. This type of lending carries a lower level of risk as compared to other commercial lending. In addition, underwriting requirements for multifamily properties are stricter than for other non-owner-occupied property types. The Company manages this risk by avoiding concentrations with any particular customer.

Commercial & Industrial – loans generally made to support the Company's borrowers' need for equipment/vehicle purchases and short-term or seasonal cash flow needs. Repayment relies upon the successful operation of the business. This type of lending carries a lower level of commercial credit risk as compared to other commercial lending. The Company manages this risk by using general underwriting policies and procedures for these types of loans and by avoiding concentrations to any one business or industry.

HELOC – the consumer HELOC portfolio carries risks associated with the creditworthiness of the borrower and changes in loan-to-value ratios. The Company manages these risks through policies and procedures, such as limiting loan-to-value ratios at origination, using experienced underwriting, requiring standards for appraisers, and not making subprime loans.

Auto – the consumer indirect auto lending portfolio generally carries certain risks associated with the values of the collateral that management must mitigate. The Company focuses its indirect auto lending on one to two year old used vehicles where substantial depreciation has already occurred thereby minimizing the risk of significant loss of collateral values in the future. This type of lending places reliance on computer-based loan approval systems to supplement other underwriting standards.

Consumer and all other - portfolios carry risks associated with the creditworthiness of the borrower and changes in the economic environment. The Company manages these risks through policies and procedures such as experienced underwriting, maximum debt to income ratios, and minimum borrower credit scores. Also included in this category are loans that generally support small business lines of credit and agricultural lending, neither of which are a material source of business for the Company.

Nonaccruals, Past Dues, and Charge-offs

The policy for placing commercial loans on nonaccrual status is generally when the loan is 90 days delinquent unless the credit is well secured and in process of collection but, generally, not later than 180 days past due. Consumer loans are typically charged-off when management judges the loan to be uncollectible but generally no later than 120 days past due for non-real estate secured loans and 180 days for real estate secured loans. These loans are generally not placed on nonaccrual status prior to charge off. Commercial loans are typically written down to net realizable value when it is determined that the Company will be unable to collect the principal amount in full and the amount is a confirmed loss, but generally not later than 180 days past due. All classes of loans are considered past due or delinquent when a contractual payment has not been satisfied. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal and interest is considered doubtful and in accordance with regulatory requirements. The process for charge-offs of impaired collateral dependent loans is discussed in detail within the “Allowance for Loan Losses” section of this Note.

For both the commercial and consumer loan segments, all interest accrued but not collected for loans placed on nonaccrual status or charged-off is reversed against interest income and accrual of interest income is terminated. Payments and interest on these loans are accounted for using the cost-recovery method by applying all payments received as a reduction to the outstanding principal balance until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The determination of future payments being reasonably assured varies depending on the circumstances present with the loan; however, the timely payment of contractual amounts owed for six consecutive months is a primary indicator. In addition, the return of a loan to accrual status is considered and approved by the Company’s Special Assets Loan Committee.

Allowance for Loan Losses

The provision for loan losses charged to operations is an amount sufficient to bring the ALL to an estimated balance that management considers adequate to absorb probable losses inherent in the portfolio. Loans are charged against the allowance when management believes the collectability of the principal is unlikely, while recoveries of amounts previously charged-off are credited to the ALL. Management’s determination of the adequacy of the ALL is based on an evaluation of the composition of the loan portfolio, the value and adequacy of collateral, current economic conditions, historical loan loss experience, and other risk factors. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly those affecting real estate values. Management believes that the ALL is adequate.

The Company performs regular credit reviews of the loan portfolio to review the credit quality and adherence to its underwriting standards. The credit reviews consist of reviews by its Loan Review Group. Upon origination, each commercial loan is assigned a risk rating ranging from one to nine, with loans closer to one having less risk. This risk rating scale is the Company’s primary credit quality indicator. Consumer loans are generally not risk rated; the primary credit quality indicator for this loan segment is delinquency status. The Company has various committees that review and ensure that the ALL methodology is in accordance with GAAP and loss factors used appropriately reflect the risk characteristics of the loan portfolio.

The Company’s ALL consists of specific, general, and qualitative components.

Specific Reserve Component

The specific reserve component relates to impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Upon being identified as impaired, for loans not considered to be collateral dependent, an ALL is established when the discounted cash flows of the impaired loan are lower than the carrying value of that loan. The impairment of collateral dependent loans is measured based on the fair value of the underlying collateral, less selling costs, compared to the carrying value of the loan. If the Company determines that the value of an impaired collateral dependent loan is less than the recorded investment in the loan, it either recognizes an impairment reserve as a specific component to be provided for in the ALL or charges off the deficiency if it is determined that such amount represents a confirmed loss. Typically, a loss is confirmed when the Company is moving towards foreclosure (or final disposition) of the underlying collateral, the collateral deficiency has not improved for two consecutive quarters, or when there is a payment default of 180 days, whichever occurs first.

The Company obtains independent appraisals from a pre-approved list of independent, third party appraisal firms located in the market in which the collateral is located. The Company’s approved appraiser list is continuously maintained to ensure the list only includes such appraisers that have the experience, reputation, character, and knowledge of the respective real estate market. At a minimum, it is ascertained that the appraiser is currently licensed in the state in which the property is located, experienced in the appraisal of properties similar to the property being appraised, has knowledge of current real estate market conditions and financing trends, and is reputable. The Company’s internal Real Estate Valuation Group, which reports to the Risk and Compliance Group, performs either a technical or administrative review of all appraisals obtained. A technical review will ensure the overall quality of the appraisal, while an administrative review ensures that all of the required components of an appraisal are present. Generally, independent appraisals are updated every 12 to 24 months, or as necessary. The Company’s impairment analysis documents the date of the appraisal used in the analysis, whether the officer preparing the report deems it current, and, if not, allows for internal valuation adjustments with justification. Adjustments to appraisals generally include discounts for continued market deterioration subsequent to the appraisal date. Any adjustments from the appraised value to carrying value are documented in the impairment analysis, which is reviewed and approved by senior credit administration officers and the Special Assets Loan Committee. External appraisals are the primary source to value collateral dependent loans; however, the Company may also utilize values obtained through other valuation sources. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. Impairment analyses are updated, reviewed, and approved on a quarterly basis at or near the end of each reporting period.

General Reserve Component

The general reserve component covers non-impaired loans and is quantitatively derived from an estimate of credit losses adjusted for various environmental factors applicable to both commercial and consumer loan segments. The estimate of credit losses is a function of the net charge-off historical loss experience to the average loan balance of the portfolio averaged during a period that management has determined to be adequately reflective of the losses inherent in the loan portfolio. Effective December 31, 2016, the Company implemented a rolling 20-quarter look back period, which is re-evaluated on a periodic basis to ensure reasonableness of period being utilized. Previously, the Company had utilized a 12-quarter look back period. The change to the 20-quarter look back period is due to the protracted recovery in the economy and management's conclusion that a 20-quarter period better reflects a full economic cycle. This change did not have a material impact on the Company's ALL.

The qualitative environmental factors consist of portfolio, national/international, and local characteristics and are applied to both the commercial and consumer loan segments.

The following table shows the types of environmental factors management considers:

ENVIRONMENTAL FACTORS

Portfolio	National / International	Local
Experience and ability of lending team	Interest rates	Level of economic activity
Compare ratio consideration	Inflation	Unemployment
Pace of loan growth	Unemployment	Competition
Footprint and expansion	Gross domestic product	Military/government impact
Execution of loan risk rating process	General market risk and other concerns	
Degree of oversight	Legislative and regulatory environment	
Underwriting standards	International uncertainty	
Delinquency levels in portfolio	Home Price Index	
Charge-off levels in portfolio	Commercial Real Estate Price Index	
Credit concentrations / nature and volume of the portfolio		

Impaired Loans- A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The impairment loan policy is the same for all segments within the commercial loan segment.

For the consumer loan segment, large groups of smaller balance homogeneous loans are collectively evaluated for impairment. This evaluation subjects each of the Company's homogenous pools to a historical loss factor derived from net charge-offs experienced over the preceding twenty quarters. The Company applies payments received on impaired loans to principal and interest based on the contractual terms until they are placed on nonaccrual status. All payments received are then applied to reduce the principal balance and recognition of interest income is terminated as previously discussed.

Acquired Loans – Acquired loans are recorded at their fair value at acquisition date without carryover of the acquiree's previously established ALL, as credit discounts are included in the determination of fair value. The fair value of the loans is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected on the loans and then applying a market-based discount rate to those cash flows. During evaluation upon acquisition, acquired loans are also classified as either acquired impaired (or PCI) or acquired performing.

Acquired impaired loans reflect credit quality deterioration since origination, as it is probable at acquisition that the Company will not be able to collect all contractually required payments. These PCI loans are accounted for under ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality.* The PCI loans are segregated into pools based on loan type and credit risk. Loan type is determined based on collateral type, purpose, and lien position. Credit risk characteristics include risk rating groups, nonaccrual status, and past due status. For valuation purposes, these pools are further disaggregated by maturity, pricing characteristics, and re-payment structure. PCI loans are written down at acquisition to fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as nonaccrual even though they may be contractually past due because the Company expects to fully collect the new carrying values of such loans, which is the new cost basis arising from purchase accounting.

A loan will be removed from a pool (at its carrying value) only if the loan is sold, foreclosed, or assets are received in full satisfaction of the loan. For purposes of removing the loan from the pool, the carrying value is deemed to equal the amount of principal cash flows received in lieu of the loan balance. This treatment ensures that the percentage yield calculation used to recognize accretable yield on the pool of loans is not affected.

Periodically, management performs a recast of PCI loans based on updated future expected cash flows, which are updated through reassessment of default rates, loss severity, and prepayment speed assumptions. The excess of the cash flows expected to be collected over a pool's carrying value is considered to be the accretable yield and is recognized as interest income over the estimated life of the loan or pool using the effective yield method. The accretable yield may change due to changes in the timing and amounts of expected cash flows; these changes are disclosed in Note 4 "Loans and Allowance for Loan Losses."

The excess of the undiscounted contractual balances due over the cash flows expected to be collected is considered to be the nonaccretable difference, which represents the estimate of credit losses expected to occur and was considered in determining the fair value of loan at the acquisition date. Any subsequent increases in expected cash flows over those expected at the acquisition date in excess of fair value are adjusted through an increase in the accretable yield on a prospective basis; any decreases in expected cash flows attributable to credit deterioration are recognized by recording a provision for loan losses.

The Company's policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by the quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan.

The PCI loans are and will continue to be subject to the Company's internal and external credit review and monitoring. If further credit deterioration is experienced, such deterioration will be measured and the provision for loan losses will be increased.

At acquisition, loans with active revolving privileges are excluded from the PCI accounting; however, PCI loans do occasionally draw additional funds from the Company. These advances will increase the recorded investment of the PCI loan and will be accounted for with the other PCI loans.

Acquired performing loans are accounted for under ASC 310-20,*Receivables – Nonrefundable Fees and Other Costs*. The difference between the fair value and unpaid principal balance of the loan at acquisition date (premium or discount) is amortized or accreted into interest income over the life of the loans. If the acquired performing loan has revolving privileges, it is accounted for using the straight line method; otherwise, the effective interest method is used.

Troubled Debt Restructurings - In situations where, for economic or legal reasons related to a borrower's financial condition, management may grant a concession to the borrower that it would not otherwise consider, the related loan is classified as a TDR. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, extension of terms that are considered to be below market, conversion to interest only, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans. Restructured loans for which there was no rate concession, and therefore made at a market rate of interest, may subsequently be eligible to be removed from TDR status in periods subsequent to the restructuring depending on the performance of the loan. The Company reviews previously restructured loans quarterly in order to determine whether any have performed, subsequent to the restructure, at a level that would allow for them to be removed from TDR status. The Company generally would consider a change in this classification if the borrower is no longer experiencing financial difficulties, the loan has performed under the restructured terms for a consecutive twelve month period, and is no longer considered to be impaired. All changes to TDR designations must be approved by the Bank's Special Asset Loan Committee.

Loans removed from TDR status are collectively evaluated for impairment; due to the significant improvement in the expected future cash flows, these loans are grouped based on their primary risk characteristics, which is included in the Company's general reserve. Impairment is measured based on historical loss experience taking into consideration environmental factors. The significant majority of these loans have been subject to new credit decisions due to the improvement in the expected future cash flows, the financial condition of the borrower, and other factors considered during the re-underwriting. The TDR activity during the year did not have a material impact on the Company's ALL, financial condition, or results of operations.

Premises and Equipment - Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method based on the type of asset involved. The Company's policy is to capitalize additions and improvements and to depreciate the cost thereof over their estimated useful lives ranging from 3 to 50 years. Leasehold improvements are amortized over the shorter of the life of the related lease or the estimated life of the related asset. Maintenance and repairs are expensed as they are incurred.

Goodwill and Intangible Assets - The Company has an aggregate goodwill balance of $298.2 million associated with previous merger transactions. Goodwill is associated with the both the commercial banking and mortgage segments.

Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009 is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected April 30 as the date to perform the annual impairment test.

Intangible assets with definite useful lives are amortized over their estimated useful lives, which range from 4 to 14 years, to their estimated residual values. Goodwill is the only intangible asset with an indefinite life included on the Company's Consolidated Balance Sheets.

Long-lived assets, including purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented on the Company's Consolidated Balance Sheets and reported at the lower of the carrying amount or fair value less costs to sell, would no longer depreciated. Management concluded that no circumstances indicating an impairment of these assets existed as of the balance sheet date.

The Company performed its annual impairment testing on April 30, 2016 and determined that there was no impairment to its goodwill or intangible assets. Management performed a review through December 31, 2016 and concluded that no factors indicating impairment existed as of the balance sheet date.

Other Real Estate Owned - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less selling costs at the date of foreclosure, establishing a new cost basis. When the carrying amount exceeds the acquisition date fair value less selling costs, the excess is charged off against the ALL. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell, any valuation adjustments occurring from post-acquisition reviews are charged to expense as incurred. Revenue and expenses from operations and changes in the valuation allowance are included in OREO and credit-related expenses, disclosed in a separate line item on the Company's Consolidated Statements of Income.

Transfers of Financial Assets - Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company – put presumptively beyond reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Bank Owned Life Insurance - The Company has purchased life insurance on certain key employees and directors. These policies are recorded at their cash surrender value and are included in a separate line item on the Company's Consolidated Balance Sheets. Income generated from policies is recorded as noninterest income. At December 31, 2016 and 2015, the Bank also had liabilities for post-retirement benefits payable to other partial beneficiaries under some of these life insurance policies of $5.9 million and $4.0 million, respectively. The Bank is exposed to credit risk to the extent an insurance company is unable to fulfill its financial obligations under a policy.

Derivatives - Derivatives are recognized as assets and liabilities on the Company's Consolidated Balance Sheets and measured at fair value. The Company's derivatives are interest rate swap agreements and interest rate lock commitments. The Company's hedging policies permit the use of various derivative financial instruments to manage interest rate risk or to hedge specified assets and liabilities. All derivatives are recorded at fair value on the balance sheet. The Company may be required to recognize certain contracts and commitments as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. To qualify for hedge accounting, derivatives must be highly effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the derivative contract. The Company considers a hedge to be highly effective if the change in fair value of the derivative hedging instrument is within 80% to 125% of the opposite change in the fair value of the hedged item attributable to the hedged risk. If derivative instruments are designated as hedges of fair values, and such hedges are highly effective, both the change in the fair value of the hedge and the hedged item are included in current earnings. Fair value adjustments related to cash flow hedges are recorded in other comprehensive income and are reclassified to earnings when the hedged transaction is reflected in earnings. Ineffective portions of hedges are reflected in earnings as they occur. Actual cash receipts and/or payments and related accruals on derivatives related to hedges are recorded as adjustments to the interest income or interest expense associated with the hedged item. During the life of the hedge, the Company formally assesses whether derivatives designated as hedging instruments continue to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If it is determined that a hedge has ceased to be highly effective, the Company will discontinue hedge accounting prospectively. At such time, previous adjustments to the carrying value of the hedged item are reversed into current earnings and the derivative instrument is reclassified to a trading position recorded at fair value.

The Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment, closing, and sale of the loan generally ranges from 30 to 120 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. As a result, the Company is not exposed to material losses and will not realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is high due to their similarity.

The market value of rate lock commitments and best efforts contracts is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments and best efforts contracts by measuring the change in the value of the underlying asset while taking into consideration the probability that the rate lock commitments will close. The fair value of the rate lock commitments is reported as a component of "Other Assets" in the Company's Consolidated Balance Sheets; the fair value of the Company's best efforts forward delivery commitments is recorded as a component of "Other Liabilities" on the Company's Consolidated Balance Sheets. Any impact to income is recorded in current period earnings as a component of "Mortgage banking income, net" on the Company's Consolidated Statements of Income.

Affordable Housing Entities - The Company invests in private investment funds that make equity investments in multifamily affordable housing properties that provide affordable housing tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt. For the years ended December 31, 2016 and December 31, 2015, the Company recognized amortization of $370,000 and $529,000, respectively, and tax credits of $882,000 and $854,000, respectively, associated with these investments within "Income tax expense" on the Company's Consolidated Statements of Income. The carrying value of the Company's investments in these qualified affordable housing projects were $9.9 million for both the years ended December 31, 2016 and December 31, 2015. At December 31, 2016 and December 31, 2015, the Company's recorded liability totaled $7.1 million and $4.9 million, respectively, for the related unfunded commitments, which are expected to be paid from 2017 to 2019.

Loan Fees - Fees collected and certain costs incurred related to loan originations are deferred and amortized as an adjustment to interest income over the life of the related loans. Deferred fees and costs are recorded as an adjustment to loans outstanding using a method that approximates a constant yield.

Stock Compensation Plan - The Company has adopted ASC 718, *Compensation – Stock Compensation*, which requires the costs resulting from all stock-based payments to employees be recognized in the financial statements. For stock options, compensation cost is estimated at the date of grant, using the Black-Scholes option valuation model for determining fair value of stock options. No options were granted in 2016 or 2015. The market price of the Company's common stock at the date of grant is used for nonvested stock awards.

The fair value of performance stock units ("PSUs") granted in2016 and 2015 is determined and fixed on the grant date based on the Company's stock price, adjusted for the exclusion of dividend equivalents. The Monte Carlo simulation valuation model was used to determine the grant date fair value of PSUs granted in 2016 and 2015.

ASC 718 requires the Company to estimate forfeitures when recognizing compensation expense and that this estimate of forfeitures be adjusted over the requisite service period or vesting schedule based on the extent to which actual forfeitures differ from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and also will affect the amount of estimated unamortized compensation expense to be recognized in future periods.

For more information and tables refer to Note 14 "Employee Benefits and Stock Based Compensation."

Income Taxes - Deferred income tax assets and liabilities are determined using the asset and liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. Deferred taxes are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits on the Company's Consolidated Balance Sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes on the Company's Consolidated Statements of Income. The Company did not record any material interest or penalties for the periods ending December 31, 2016, 2015, or 2014 related to tax positions taken. As ofDecember 31, 2016 and 2015, there were no accruals for uncertain tax positions. The Company and its wholly-owned subsidiaries file a consolidated income tax return. Each entity provides for income taxes based on its contribution to income or loss of the consolidated group.

Advertising Costs - The Company follows a policy of charging the cost of advertising to expense as incurred. Advertising costs are disclosed in a separate line item on the Company's Consolidated Statements of Income.

Earnings Per Common Share – Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per common share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and restricted stock and are determined using the treasury stock method.

Comprehensive Income - Comprehensive income represents all changes in equity that result from recognized transactions and other economic events of the period. Other comprehensive income (loss) refers to revenues, expenses, gains, and losses under GAAP that are included in comprehensive income but excluded from net income, such as unrealized gains and losses on certain investments in debt and equity securities and interest rate swaps.

Off Balance Sheet Credit Related Financial Instruments - In the ordinary course of business, the Company has entered into commitments to extend credit and standby letters of credit. Such financial instruments are recorded when they are funded. For more information and tables refer Note 9 "Commitments and Contingencies."

Fair Value - The Company follows ASC 820,*Fair Value Measurements and Disclosures*, to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This codification clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The three levels of the fair value hierarchy under ASC 820 based on these two types of inputs are as follows: Level 1 valuation is based on quoted prices in active markets for identical assets and liabilities; Level 2 valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the markets; and Level 3 valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. These unobservable inputs reflect the Company's assumptions about what market participants would use and information that is reasonably available under the circumstances without undue cost and effort.

For more specific information on the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value in the financial statements refer to Note 13 "Fair Value Measurements"

Concentrations of Credit Risk - Most of the Company's activities are with customers located in portions of Central, Southwest, and Tidewater Virginia. Securities available for sale, loans, and financial instruments with off balance sheet risk also represent concentrations of credit risk and are discussed in Note 3 "Securities," Note 4 "Loans and Allowance for Loan Losses," and Note 9 "Commitments and Contingencies," respectively.

Reclassifications – The accompanying consolidated financial statements and notes reflect certain reclassifications in prior periods to conform to the current presentation.

Adoption of New Accounting Standards - In February 2015, the FASB issued revised guidance to simplify the consolidation assessment required to evaluate whether organizations should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures. The guidance also removed the indefinite deferral of specialized guidance for certain investment funds. The Company adopted ASU No. 2015-02, "*Consolidation (Topic 810) Amendments to the Consolidation Analysis*" during the first quarter of 2016. The adoption of ASU No. 2015-02 did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers: Topic 606*." This ASU revised guidance for the recognition, measurement, and disclosure of revenue from contracts with customers. The original guidance has been amended through subsequent accounting standard updates that resulted in technical corrections, improvements, and a one-year deferral of the effective date to January 1, 2018. The guidance, as amended, is applicable to all entities and, once effective, will replace significant portions of existing industry and transaction-specific revenue recognition rules with a more principles-based recognition model. Most revenue associated with financial instruments, including interest income, loan origination fees, and credit card fees, is outside the scope of the guidance. Gains and losses on investment securities, derivatives, and sales of financial instruments are similarly excluded from the scope. Entities can elect to adopt the guidance either on a full or modified retrospective basis. Full retrospective adoption will require a cumulative effect adjustment to retained earnings as of the beginning of the earliest comparative period presented. Modified retrospective adoption will require a cumulative effect adjustment to retained earnings as of the beginning of the reporting period in which the entity first applies the new guidance. The Company plans to adopt this guidance on the effective date, January 1, 2018. The Company is finalizing its assessment of the adoption of this ASU and the related subsequent technical corrections issued; however, based on the work performed, the Company does not anticipate that there will be a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*." This ASU requires an entity to, among other things: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. The ASU provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The ASU also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is only permitted for the provision related to instrument-specific credit risk. The Company is currently assessing the impact ASU No. 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." This ASU requires lessees to put most leases on their balance sheets, but recognize expenses in the income statement in a manner similar to today's accounting. The guidance also eliminates the real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs, and lease executory costs for all entities. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. Upon adoption, the Company will record a right of use asset and a lease payment obligation associated with arrangements previously accounted for as operating leases. The Company is currently assessing the impact ASU No. 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-05, "*Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*." This ASU clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, be considered a termination of the derivative instrument or a change in a critical term of the hedging relationship. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU No. 2016-05 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, "*Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*" This ASU clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to perform only the four-step decision sequence in ASC 815-15-25-42 (as amended by the ASU). The entity does not have to separately assess whether the event that triggers its ability to exercise the contingent option is itself indexed only to interest rates or credit risk. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company has concluded the adoption of ASU No. 2016-06 will not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "*Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*." This ASU simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively and early adoption is permitted. The Company has concluded the adoption of ASU No. 2016-07 will not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "*Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*" This ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted; however, if the Company elects to early adopt, then all amendments must be adopted in the same period. The Company has concluded the adoption of ASU No. 2016-09 will not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." This ASU updates the existing guidance to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendment replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and required consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendment is effective for fiscal years beginning after December 15, 2019. The Company is currently assessing the impact ASU No. 2016-13 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Payments (a consensus of Merging Issues Task Force)."* This ASU attempts to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The purpose of this update is to reduce existing diversity in practice in eight areas addressed by the update. The amendment will be effective for the Company for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company has concluded the adoption of ASU No. 2016-15 will not have a material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory."* This ASU modifies the accounting for intra-entity transfers of assets other than inventory. The amendments will be effective for the Company for fiscal years beginning after December 15, 2017 including interim periods within those fiscal years. Early adoption is permitted. The Company has concluded the adoption of ASU No. 2016-16 will not have a material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, "*Consolidation (Topic 810): Interests Held through Related Parties that are under Common Control.*" This ASU revises the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The amendments will be effective for the Company for fiscal years beginning after December 15, 2016 including interim periods within those fiscal years. Early adoption is permitted. The Company has concluded the adoption of ASU No. 2016-17 will not have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash.*" This ASU clarifies how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Company for fiscal years beginning after December 15, 2017 including interim periods within those fiscal years. Early adoption is permitted. The Company has concluded the adoption of ASU No. 2016-18 will not have a material impact on its consolidated financial statements.

2. ACQUISITIONS

StellarOne

On January 1, 2014, the Company completed the acquisition of StellarOne, a bank holding company based in Charlottesville, Virginia, in an all-stock transaction. StellarOne's common shareholders received 0.9739 shares of the Company's common stock in exchange for each share of StellarOne's common stock, resulting in the Company issuing 22,147,874 shares of common stock at a fair value of $549.5 million. As a result of the transaction, StellarOne's former bank subsidiary, StellarOne Bank, became a wholly owned bank subsidiary of the Company. On May 9, 2014, StellarOne Bank was merged with and into the Bank.

Acquisition-related expenses associated with the acquisition of StellarOne were $20.3 million for the year ended December 31, 2014. Such costs included legal and accounting fees, lease and contract termination expenses, system conversion, operations integration, and employee severances, which were expensed as incurred. The Company did not have any acquisition-related expenses in 2015 and no material expenses in 2016.

A summary of acquisition-related expenses associated with the StellarOne acquisition included on the Consolidated Statements of Income is as follows (dollars in thousands):

	For the year ended December 31, 2014
Salaries and employee benefits	$ 7,875
Professional services	3,736
Other costs of operations	8,734
Total	$ 20,345

ODCM

On May 31, 2016, the Bank completed its acquisition of ODCM, a Charlottesville, Virginia based registered investment advisor with nearly $300.0 million in assets under management at the time of the acquisition. The acquisition date fair value of consideration transferred totaled $9.1 million, which consisted of $4.1 million in cash, $453,000 in stock, and the remainder being subject to a three-year earn out provision and contingent on achieving certain performance metrics. The contingent consideration is carried at fair value and is reported as a component of "Other Liabilities" on the Consolidated Balance Sheet. The fair value of this liability will be assessed at each reporting period. In connection with the transaction, the Company recorded $4.7 million in goodwill and $4.5 million of amortizable assets, which primarily relate to the value of customer relationships. The Company is amortizing these intangibles assets over the period of expected benefit, which ranges from 5 to 10 years using a straight-line method. The transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the acquisition date. The fair values are subject to refinement for up to one year after the closing date of the acquisition. The Company did not incur any material expenses related to the acquisition of ODCM.

Fair Value Premiums and Discounts

The net effect of the amortization and accretion of premiums and discounts associated with the Company's acquisition accounting adjustments had the following impact on the Consolidated Statements of Income during the years ended December 31, 2016, 2015, and 2014 (dollars in thousands):

	For the years ended December 31,		
	2016	2015	2014
Loans (1)	$ 5,218	$ 4,355	$ 586
Core deposit intangible (2)	(6,930)	(8,445)	(9,795)
Borrowings (3)	458	424	550
Time deposits (4)	—	1,843	8,914
Other amortizable intangibles (2)	(280)	—	—
Net impact to income before taxes	$ (1,534)	$ (1,823)	$ 255

(1) *Loan discount accretion is included in "Interest and fees on loans" in the "Interest and dividend income" section of the Company's Consolidated Statements of Income.*
(2) *Core deposit and other intangible premium amortization is included in "Amortization of intangible assets" in the "Noninterest expense" section of the Company's Consolidated Statements of Income.*
(3) *Borrowings premium accretion is included in "Interest on long-term borrowings" in the "Interest Expense" section of the Company's Consolidated Statements of Income.*
(4) *Certificate of deposit discount accretion is included in "Interest on deposits" in the "Interest expense" section of the Company's Consolidated Statements of Income.*

3. SECURITIES

Available for Sale

The amortized cost, gross unrealized gains and losses, and estimated fair values of securities available for sale as of December 31, 2016 and 2015 are summarized as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
December 31, 2016				
Obligations of states and political subdivisions	**$ 274,007**	**$ 4,962**	**$ (3,079)**	**$ 275,890**
Corporate bonds	**123,674**	**892**	**(2,786)**	**121,780**
Mortgage-backed securities	**536,031**	**4,626**	**(5,371)**	**535,286**
Other securities	**13,885**	**—**	**(77)**	**13,808**
Total available for sale securities	**$ 947,597**	**$ 10,480**	**$ (11,313)**	**$ 946,764**
December 31, 2015				
Obligations of states and political subdivisions	$ 257,740	$ 10,479	$ (140)	$ 268,079
Corporate bonds	77,628	55	(1,704)	75,979
Mortgage-backed securities	544,823	6,127	(2,779)	548,171
Other securities	11,085	—	(22)	11,063
Total available for sale securities	$ 891,276	$ 16,661	$ (4,645)	$ 903,292

The following table shows the gross unrealized losses and fair value (in thousands) of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired. These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2016						
Obligations of states and political subdivisions	**$ 108,440**	**$ (3,007)**	**$ 588**	**$ (72)**	**$ 109,028**	**$ (3,079)**
Mortgage-backed securities	**316,469**	**(4,979)**	**42,096**	**(392)**	**358,565**	**(5,371)**
Corporate bonds and other securities	**47,388**	**(1,537)**	**40,468**	**(1,326)**	**87,856**	**(2,863)**
Total available for sale	**$ 472,297**	**$ (9,523)**	**$ 83,152**	**$ (1,790)**	**$ 555,449**	**$ (11,313)**
December 31, 2015						
Obligations of states and political subdivisions	$ 8,114	$ (70)	$ 4,950	$ (70)	$ 13,064	$ (140)
Mortgage-backed securities	287,113	(2,442)	21,660	(337)	308,773	(2,779)
Corporate bonds and other securities	36,157	(751)	19,558	(975)	55,715	(1,726)
Total available for sale	$ 331,384	$ (3,263)	$ 46,168	$ (1,382)	$ 377,552	$ (4,645)

As of December 31, 2016, there were $83.2 million, or 30 issues, of individual available for sale securities that had been in a continuous loss position for more than 12 months. Additionally, these securities had an unrealized loss of $1.8 million and consisted of municipal obligations, mortgage-backed securities, and corporate bonds. As of December 31, 2015, there were $46.2 million, or 20 issues, of individual securities that had been in a continuous loss position for more than 12 months. Additionally, these securities had an unrealized loss of $1.4 million and consisted of municipal obligations, mortgage-backed securities, corporate bonds, and other securities. The Company has determined that these securities are temporarily impaired at December 31, 2016 and 2015 for the reasons set out below:

Mortgage-backed securities. This category's unrealized losses are primarily the result of interest rate fluctuations. Because the decline in market value is attributable to changes in interest rates and not credit quality, the Company does not intend to sell the investments, and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired. Also, the majority of the Company's mortgage-backed securities are agency-backed securities, which have a government guarantee.

Obligations of state and political subdivisions. This category's unrealized losses are primarily the result of interest rate fluctuations and also a certain few ratings downgrades brought about by the impact of the economic downturn on states and political subdivisions. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

Corporate bonds. The Company's unrealized losses in corporate debt securities are related to both interest rate fluctuations and ratings downgrades for a limited number of securities. The majority of the securities remain investment grade and the Company's analysis did not indicate the existence of a credit loss. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because the Company does not intend to sell any of the investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

The following table presents the amortized cost and estimated fair value of securities as ofDecember 31, 2016 and 2015, by contractual maturity (dollars in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2016		December 31, 2015	
	Amortized Cost	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Due in one year or less	**$ 21,403**	**$ 21,517**	$ 8,380	$ 8,370
Due after one year through five years	**108,198**	**109,778**	65,326	66,996
Due after five years through ten years	**300,552**	**301,888**	296,864	301,920
Due after ten years	**517,444**	**513,581**	520,706	526,006
Total securities available for sale	**$ 947,597**	**$ 946,764**	$ 891,276	$ 903,292

The following table presents available for sale securities which were pledged to secure public deposits, repurchase agreements, and for other purposes as permitted or required by law as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
	Estimated Fair Value	**Estimated Fair Value**
Public deposits	**$ 210,546**	$ 184,635
Repurchase agreements	**108,208**	126,120
Other purposes (1)	**23,350**	26,546
Total pledged securities	**$ 342,104**	$ 337,301

(1) *The "Other purposes" category consists of borrowings, derivatives, and accounts held at the Bank.*

Held to Maturity

During the second quarter of 2015, the Company transferred securities, which it intends and has the ability to hold until maturity, with a fair value of$201.8 million on the date of transfer, from securities available for sale to securities held to maturity. The Company transferred these securities to held to maturity to reduce the impact of price volatility on capital and in consideration of changes to the regulatory environment. The securities included net pre-tax unrealized gains of $8.1 million at the date of transfer with a remaining balance of $5.2 million and $6.8 million as of December 31, 2016 and 2015, respectively.

The Company reports securities held to maturity on the Consolidated Balance Sheets at carrying value. Carrying value is amortized cost which includes any unamortized unrealized gains and losses recognized in accumulated other comprehensive income prior to reclassifying the securities from securities available for sale to securities held to maturity. Investment securities transferred into the held to maturity category from the available for sale category are recorded at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in accumulated other comprehensive income and in the carrying value of the securities held to maturity. Such unrealized gains/(losses) are accreted over the remaining life of the security with no impact on future net income.

The carrying value, gross unrealized gains and losses, and estimated fair values of securities held to maturity as of December 31, 2016 and 2015 are summarized as follows (dollars in thousands):

	Carrying Value (1)	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
December 31, 2016				
Obligations of states and political subdivisions	**$ 201,526**	**$ 1,617**	**$ (828)**	**$ 202,315**
December 31, 2015				
Obligations of states and political subdivisions	$ 205,374	$ 5,748	$ (1,685)	$ 209,437

(1) The carrying value includes $5.2 million and $6.8 million of net unrealized gains present at the time of transfer from available for sale securities, net of any accretion, as of December 31, 2016 and *2015, respectively.*

The following table shows the gross unrealized losses and fair value (in thousands) of the Company's held to maturity securities with unrealized losses that are not deemed to be other-than-temporarily impaired. These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2016						
Obligations of states and political subdivisions	**$ 92,841**	**$ (747)**	**$ 648**	**$ (81)**	**$ 93,489**	**$ (828)**
December 31, 2015						
Obligations of states and political subdivisions	$ 7,056	$ (1,685)	$ —	$ —	$ 7,056	$ (1,685)

As of December 31, 2016, there was $648,000, or 1 issue, of an individual held to maturity security that had been in a continuous loss position for more than 12 months. This security had an unrealized loss of $81,000. The Company has determined that the securities in a loss position are temporarily impaired as of December 31, 2016 and 2015 for the reasons set out below:

Obligations of states and political subdivisions. This category's unrealized losses are primarily the result of interest rate fluctuations and also a certain few ratings downgrades brought about by the impact of the economic downturn on states and political subdivisions. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

The following table presents the amortized cost and estimated fair value of held to maturity securities as of December 31, 2016 and 2015, by contractual maturity (dollars in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2016		December 31, 2015	
	Carrying Value (1)	Estimated Fair Value	Carrying Value (1)	Estimated Fair Value
Due in one year or less	**$ 4,403**	**$ 4,440**	$ 1,488	$ 1,491
Due after one year through five years	**28,383**	**28,763**	4,294	4,348
Due after five years through ten years	**51,730**	**51,522**	44,736	45,501
Due after ten years	**117,010**	**117,590**	154,856	158,097
Total securities held to maturity	**$ 201,526**	**$ 202,315**	$ 205,374	$ 209,437

(1) The carrying value includes $5.2 million and $6.8 million of net unrealized gains present at the time of transfer from available for sale securities, net of any accretion, as of December 31, 2016 and *2015, respectively.*

The following table presents the estimated fair value of held to maturity securities which were pledged to secure public deposits as permitted or required by law as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
	Estimated Fair Value	Estimated Fair Value
Public deposits	**$ 197,889**	$ 207,140
Total pledged securities	**$ 197,889**	$ 207,140

Restricted Stock, at cost

Due to restrictions placed upon the Bank's common stock investment in the Federal Reserve Bank and the FHLB, these securities have been classified as restricted equity securities and carried at cost. These restricted securities are not subject to the investment security classifications and are included as a separate line item on the Company's Consolidated Balance Sheets. At December 31, 2016 and 2015, the FHLB required the Bank to maintain stock in an amount equal to 4.25% of outstanding borrowings and a specific percentage of the Bank's total assets. The Federal Reserve Bank required the Bank to maintain stock with a par value equal to 6% of its outstanding capital at both December 31, 2016 and 2015. Restricted equity securities consist of Federal Reserve Bank stock in the amount of $23.8 million for both periods December 31, 2016 and 2015 and FHLB stock in the amount of $37.0 million and $28.0 million as of December 31, 2016 and 2015, respectively.

Other-Than-Temporary Impairment

During each quarter and at year end the Company conducts an assessment of the securities portfolio for OTTI consideration. The assessment considers factors such as external credit ratings, delinquency coverage ratios, market price, management's judgment, expectations of future performance, and relevant industry research and analysis. An impairment is other-than-temporary if any of the following conditions exist: the entity intends to sell the security; it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis; or the entity does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into a credit portion to be recognized in earnings and the remaining amount relating to all other factors recognized as other comprehensive loss. Based on the assessments during the year ended December 31, 2016, and in accordance with the guidance, no OTTI was recognized.

During the year ended December 31, 2015, the Company determined that a municipal security in the available for sale portfolio incurred credit-related OTTI of $300,000. During the first quarter of 2016, the municipal was sold. As a result, the Company recognized an additional loss on sale of the previously written down security.

During 2014, a trust preferred security with OTTI recorded in a prior period was called at a premium. As a result, the Company recognized a gain on the call of the previously written down security of $400,000 related to the previous OTTI charge.

Realized Gains and Losses

The following table presents the gross realized gains and losses on the sale of securities available for sale and the proceeds from the sale of securities available for sale during the years ended December 31, 2016, 2015, and 2014 (dollars in thousands). The Company did not sell any investment securities that are held to maturity.

	2016	2015	2014
Realized gains (losses):			
Gross realized gains	**$ 302**	$ 1,597	$ 1,757
Gross realized losses	**(97)**	(111)	(62)
Net realized gains	**$ 205**	$ 1,486	$ 1,695
Proceeds from sales of securities	**$ 69,516**	$ 101,154	$ 289,389

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at their face amount, net of deferred fees and costs, and consist of the following atDecember 31, 2016 and 2015 (dollars in thousands):

	2016	2015
Construction and Land Development	**$ 751,131**	$ 749,720
Commercial Real Estate - Owner Occupied	**857,805**	860,086
Commercial Real Estate - Non-Owner Occupied	**1,564,295**	1,270,480
Multifamily Real Estate	**334,276**	322,528
Commercial & Industrial	**551,526**	435,365
Residential 1-4 Family	**1,029,547**	978,469
Auto	**262,071**	234,061
HELOC	**526,884**	516,726
Consumer and all other	**429,525**	304,027
Total loans held for investment, net(1)	**$ 6,307,060**	$ 5,671,462

(1) *Loans, as presented, are net of deferred fees and costs totaling$1.8 million and $3.0 million as of December 31, 2016 and 2015, respectively.*

On October 16, 2015, the Company entered into an agreement to sell its credit card portfolio, approximating$26.4 million in outstanding balances, and entered into an outsourcing partnership with Elan Financial Services. The Company sold these loans at a premium. The sale of the credit card portfolio resulted in an after-tax benefit of $805,000 on the Company's Consolidated Statement of Income in 2015. As part of the agreement, the Company will continue to share in interchange fee income and finance charges.

The following table shows the aging of the Company's loan portfolio, by segment, atDecember 31, 2016 (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and still Accruing	PCI	Nonaccrual	Current	Total Loans
Construction and Land Development	$ 1,162	$ 232	$ 76	$ 2,922	$ 2,037	$ 744,702	$ 751,131
Commercial Real Estate - Owner Occupied	1,842	109	35	18,343	794	836,682	857,805
Commercial Real Estate - Non-Owner Occupied	2,369	—	—	17,303	—	1,544,623	1,564,295
Multifamily Real Estate	147	—	—	2,066	—	332,063	334,276
Commercial & Industrial	759	858	9	1,074	124	548,702	551,526
Residential 1-4 Family	7,038	534	2,048	16,200	5,279	998,448	1,029,547
Auto	2,570	317	111	—	169	258,904	262,071
HELOC	1,836	1,140	635	1,161	1,279	520,833	526,884
Consumer and all other	2,522	1,431	91	223	291	424,967	429,525
Total loans held for investment	$ 20,245	$ 4,621	$ 3,005	$ 59,292	$ 9,973	$ 6,209,924	$ 6,307,060

The following table shows the aging of the Company's loan portfolio, by segment, atDecember 31, 2015 (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and still Accruing	PCI	Nonaccrual	Current	Total Loans
Construction and Land Development	$ 3,155	$ 380	$ 128	$ 5,986	$ 2,113	$ 737,958	$ 749,720
Commercial Real Estate - Owner Occupied	1,714	118	103	27,388	3,904	826,859	860,086
Commercial Real Estate - Non-Owner Occupied	771	—	723	13,519	100	1,255,367	1,270,480
Multifamily Real Estate	—	—	272	1,555	—	320,701	322,528
Commercial & Industrial	1,056	27	124	1,813	429	431,916	435,365
Residential 1-4 Family	15,023	6,774	3,638	21,159	3,563	928,312	978,469
Auto	2,312	233	60	—	192	231,264	234,061
HELOC	2,589	1,112	762	1,791	1,348	509,124	516,726
Consumer and all other	1,167	689	19	526	287	301,339	304,027
Total loans held for investment	$ 27,787	$ 9,333	$ 5,829	$ 73,737	$ 11,936	$ 5,542,840	$ 5,671,462

Nonaccrual loans totaled $10.0 million, $11.9 million, and $19.3 million at December 31, 2016, 2015 and 2014, respectively. Had these loans performed in accordance with their original terms, interest income of approximately $452,000, $487,000, and $795,000 would have been recorded in 2016, 2015, and 2014, respectively. All nonaccrual loans were included in the impaired loan disclosure in 2016 and 2015.

The following table shows the PCI loan portfolios, by segment and their delinquency status, atDecember 31, 2016 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Construction and Land Development	$ —	$ 84	$ 2,838	$ 2,922
Commercial Real Estate - Owner Occupied	271	519	17,553	18,343
Commercial Real Estate - Non-Owner Occupied	409	126	16,768	17,303
Multifamily Real Estate	—	—	2,066	2,066
Commercial & Industrial	44	56	974	1,074
Residential 1-4 Family	1,298	945	13,957	16,200
HELOC	175	121	865	1,161
Consumer and all other	—	—	223	223
Total	$ 2,197	$ 1,851	$ 55,244	$ 59,292

The following table shows the PCI loan portfolios, by segment and their delinquency status, atDecember 31, 2015 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Construction and Land Development	$ 369	$ 241	$ 5,376	$ 5,986
Commercial Real Estate - Owner Occupied	1,139	1,412	24,837	27,388
Commercial Real Estate - Non-Owner Occupied	755	202	12,562	13,519
Multifamily Real Estate	—	—	1,555	1,555
Commercial & Industrial	209	21	1,583	1,813
Residential 1-4 Family	2,143	1,923	17,093	21,159
HELOC	410	458	923	1,791
Consumer and all other	—	—	526	526
Total	$ 5,025	$ 4,257	$ 64,455	$ 73,737

The Company measures the amount of impairment by evaluating loans either in their collective homogeneous pools or individually. The following table shows the Company's impaired loans, excluding PCI loans, by segment at December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016			December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a specific allowance						
Construction and Land Development	$ 13,877	$ 14,353	$ —	$ 33,250	$ 33,731	$ —
Commercial Real Estate - Owner Occupied	5,886	6,042	—	7,781	8,983	—
Commercial Real Estate - Non-Owner Occupied	1,399	1,399	—	5,328	5,325	—
Multifamily Real Estate	—	—	—	3,828	3,828	—
Commercial & Industrial	648	890	—	711	951	—
Residential 1-4 Family	8,496	9,518	—	7,564	8,829	—
Auto	—	—	—	7	7	—
HELOC	1,017	1,094	—	1,786	2,028	—
Consumer and all other	230	427	—	211	211	—
Total impaired loans without a specific allowance	$ 31,553	$ 33,723	$ —	$ 60,466	$ 63,893	$ —
Loans with a specific allowance						
Construction and Land Development	$ 1,395	$ 1,404	$ 107	$ 3,167	$ 3,218	$ 538
Commercial Real Estate - Owner Occupied	646	646	4	3,237	3,239	358
Commercial Real Estate - Non-Owner Occupied	2,809	2,809	474	907	907	75
Commercial & Industrial	857	880	14	1,952	1,949	441
Residential 1-4 Family	3,335	3,535	200	6,065	6,153	418
Auto	169	235	1	192	199	1
HELOC	323	433	15	769	925	76
Consumer and all other	62	298	1	363	512	95
Total impaired loans with a specific allowance	$ 9,596	$ 10,240	$ 816	$ 16,652	$ 17,102	$ 2,002
Total impaired loans	$ 41,149	$ 43,963	$ 816	$ 77,118	$ 80,995	$ 2,002

The following table shows the average recorded investment and interest income recognized for the Company's impaired loans, excluding PCI loans, by segment for the years endedDecember 31, 2016, 2015 and 2014 (dollars in thousands):

	December 31, 2016		December 31, 2015		December 31, 2014	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
Construction and Land Development	$ 15,346	$ 681	$ 36,441	$ 2,265	$ 56,183	$ 2,382
Commercial Real Estate - Owner Occupied	6,290	242	11,409	348	22,719	1,017
Commercial Real Estate - Non-Owner Occupied	4,188	134	6,201	250	29,136	1,292
Multifamily Real Estate	—	—	3,854	244	4,657	284
Commercial & Industrial	2,800	95	3,404	139	6,426	195
Residential 1-4 Family	12,716	291	14,468	410	18,244	571
Auto	244	5	235	6	7	—
HELOC	1,513	19	2,757	54	1,522	35
Consumer and all other	567	8	639	19	2,287	95
Total impaired loans	$ 43,664	$ 1,475	$ 79,408	$ 3,735	$ 141,181	$ 5,871

The Company considers TDRs to be impaired loans. A modification of a loan's terms constitutes a TDR if the creditor grants a concession that it would not otherwise consider to the borrower for economic or legal reasons related to the borrower's financial difficulties. All loans that are considered to be TDRs are evaluated for impairment in accordance with the Company's allowance for loan loss methodology and are included in the preceding impaired loan tables. For the year ended December 31, 2016, the recorded investment in restructured loans prior to modifications was not materially impacted by the modification.

The following table provides a summary, by segment, of TDRs that continue to accrue interest under the terms of the restructuring agreement, which are considered to be performing, and TDRs that have been placed in nonaccrual status, which are considered to be nonperforming, as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016			December 31, 2015		
	No. of Loans	**Recorded Investment**	**Outstanding Commitment**	No. of Loans	Recorded Investment	Outstanding Commitment
Performing						
Construction and Land Development	**8**	**$ 3,793**	**$ —**	6	$ 3,349	$ —
Commercial Real Estate - Owner Occupied	**7**	**3,106**	**—**	5	1,530	—
Commercial Real Estate - Non-Owner Occupied	**2**	**2,390**	**—**	2	2,390	—
Commercial & Industrial	**3**	**533**	**—**	5	261	—
Residential 1-4 Family	**28**	**4,145**	**—**	27	3,173	—
Consumer and all other	**—**	**—**	**—**	1	77	—
Total performing	**48**	**$ 13,967**	**$ —**	46	$ 10,780	$ —
Nonperforming						
Construction and Land Development	**2**	**$ 215**	**$ —**	2	$ 321	$ —
Commercial Real Estate - Owner Occupied	**2**	**156**	**—**	1	137	—
Commercial & Industrial	**1**	**116**	**—**	1	2	—
Residential 1-4 Family	**8**	**948**	**—**	6	1,142	—
HELOC	**—**	**—**	**—**	1	319	—
Total nonperforming	**13**	**$ 1,435**	**$ —**	11	$ 1,921	$ —
Total performing and nonperforming	**61**	**$ 15,402**	**$ —**	57	$ 12,701	$ —

The Company considers a default of a restructured loan to occur when the borrower is90 days past due following the restructure or a foreclosure and repossession of the applicable collateral occurs. During the years ended December 31, 2016 and 2015, the Company did not identify any material restructured loans that went into default that had been restructured in the twelve-month period prior to default.

The following table shows, by segment and modification type, TDRs that occurred during the years ended December 31, 2016 and 2015 (dollars in thousands):

	2016		2015	
	No. of Loans	Recorded Investment at Period End	No. of Loans	Recorded Investment at Period End
Modified to interest only, at a market rate				
Construction and Land Development	2	$ 325	—	$ —
Commercial Real Estate - Owner Occupied	2	483	—	—
Commercial & Industrial	1	34	1	19
Residential 1-4 Family	1	158	1	21
Total interest only at market rate of interest	6	$ 1,000	2	$ 40
Term modification, at a market rate				
Construction and Land Development	2	$ 1,444	—	$ —
Commercial Real Estate - Owner Occupied	3	1,326	3	282
Commercial & Industrial	1	444	2	162
Residential 1-4 Family	6	980	11	936
Consumer and all other	—	—	1	77
Total loan term extended at a market rate	12	$ 4,194	17	$ 1,457
Term modification, below market rate				
Construction and Land Development	—	$ —	1	$ 400
Commercial Real Estate - Owner Occupied	—	—	1	866
Residential 1-4 Family	7	1,309	7	1,039
Total loan term extended at a below market rate	7	$ 1,309	9	$ 2,305
Interest rate modification, below market rate				
Commercial & Industrial	1	$ 116	—	$ —
Total interest only at below market rate of interest	1	$ 116	—	$ —
Total	**26**	**$ 6,619**	**28**	**$ 3,802**

The following table shows the allowance for loan loss activity, balances for ALL, and loan balances based on impairment methodology by segment for the year ended and as of December 31, 2016. The table below includes the provision for loan losses. As discussed in Note 1 "Summary of Significant Accounting Policies," the Company enhanced its loan segmentation for purposes of the allowance calculation as well as its disclosures. The impact of this enhancement is reflected in the provision amounts in the table below. In addition, a $425,000 provision was recognized during the year ended December 31, 2016 for unfunded loan commitments for which the reserves are recorded as a component of "Other Liabilities" on the Company's Consolidated Balance Sheets. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories (dollars in thousands):

	Allowance for loan losses				
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations	Balance, end of period
Construction and Land Development	$ 6,040	$ 505	$ (958)	$ 4,468	$ 10,055
Commercial Real Estate - Owner Occupied	4,614	152	(809)	(156)	3,801
Commercial Real Estate - Non-Owner Occupied	6,929	80	(1)	(386)	6,622
Multifamily Real Estate	1,606	—	—	(370)	1,236
Commercial & Industrial	3,163	483	(1,920)	2,901	4,627
Residential 1-4 Family	5,414	585	(900)	1,300	6,399
Auto	1,703	327	(1,052)	(32)	946
HELOC	2,934	459	(1,457)	(608)	1,328
Consumer and all other	1,644	434	(1,458)	1,558	2,178
Total	**$ 34,047**	**$ 3,025**	**$ (8,555)**	**$ 8,675**	**$ 37,192**

	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Total	
	Loans	ALL	Loans	ALL	Loans	ALL	Loans	ALL
Construction and Land Development	$ 15,272	$ 107	$ 732,937	$ 9,948	$ 2,922	$ —	$ 751,131	$ 10,055
Commercial Real Estate - Owner Occupied	6,532	4	832,930	3,797	18,343	—	857,805	3,801
Commercial Real Estate - Non-Owner Occupied	4,208	474	1,542,784	6,148	17,303	—	1,564,295	6,622
Multifamily Real Estate	—	—	332,210	1,236	2,066	—	334,276	1,236
Commercial & Industrial	1,505	14	548,947	4,613	1,074	—	551,526	4,627
Residential 1-4 Family	11,831	200	1,001,516	6,199	16,200	—	1,029,547	6,399
Auto	169	1	261,902	945	—	—	262,071	946
HELOC	1,340	15	524,383	1,313	1,161	—	526,884	1,328
Consumer and all other	292	1	429,010	2,177	223	—	429,525	2,178
Total loans held for investment, net	**$ 41,149**	**$ 816**	**$ 6,206,619**	**$ 36,376**	**$ 59,292**	**$ —**	**$ 6,307,060**	**$ 37,192**

The following table shows the allowance for loan loss activity, balances for allowance for loan losses, and loan balances based on impairment methodology by segment for the year ended and as of December 31, 2015. In addition, a $300,000 provision was recognized during the year ended December 31, 2015 for unfunded loan commitments. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories (dollars in thousands):

	Allowance for loan losses				
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations	Balance, end of period
Construction and Land Development	$ 4,856	$ 720	$ (650)	$ 1,114	$ 6,040
Commercial Real Estate - Owner Occupied	4,640	143	(481)	312	4,614
Commercial Real Estate - Non-Owner Occupied	7,256	239	(3,137)	2,571	6,929
Multifamily Real Estate	1,374	200	—	32	1,606
Commercial & Industrial	2,610	958	(2,361)	1,956	3,163
Residential 1-4 Family	5,607	554	(1,789)	1,042	5,414
Auto	1,297	290	(768)	884	1,703
HELOC	2,675	298	(1,100)	1,061	2,934
Consumer and all other	2,069	525	(1,249)	299	1,644
Total	**$ 32,384**	**$ 3,927**	**$ (11,535)**	**$ 9,271**	**$ 34,047**

	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Total	
	Loans	ALL	Loans	ALL	Loans	ALL	Loans	ALL
Construction and Land Development	$ 36,417	$ 538	$ 707,317	$ 5,502	$ 5,986	$ —	$ 749,720	$ 6,040
Commercial Real Estate - Owner Occupied	11,018	358	821,680	4,256	27,388	—	860,086	4,614
Commercial Real Estate - Non-Owner Occupied	6,235	75	1,250,726	6,854	13,519	—	1,270,480	6,929
Multifamily Real Estate	3,828	—	317,145	1,606	1,555	—	322,528	1,606
Commercial & Industrial	2,663	441	430,889	2,722	1,813	—	435,365	3,163
Residential 1-4 Family	13,150	418	944,160	4,996	21,159	—	978,469	5,414
Auto	199	1	233,862	1,702	—	—	234,061	1,703
HELOC	2,478	76	512,457	2,858	1,791	—	516,726	2,934
Consumer and all other	574	95	302,927	1,549	526	—	304,027	1,644
Total loans held for investment, net	**$ 76,562**	**$ 2,002**	**$ 5,521,163**	**$ 32,045**	**$ 73,737**	**$ —**	**$ 5,671,462**	**$ 34,047**

The following table shows the allowance for loan loss activity, balances for allowance for loan losses, and loan balances based on impairment methodology by segment for the year ended and as of December 31, 2014. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories (dollars in thousands):

	Allowance for loan losses				
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations	Balance, end of period
Construction and Land Development	$ 4,387	$ 150	$ (1,095)	$ 1,414	$ 4,856
Commercial Real Estate - Owner Occupied	4,716	247	(643)	320	4,640
Commercial Real Estate - Non-Owner Occupied	5,285	41	(282)	2,212	7,256
Multifamily Real Estate	1,227	4	(3)	146	1,374
Commercial & Industrial	2,021	316	(1,557)	1,830	2,610
Residential 1-4 Family	6,272	1,753	(2,856)	438	5,607
Auto	1,414	325	(596)	154	1,297
HELOC	2,697	113	(976)	841	2,675
Consumer and all other	2,116	520	(1,012)	445	2,069
Total	**$ 30,135**	**$ 3,469**	**$ (9,020)**	**$ 7,800**	**$ 32,384**

	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Total	
	Loans	ALL	Loans	ALL	Loans	ALL	Loans	ALL
Construction and Land Development	$ 51,342	$ 266	$ 593,148	$ 4,590	$ 11,890	$ —	$ 656,380	$ 4,856
Commercial Real Estate - Owner Occupied	21,673	355	816,360	4,285	31,167	—	869,200	4,640
Commercial Real Estate - Non-Owner Occupied	28,648	2,017	1,129,032	5,239	25,834	—	1,183,514	7,256
Multifamily Real Estate	4,608	—	289,764	1,374	2,994	—	297,366	1,374
Commercial & Industrial	5,813	570	364,843	2,040	3,440	—	374,096	2,610
Residential 1-4 Family	14,905	1,210	941,550	4,397	26,619	—	983,074	5,607
Auto	2	—	207,811	1,297	—	—	207,813	1,297
HELOC	1,325	12	520,016	2,663	2,000	—	523,341	2,675
Consumer and all other	2,097	101	247,271	1,968	1,844	—	251,212	2,069
Total loans held for investment, net	**$ 130,413**	**$ 4,531**	**$ 5,109,795**	**$ 27,853**	**$ 105,788**	**$ —**	**$ 5,345,996**	**$ 32,384**

The Company uses a risk rating system and past due status as the primary credit quality indicators for the loan categories. The risk rating system on a scale of 0 through 9 is used to determine risk level as used in the calculation of the allowance for loan losses; on those loans without a risk rating, the Company uses past due status to determine risk level. The risk levels, as described below, do not necessarily follow the regulatory definitions of risk levels with the same name. A general description of the characteristics of the risk levels follows:

Pass is determined by the following criteria:

- Risk rated 0 loans have little or no risk and are generally General Obligation Municipal Credits with A or better debt ratings;
- Risk rated 1 loans have little or no risk and are generally secured by cash or cash equivalents;
- Risk rated 2 loans have minimal risk to well qualified borrowers and no significant questions as to safety;
- Risk rated 3 loans are satisfactory loans with strong borrowers and secondary sources of repayment;
- Risk rated 4 loans are satisfactory loans with borrowers not as strong as risk rated 3 loans and may exhibit a greater degree of financial risk based on the type of business supporting the loan; or
- Loans that are not risk rated but that are 0 to 29 days past due.

Special Mention is determined by the following criteria:

- Risk rated 5 loans are watch loans that warrant more than the normal level of supervision and have the possibility of an event occurring that may weaken the borrower's ability to repay;
- Risk rated 6 loans have increasing potential weaknesses beyond those at which the loan originally was granted and if not addressed could lead to inadequately protecting the Company's credit position; or
- Loans that are not risk rated but that are 30 to 89 days past due.

Substandard is determined by the following criteria:

- Risk rated 7 loans are substandard loans and are inadequately protected by the current sound worth or paying capacity of the obligor or the collateral pledged; these have well defined weaknesses that jeopardize the liquidation of the debt with the distinct possibility the Company will sustain some loss if the deficiencies are not corrected; or
- Loans that are not risk rated but that are 90 to 149 days past due.

Doubtful is determined by the following criteria:

- Risk rated 8 loans are doubtful of collection and the possibility of loss is high but pending specific borrower plans for recovery, its classification as a loss is deferred until its more exact status is determined;
- Risk rated 9 loans are loss loans which are considered uncollectable and of such little value that their continuance as bankable assets is not warranted; or
- Loans that are not risk rated but that are over 149 days past due.

The following table shows the recorded investment in all loans, excluding PCI loans, by segment with their related risk level as of December 31, 2016 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 667,018	$ 69,311	$ 11,857	$ 23	$ 748,209
Commercial Real Estate - Owner Occupied	801,565	32,364	5,533	—	839,462
Commercial Real Estate - Non-Owner Occupied	1,505,153	37,631	4,208	—	1,546,992
Multifamily Real Estate	312,711	19,499	—	—	332,210
Commercial & Industrial	539,999	9,391	1,062	—	550,452
Residential 1-4 Family	986,973	18,518	4,813	3,043	1,013,347
Auto	258,188	3,648	135	100	262,071
HELOC	519,928	4,225	969	601	525,723
Consumer and all other	425,520	3,491	40	251	429,302
Total	$ 6,017,055	$ 198,078	$ 28,617	$ 4,018	$ 6,247,768

The following table shows the recorded investment in all loans, excluding PCI loans, by segment with their related risk level as of December 31, 2015 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 663,067	$ 52,650	$ 27,980	$ 37	$ 743,734
Commercial Real Estate - Owner Occupied	800,979	20,856	8,931	1,932	832,698
Commercial Real Estate - Non-Owner Occupied	1,228,956	22,341	5,664	—	1,256,961
Multifamily Real Estate	315,128	2,017	3,828	—	320,973
Commercial & Industrial	414,333	16,724	2,396	99	433,552
Residential 1-4 Family	912,839	34,728	8,037	1,706	957,310
Auto	230,670	3,109	194	88	234,061
HELOC	507,514	4,801	1,611	1,009	514,935
Consumer and all other	299,014	3,996	231	260	303,501
Total	$ 5,372,500	$ 161,222	$ 58,872	$ 5,131	$ 5,597,725

The following table shows the recorded investment in only PCI loans by segment with their related risk level as of December 31, 2016 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 1,092	$ 1,432	$ 398	$ —	$ 2,922
Commercial Real Estate - Owner Occupied	5,520	8,889	3,934	—	18,343
Commercial Real Estate - Non-Owner Occupied	10,927	4,638	1,738	—	17,303
Multifamily Real Estate	343	1,723	—	—	2,066
Commercial & Industrial	107	480	487	—	1,074
Residential 1-4 Family	8,557	4,455	2,672	516	16,200
HELOC	857	183	7	114	1,161
Consumer and all other	166	37	20	—	223
Total	$ 27,569	$ 21,837	$ 9,256	$ 630	$ 59,292

The following table shows the recorded investment in only PCI loans by segment with their related risk level as of December 31, 2015 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 2,059	$ 1,778	$ 1,908	$ 241	$ 5,986
Commercial Real Estate - Owner Occupied	5,260	15,530	6,598	—	27,388
Commercial Real Estate - Non-Owner Occupied	4,442	7,827	1,250	—	13,519
Multifamily Real Estate	356	1,199	—	—	1,555
Commercial & Industrial	144	359	1,289	21	1,813
Residential 1-4 Family	9,098	6,380	4,605	1,076	21,159
HELOC	923	410	20	438	1,791
Consumer and all other	57	379	90	—	526
Total	$ 22,339	$ 33,862	$ 15,760	$ 1,776	$ 73,737

Loans acquired are originally recorded at fair value, with certain loans being identified as impaired at the date of purchase. The fair values were determined based on the credit quality of the portfolio, expected future cash flows, and timing of those expected future cash flows.

The following shows changes in the accretable yield for loans accounted for under ASC 310-30,*Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality,* for the periods presented (dollars in thousands):

	For the year ended December 31,	
	2016	2015
Balance at beginning of period	$ 22,139	$ 28,956
Accretion	(5,611)	(6,084)
Reclass of nonaccretable difference due to improvement in expected cash flows	5,089	3,886
Other, net [(1)]	(1,878)	(4,619)
Balance at end of period	$ 19,739	$ 22,139

[(1)] *This line item represents changes in the cash flows expected to be collected due to the impact of non-credit changes such as prepayment assumptions, changes in interest rates on variable rate PCI loans, and discounted payoffs that occurred in the year.*

The carrying value of the Company's PCI loan portfolio, accounted for under ASC 310-30, totaled$59.3 million at December 31, 2016 and $73.7 million at December 31, 2015. The outstanding balance of the Company's PCI loan portfolio totaled$73.6 million at December 31, 2016 and $90.3 million at December 31, 2015. The carrying value of the Company's acquired performing loan portfolio, accounted for under ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, totaled $1.1 billion and $1.4 billion at December 31, 2016 and 2015, respectively; the remaining discount on these loans totaled$16.9 million and $20.8 million, respectively.

5. PREMISES AND EQUIPMENT

The Company's premises and equipment as of December 31, 2016 and 2015 are as follows (dollars in thousands):

	2016	2015
Land	**$ 29,708**	$ 29,839
Land improvements and buildings	**97,341**	96,943
Leasehold improvements	**8,760**	8,313
Furniture and equipment	**54,188**	49,914
Construction in progress	**8,827**	9,030
Total	**198,824**	194,039
Less accumulated depreciation and amortization	**76,797**	68,011
Bank premises and equipment, net	**$ 122,027**	$ 126,028

Depreciation expense for the years ended December 31,2016, 2015, and 2014 was $10.2 million, $10.8 million, and $10.7 million, respectively. Future minimum rental payments required under non-cancelable operating leases for premises that have initial or remaining terms in excess of one year as of December 31, 2016 are as follows for the years ending (dollars in thousands):

2017	**$ 6,418**
2018	**6,037**
2019	**5,197**
2020	**4,345**
2021	**3,959**
Thereafter	**7,080**
Total of future payments	**$ 33,036**

The leases contain options to extend for periods up to20 years. Rental expense for the years ended December 31, 2016, 2015, and 2014 totaled $7.1 million, $7.8 million, and $8.1 million, respectively.

6. INTANGIBLE ASSETS

The Company's intangible assets consist of core deposits, goodwill, and other intangibles arising from previous and current acquisitions. The Company has determined that core deposit intangibles have finite lives and amortizes them over their estimated useful lives. Core deposit intangible assets are being amortized over the period of expected benefit, which ranges from 4 to 14 years , using an accelerated method. On January 1, 2014, the Company completed the acquisition of StellarOne and acquired intangible assets of $29.6 million and recorded $234.1 million of goodwill. On May 31, 2016, the Company completed the acquisition of ODCM and recorded goodwill of $4.7 million and other amortizable intangible assets of $4.5 million. The Company is amortizing these intangible assets over the period of expected benefit, which ranges from 5 to 10 years using a straight-line method.

In accordance with ASC 350, *Intangibles-Goodwill and Other,* the Company reviews the carrying value of indefinite lived intangible assets at least annually or more frequently if certain impairment indicators exist. The Company performed its annual impairment testing in the second quarter of 2016 and determined that there wasno impairment to its goodwill or intangible assets.

Information concerning intangible assets with a finite life is presented in the following table (dollars in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
December 31, 2016			
Amortizable core deposit intangibles	**$ 68,367**	**$ 51,987**	**$ 16,380**
Other amortizable intangibles	**4,502**	**280**	**4,222**
December 31, 2015			
Amortizable core deposit intangibles	$ 76,185	$ 52,875	$ 23,310

Amortization expense of core deposit intangibles for the years endedDecember 31, 2016, 2015, and 2014 totaled $6.9 million, $8.4 million, and $9.8 million, respectively. Amortization expense of other intangibles at December 31, 2016 was $280,000. There was no amortization expense of other intangibles for the years ended December 31, 2015 and 2014. As of December 31, 2016, the estimated remaining amortization expense of intangibles is as follows (dollars in thousands):

2017	**$ 6,070**
2018	**4,625**
2019	**3,573**
2020	**2,509**
2021	**1,481**
Thereafter	**2,344**
Total estimated amortization expense	**$ 20,602**

7. DEPOSITS

The major types of interest-bearing deposits are as follows for the years ended December 31, (dollars in thousands):

	2016	2015
Interest-bearing deposits:		
NOW accounts	**$ 1,765,956**	$ 1,521,906
Money market accounts	**1,435,591**	1,312,612
Savings accounts	**591,742**	572,800
Time deposits of $250,000 and over	**189,647**	183,520
Other time deposits	**1,002,928**	1,000,161
Total interest-bearing deposits	**$ 4,985,864**	$ 4,590,999

As of December 31, 2016, the scheduled maturities of time deposits are as follows for the years ended December 31, (dollars in thousands):

2017	**$ 463,884**
2018	**381,063**
2019	**159,011**
2020	**141,145**
2021	**47,472**
Total scheduled maturities of time deposits	**$ 1,192,575**

The amount of time deposits held in CDARS accounts was$1.0 million and $4.9 million as of December 31, 2016 and 2015, respectively. These deposits had a maturity of less than one year.

The Company classifies deposit overdrafts as loans held for investment within the "Consumer and all other" category. As of bothDecember 31, 2016 and 2015, these deposits totaled $1.2 million.

8. BORROWINGS

Short-term Borrowings

The Company classifies all borrowings that will mature within a year from the date on which the Company enters into them as short-term borrowings. Total short-term borrowings consist primarily of advances from the FHLB, federal funds purchased (which are secured overnight borrowings from other financial institutions), and other lines of credit. Also included in total short-term borrowings are securities sold under agreements to repurchase, which are secured transactions with customers and generally mature the day following the date sold. Total short-term borrowings consist of the following as of December 31, 2016 and 2015 (dollars in thousands):

	2016	2015
Securities sold under agreements to repurchase	**$ 59,281**	**$ 84,977**
Other short-term borrowings	**517,500**	**304,000**
Total short-term borrowings	**$ 576,781**	**$ 388,977**
Maximum month-end outstanding balance	**$ 678,262**	**$ 445,761**
Average outstanding balance during the period	**590,074**	**379,783**
Average interest rate during the period	**0.49%**	**0.25%**
Average interest rate at end of period	**0.60%**	**0.27%**
Other short-term borrowings:		
FHLB	**$ 517,500**	**$ 304,000**
Other lines of credit	**—**	**—**

The Bank maintains federal funds lines with several correspondent banks; the remaining available balance was $175.0 million at both December 31, 2016 and 2015. The Company maintains an alternate line of credit at a correspondent bank; the available balance was $25.0 million at both December 31, 2016 and 2015. The Company has certain restrictive covenants related to certain asset quality, capital, and profitability metrics associated with these lines and is considered to be in compliance with these covenants. Additionally, the Company had a collateral dependent line of credit with the FHLB of up to $2.4 billion and $1.5 billion at December 31, 2016 and 2015, respectively.

Long-term Borrowings

In connection with two bank acquisitions prior to 2006, the Company issued trust preferred capital notes to fund the cash portion of those acquisitions, collectively totaling $58.5 million. In connection with the acquisition of StellarOne, the Company acquired trust preferred capital notes totaling $32.0 million with a remaining fair value discount of $6.7 million at December 31, 2016. The trust preferred capital notes currently qualify for Tier 1 capital of the Company for regulatory purposes.

	Trust Preferred Capital Securities(1)	Investment(1)	Spread to 3-Month LIBOR	Rate	Maturity
Trust Preferred Capital Note - Statutory Trust I	$ 22,500,000	$ 696,000	2.75%	3.75%	6/17/2034
Trust Preferred Capital Note - Statutory Trust II	36,000,000	1,114,000	1.40%	2.40%	6/15/2036
VFG Limited Liability Trust I Indenture	20,000,000	619,000	2.73%	3.73%	3/18/2034
FNB Statutory Trust II Indenture	12,000,000	372,000	3.10%	4.10%	6/26/2033
Total	$ 90,500,000	$ 2,801,000			

(1) *The total of the trust preferred capital securities and investments in the respective trusts represents the principal asset of the Company's junior subordinated debt securities with like maturities and like interest rates to the capital securities. The Company's investment in the trusts is reported in "Other Assets" on the Consolidated Balance Sheets.*

During 2016, the Company issued $150.0 million of fixed-to-floating rate subordinated notes with an initial fixed interest rate of 5.00% through December 15, 2021. The interest rate then changes to a floating rate of LIBOR plus 3.175% through its maturity date in December 2026. At December 31, 2016, the carrying value of the subordinated debt was $150.0 million, with a remaining discount of $2.0 million.

During 2012, the Company modified its fixed rate FHLB advances to floating rate advances, which resulted in reducing the Company's FHLB borrowing costs. In connection with this modification, the Company incurred a prepayment penalty of $19.6 million on the original advances, which is included as a component of long-term borrowings in the Company's Consolidated Balance Sheets. In accordance with ASC 470-50, *Modifications and Extinguishments*, the Company will amortize this prepayment penalty over the term of the modified advances using the effective rate method. The amortization expense is included as a component of interest expense on long-term borrowings in the Company's Consolidated Statements of Income. Amortization expense for the years ended December 31, 2016, 2015, and 2014 was $1.9 million, $1.8 million, and $1.8 million, respectively.

In connection with the StellarOne acquisition, the Company assumed $70.0 million in long-term borrowings with the FHLB of which there is $20.0 million remaining as of December 31, 2016 that had a remaining fair value premium of $559,000.

As of December 31, 2016, the Company had advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate	Maturity Date	Advance Amount
Adjustable Rate Credit	0.44%	1.44%	8/23/2022	$ **55,000**
Adjustable Rate Credit	0.45%	1.45%	11/23/2022	**65,000**
Adjustable Rate Credit	0.45%	1.45%	11/23/2022	**10,000**
Adjustable Rate Credit	0.45%	1.45%	11/23/2022	**10,000**
Fixed Rate	—	3.62%	11/28/2017	**10,000**
Fixed Rate	—	3.75%	7/30/2018	**5,000**
Fixed Rate	—	3.97%	7/30/2018	**5,000**
Fixed Rate Hybrid	—	0.99%	10/19/2018	**30,000**
				$ **190,000**

As of December 31, 2015, the Company had advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate	Maturity Date	Advance Amount
Adjustable Rate Credit	0.44%	1.05%	8/23/2022	$ **55,000**
Adjustable Rate Credit	0.45%	1.07%	11/23/2022	**65,000**
Adjustable Rate Credit	0.45%	1.07%	11/23/2022	**10,000**
Adjustable Rate Credit	0.45%	1.07%	11/23/2022	**10,000**
Fixed Rate	—	3.62%	11/28/2017	**10,000**
Fixed Rate	—	3.75%	7/30/2018	**5,000**
Fixed Rate	—	3.97%	7/30/2018	**5,000**
Fixed Rate Hybrid	—	2.11%	10/5/2016	**25,000**
Fixed Rate Hybrid	—	0.91%	7/25/2016	**15,000**
				$ **200,000**

The carrying value of the loans and securities pledged as collateral for FHLB advances totaled $2.0 billion and $1.9 billion as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, the contractual maturities of long-term debt are as follows for the years ending (dollars in thousands):

	Trust Preferred Capital Notes	Subordinated Debt	FHLB Advances	Premium (Discount)	Prepayment Penalty	Total Long-term Borrowings
2017	$ —	$ —	$ 10,000	$ (30)	$ (1,922)	**$ 8,048**
2018	—	—	40,000	(343)	(1,970)	**37,687**
2019	—	—	—	(486)	(2,018)	**(2,504)**
2020	—	—	—	(501)	(2,074)	**(2,575)**
2021	—	—	—	(516)	(2,119)	**(2,635)**
Thereafter	93,301	150,000	140,000	(6,307)	(1,707)	**375,287**
Total Long-term borrowings	$ 93,301	$ 150,000	$ 190,000	$ (8,183)	$ (11,810)	**$ 413,308**

9. COMMITMENTS AND CONTINGENCIES

Litigation Matters

In the ordinary course of its operations, the Company and its subsidiaries are parties to various legal proceedings. Based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome in such proceedings, in the aggregate, will not have a material adverse effect on the business, the financial condition, or results of operations of the Company.

Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve elements of credit and interest rate risk in excess of the amount recognized on the Company's Consolidated Balance Sheets. The contractual amounts of these instruments reflect the extent of the Company's involvement in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Unless noted otherwise, the Company does not require collateral or other security to support off-balance sheet financial instruments with credit risk. The Company considers credit losses related to off-balance sheet commitments by undergoing a similar process in evaluating losses for loans that are carried on the balance sheet. The Company considers historical loss rates, current economic conditions, risk ratings, and past due status among other factors in the consideration of whether credit losses are inherent in the Company's off-balance sheet commitments to extend credit. The Company does not expect credit losses arising from off-balance sheet commitments to have a material adverse impact on the Company's consolidated financial statements.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of customers to third parties. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The following table presents the balances of commitments as of December 31, (dollars in thousands):

	2016	2015
Commitments with off-balance sheet risk:		
Commitments to extend credit [(1)]	**$ 1,924,885**	$ 1,557,350
Standby letters of credit	**84,212**	139,371
Total commitments with off-balance sheet risk	**$ 2,009,097**	$ 1,696,721

(1) *Includes unfunded overdraft protection.*

The Company must maintain a reserve against its deposits in accordance with Regulation D of the Federal Reserve Act. For the final weekly reporting period in the periods ended December 31, 2016 and 2015, the aggregate amount of daily average required reserves were approximately$54.5 million and $48.7 million, respectively.

As of December 31, 2016, the Company had approximately $50.3 million in deposits in other financial institutions, of which $18.9 million and $14.8 million serve as collateral for the cash flow hedges and loan swaps, respectively, as discussed in Note 10 "Derivatives." The Company had approximately $15.2 million and $14.7 million in deposits in other financial institutions that were uninsured at December 31, 2016 and 2015, respectively. On an annual basis, the Company's management evaluates the loss risk of its uninsured deposits in financial counterparties.

For asset/liability management purposes, the Company uses interest rate swap agreements to hedge various exposures or to modify the interest rate characteristics of various balance sheet accounts. See Note 10 "Derivatives" for additional information.

In the ordinary course of business, the Company records an indemnification reserve relating to mortgage loans previously sold based on historical statistics and loss rates; as of December 31, 2016 and 2015, the Company's indemnification reserve for such mortgage loans was$379,000 and $450,000, respectively.

10. DERIVATIVES

The Company is exposed to economic risks arising from its business operations and uses derivatives primarily to manage risk associated with changing interest rates, and to assist customers with their risk management objectives. The Company designates certain derivatives as hedging instruments in a qualifying hedge accounting relationship (cash flow or fair value hedge). The remaining are classified as free standing derivatives consisting of customer accommodation loan swaps and interest rate lock commitments that do not qualify for hedge accounting.

Cash Flow Hedges

The Company designates derivatives as cash flow hedges when they are used to manage exposure to variability in cash flows related to forecasted transactions on variable rate borrowings such as trust preferred capital notes, FHLB borrowings and prime commercial loans. The Company uses interest rate swap agreements as part of its hedging strategy by exchanging a notional amount, equal to the principal amount of the borrowings, for fixed-rate interest based on benchmarked interest rates.

All swaps were entered into with counterparties that met the Company's credit standards and the agreements contain collateral provisions protecting the at-risk party. The Company believes that the credit risk inherent in the contract is not significant.

The terms and conditions of the interest rate swaps vary and amounts receivable or payable are recognized as accrued under the terms of the agreements. The Company assesses the effectiveness of each hedging relationship on a periodic basis using statistical regression analysis. The Company also measures the ineffectiveness of each hedging relationship using the change in variable cash flows method which compares the cumulative changes in cash flows of the hedging instrument relative to cumulative changes in the hedged item's cash flows. In accordance with ASC 815, *Derivatives and Hedging*, the effective portions of the derivatives' unrealized gains or losses are recorded as a component of other comprehensive income. Based on the Company's assessment its cash flow hedges are highly effective, but to the extent that any ineffectiveness exists in the hedge relationships, the amounts would be recorded in interest income and interest expense on the Company's Consolidated Statements of Income.

On June 13, 2016, the Company terminated three interest rate swaps designated as cash flow hedges prior to their respective maturity dates. The unrealized gain of $1.3 million within Accumulated Other Comprehensive Income will be reclassified into earnings over a 3 year period, the term of the hedged item, using the effective interest method. The estimated net amount of gains expected to be reclassified into earnings within the next twelve months is $382,000.

Fair Value Hedge

Derivatives are designated as fair value hedges when they are used to manage exposure to changes in the fair value of certain financial assets and liabilities, referred to as the hedged items, which fluctuate in value as a result of movements in interest rates. During the normal course of business, the Company enters into interest rate swaps to convert certain long-term fixed-rate loans to floating rates to hedge the Company's exposure to interest rate risk. The Company pays a fixed interest rate to the counterparty and receives a floating rate from the same counterparty calculated on the aggregate notional amount. For the years ended December 31, 2016 and 2015, the aggregate notional amount of the related hedged items was $65.9 million and $61.2 million, respectively, and the fair value of the related hedged items was an unrealized loss of $890,000 and an unrealized gain of $689,000, respectively.

The Company applies hedge accounting in accordance with ASC 815, *Derivatives and Hedging,* and the fair value hedge and the underlying hedged item, attributable to the risk being hedged, are recorded at fair value with unrealized gains and losses being recorded in the Company's Consolidated Statements of Income. Statistical regression analysis is used to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset being hedged due to changes in the hedged risk. The Company's fair value hedges continue to be highly effective and had no material impact on the Consolidated Statements of Income, but if any ineffectiveness exists, portions of the unrealized gains or losses would be recorded in interest income and interest expense on the Company's Consolidated Statements of Income.

Loan Swaps

During the normal course of business, the Company enters into interest rate swap loan relationships ("loan swaps") with borrowers to meet their financing needs. Upon entering into the loan swaps, the Company enters into offsetting positions with a third party in order to minimize interest rate risk. These back-to-back loan swaps qualify as financial derivatives with fair values as reported in "Other Assets" and "Other Liabilities" on the Company's Consolidated Balance Sheets.

Interest Rate Lock Commitments

During the normal course of business, the Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding ("rate lock commitments"). Rate lock commitments on mortgage loans that are intended to be sold in the secondary market are considered to be derivatives. The period of time between issuance of a loan commitment, closing, and sale of the loan generally ranges from 30 to 120 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. The correlation between the rate lock commitments and the best efforts contracts is high due to their similarity.

The market values of rate lock commitments and best efforts forward delivery commitments is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments and best efforts contracts by measuring the change in the value of the underlying asset while taking into consideration the probability that the rate lock commitments will close. The fair value of the rate lock commitments is reported as a component of "Other Assets" on the Company's Consolidated Balance Sheets; the fair value of the Company's best efforts forward delivery commitments is recorded as a component of "Other Liabilities" on the Company's Consolidated Balance Sheets. Any impact to income is recorded in current period earnings as a component of "Mortgage banking income, net" on the Company's Consolidated Statements of Income.

The following table summarizes key elements of the Company's derivative instruments as ofDecember 31, 2016 and 2015, segregated by derivatives that are considered accounting hedges and those that are not (dollars in thousands):

	December 31, 2016				December 31, 2015			
		Derivative (2)				Derivative (2)		
	Notional or Contractual Amount (1)	**Assets**	**Liabilities**	**Collateral Pledged** (3)	Notional or Contractual Amount (1)	Assets	Liabilities	Collateral Pledged (3)
Derivatives designated as accounting hedges:								
Interest rate contracts:								
Cash flow hedges	**$ 188,500**	**$ 211**	**$ 9,619**	**$ 21,938**	$ 263,000	$ 946	$ 10,352	$ 14,449
Fair value hedges	**65,920**	**1,437**	**296**	**—**	61,150	—	888	—
Derivatives not designated as accounting hedges:								
Loan Swaps								
Pay fixed-receive floating interest rate swaps	**373,355**	**—**	**1,005**	**—**	138,969	3,758	—	—
Pay floating-receive fixed interest rate swaps	**373,355**	**1,005**	**—**	**16,033**	138,969	—	3,758	5,983
Other contracts:								
Interest rate lock commitments	**48,743**	**610**	**—**	**—**	50,369	701	—	—
Best efforts forward delivery commitments	**85,400**	**1,469**	**—**	**—**	84,050	370	—	—

(1) *Notional amounts are not recorded on the balance sheet and are generally used only as a basis on which interest and other payments are determined.*
(2) *Balances represent fair value of derivative financial instruments.*
(3) *Collateral pledged is comprised of both cash and securities.*

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) for the year endedDecember 31, 2016 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	**Unrealized Gain for AFS Securities Transferred to HTM**	**Change in Fair Value of Cash Flow Hedges**	**Unrealized Gains (Losses) on BOLI**	**Total**
Balance - December 31, 2015	$ 7,777	$ 4,432	$ (5,957)	$ —	$ 6,252
Other comprehensive income (loss)	(8,186)	—	270	(1,728)	(9,644)
Amounts reclassified from accumulated other comprehensive income	(133)	(1,055)	508	263	(417)
Net current period other comprehensive income (loss)	(8,319)	(1,055)	778	(1,465)	(10,061)
Balance - December 31, 2016	$ (542)	$ 3,377	$ (5,179)	$ (1,465)	$ (3,809)

The change in accumulated other comprehensive income (loss) for the year ended December 31, 2015 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedges	Total
Balance - December 31, 2014	$ 17,439	$ —	$ (5,184)	$ 12,255
Unrealized gain transferred from AFS to HTM	(5,251)	5,251	—	—
Other comprehensive income (loss)	(3,640)	—	(1,394)	(5,034)
Amounts reclassified from accumulated other comprehensive income	(771)	(819)	621	(969)
Net current period other comprehensive income (loss)	(4,411)	(819)	(773)	(6,003)
Balance - December 31, 2015	$ 7,777	$ 4,432	$ (5,957)	$ 6,252

The change in accumulated other comprehensive income (loss) for the year ended December 31, 2014 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	Change in Fair Value of Cash Flow Hedges	Total
Balance - December 31, 2013	$ 1,192	$ (3,382)	$ (2,190)
Other comprehensive income (loss)	17,089	(2,393)	14,696
Amounts reclassified from accumulated other comprehensive income	(842)	591	(251)
Net current period other comprehensive income (loss)	16,247	(1,802)	14,445
Balance - December 31, 2014	$ 17,439	$ (5,184)	$ 12,255

Reclassifications of unrealized gains (losses) on available for sale securities are reported on the Company’s Consolidated Statements of Income as “Gains on securities transactions, net” with the corresponding income tax effect being reflected as a component of income tax expense. The Company reported gains of $205,000 and $1.5 million for the years ended December 31, 2016 and 2015, related to the sale of securities. Excluding the OTTI recovery of $400,000 in the second quarter of 2014, the Company reported gains of $1.3 million for the year ended December 31, 2014, related to the sale of securities. The tax effect of these transactions during the years ended December 31, 2016, 2015, and 2014 were $72,000, $415,000, and $453,000, respectively, which were included as a component of income tax expense. See Note 3 “Securities” for additional information.

During the second quarter of 2015, the Company transferred securities, which it intends and has the ability to hold until maturity, with a fair value of $201.8 million on the date of transfer, from securities available for sale to securities held to maturity. The securities included net pre-tax unrealized gains of $8.1 million at the date of transfer. Reclassifications of the unrealized gains on transferred securities are reported over time as accretion within interest income on the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense. The Company recorded accretion of $1.6 million and $1.3 million for the years ended December 31, 2016 and 2015, respectively. The tax effect of these transactions during the years ended December 31, 2016 and 2015 were $568,000 and $441,000, respectively, which were included as a component of income tax expense.

Reclassifications of the change in fair value of cash flow hedges are reported in interest income and interest expense in the Company’s Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense. The Company reported net interest expense of $782,000, $956,000, and $909,000 for the years ended December 31, 2016, 2015, and 2014, respectively. The tax effect of these transactions during the years ended December 31, 2016, 2015, and 2014 were $274,000, $335,000, and $318,000, respectively, which were included as a component of income tax expense.

Reclassifications of unrealized losses on BOLI are reported in salaries and benefits expense on the Company's Consolidated Statements of Income. The Company reported expenses of $263,000 for the year ended December 31, 2016.

12. REGULATORY MATTERS AND CAPITAL

Capital resources represent funds, earned or obtained, over which financial institutions can exercise greater or longer control in comparison with deposits and borrowed funds. Management seeks to maintain a capital structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses, yet allow management to effectively leverage its capital to maximize return to shareholders. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on financial statements of the Company and the Bank. Under capital adequacy guidelines and the regulatory framework for PCA, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. PCA provisions are not applicable to financial holding companies and bank holding companies, but only to their bank subsidiaries.

As of December 31, 2016, the most recent notification from the Federal Reserve Bank categorized the Bank as “well capitalized” under the regulatory framework for PCA. To be categorized as “well-capitalized,” an institution must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 leverage, and common equity Tier 1 ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the Bank’s category.

The Company and the Bank's capital amounts and ratios are also presented in the following table atDecember 31, 2016 and 2015 (dollars in thousands):

	Actual		Required for Capital Adequacy Purposes		Required in Order to Be Well Capitalized Under PCA	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016						
Common equity Tier 1 capital to risk weighted assets:						
Consolidated	**$ 699,728**	**9.72%**	**$ 324,035**	**4.50%**	**NA**	**NA**
Union Bank & Trust	**901,783**	**12.58%**	**322,531**	**4.50%**	**465,878**	**6.50%**
Tier 1 capital to risk weighted assets:						
Consolidated	**790,228**	**10.97%**	**432,047**	**6.00%**	**NA**	**NA**
Union Bank & Trust	**901,783**	**12.58%**	**430,042**	**6.00%**	**573,389**	**8.00%**
Total capital to risk weighted assets:						
Consolidated	**976,145**	**13.56%**	**576,062**	**8.00%**	**NA**	**NA**
Union Bank & Trust	**939,700**	**13.11%**	**573,390**	**8.00%**	**716,737**	**10.00%**
Tier 1 capital to average adjusted assets:						
Consolidated	**790,228**	**9.87%**	**320,316**	**4.00%**	**NA**	**NA**
Union Bank & Trust	**901,783**	**11.31%**	**319,046**	**4.00%**	**398,807**	**5.00%**
As of December 31, 2015						
Common equity Tier 1 capital to risk weighted assets:						
Consolidated	$ 691,195	10.55%	$ 294,823	4.50%	NA	NA
Union Bank & Trust	751,992	11.52%	293,747	4.50%	424,301	6.50%
Tier 1 capital to risk weighted assets:						
Consolidated	781,695	11.93%	393,141	6.00%	NA	NA
Union Bank & Trust	751,992	11.52%	391,663	6.00%	522,217	8.00%
Total capital to risk weighted assets:						
Consolidated	816,041	12.46%	523,943	8.00%	NA	NA
Union Bank & Trust	786,339	12.05%	522,051	8.00%	652,563	10.00%
Tier 1 capital to average adjusted assets:						
Consolidated	781,695	10.68%	292,770	4.00%	NA	NA
Union Bank & Trust	751,992	10.31%	291,752	4.00%	364,691	5.00%

In July 2013, the FRB issued a final rule that makes technical changes to its market risk capital rules to align them with the Basel III regulatory capital framework and meet certain requirements of the Dodd-Frank Act. The phase-in period for the final rules began on January 1, 2015, with full compliance with the final rules to be phased in by January 1, 2019. Refer to Item 7. – "Management's Discussion and Analysis of Financial Condition and Results of Operations," section "Capital Resources" in this Form 10-K for additional information.

13. FAIR VALUE MEASUREMENTS

The Company follows ASC 820, *Fair Value Measurements and Disclosures*, to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This codification clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions. The three levels of the fair value hierarchy under ASC 820 based on these two types of inputs are as follows:

Level 1	Valuation is based on quoted prices in active markets for identical assets and liabilities.
Level 2	Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the markets.
Level 3	Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. These unobservable inputs reflect the Company’s assumptions about what market participants would use and information that is reasonably available under the circumstances without undue cost and effort.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

Derivative instruments

As discussed in Note 10 “Derivatives,” the Company records derivative instruments at fair value on a recurring basis. The Company utilizes derivative instruments as part of the management of interest rate risk to modify the re-pricing characteristics of certain portions of the Company’s interest-bearing assets and liabilities. The Company has contracted with a third party vendor to provide valuations for derivatives using standard valuation techniques and therefore classifies such valuations as Level 2. Third party valuations are validated by the Company using Bloomberg Valuation Service’s derivative pricing functions. The Company has considered counterparty credit risk in the valuation of its derivative assets and has considered its own credit risk in the valuation of its derivative liabilities.

During the ordinary course of business, the Company enters into interest rate lock commitments related to the origination of mortgage loans held for sale as well as best effort forward delivery commitments to mitigate interest rate risk; these instruments are recorded at estimated fair value based on the value of the underlying loan, which in turn is based on quoted prices for similar loans in the secondary market. However, this value is adjusted by a pull-through rate which considers the likelihood that the loan in a lock position will ultimately close. The pull-through rate is derived from the Company’s internal data and is adjusted using significant management judgment. The pull-through rate is largely dependent on the loan processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. As such, interest rate lock commitments are classified as Level 3. An increase in the pull-through rate utilized in the fair value measurement of the interest rate lock commitment derivative will result in positive fair value adjustments while a decrease in the pull-through rate will result in a negative fair value adjustment. The Company’s weighted average pull-through rate was approximately 80% at both December 31, 2016 and December 31, 2015. As of December 31, 2016, the interest rate lock commitments are recorded as a component of “Other Assets” on the Company’s Consolidated Balance Sheets.

Securities available for sale

Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (Level 3).

The Company’s investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its securities portfolio. The vendor’s primary source for security valuation is Interactive Data Corporation (“IDC”), which evaluates securities based on market data. IDC utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance, and rating to incorporate additional spreads to the industry benchmark curves.

The Company primarily uses Bloomberg Valuation Service, an independent information source that draws on quantitative models and market data contributed from over 4,000 market participants, to validate third party valuations. Any material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of December 31, 2016 and 2015.

The carrying value of restricted Federal Reserve Bank and FHLB stock approximates fair value based on the redemption provisions of each entity and is therefore excluded from the following table.

Loans held for sale

Loans held for sale are carried at fair value. These loans currently consist of residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). Gains and losses on the sale of loans are recorded within the mortgage segment and are reported on a separate line item on the Company's Consolidated Statements of Income.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015 (dollars in thousands):

	Fair Value Measurements at December 31, 2016 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Securities available for sale:				
Obligations of states and political subdivisions	$ —	$ 275,890	$ —	$ 275,890
Corporate and other bonds	—	121,780	—	121,780
Mortgage-backed securities	—	535,286	—	535,286
Other securities	—	13,808	—	13,808
Loans held for sale	—	36,487	—	36,487
Derivatives:				
Interest rate swap	—	1,005	—	1,005
Cash flow hedges	—	211	—	211
Fair value hedge	—	1,437	—	1,437
Interest rate lock commitments	—	—	610	610
Best efforts forward delivery commitments	—	—	1,469	1,469
LIABILITIES				
Derivatives:				
Interest rate swap	$ —	$ 1,005	$ —	$ 1,005
Cash flow hedges	—	9,619	—	9,619
Fair value hedges	—	296	—	296

	Fair Value Measurements at December 31, 2015 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Securities available for sale:				
Obligations of states and political subdivisions	$ —	$ 268,079	$ —	$ 268,079
Corporate and other bonds	—	75,979	—	75,979
Mortgage-backed securities	—	548,171	—	548,171
Other securities	—	11,063	—	11,063
Loans held for sale	—	36,030	—	36,030
Derivatives:				
Interest rate swap	—	3,758	—	3,758
Cash flow hedges	—	946	—	946
Interest rate lock commitments	—	—	701	701
Best efforts forward delivery commitments	—	—	370	370
LIABILITIES				
Derivatives:				
Interest rate swap	$ —	$ 3,758	$ —	$ 3,758
Cash flow hedges	—	10,352	—	10,352
Fair value hedges	—	888	—	888

Certain assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements.

Impaired loans

Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreements will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral dependent loans are reported at the fair value of the underlying collateral if repayment is solely from the underlying value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Company's collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser using observable market data. When evaluating the fair value, management may discount the appraisal further if, based on their understanding of the market conditions, it is determined the collateral is further impaired below the appraised value (Level 3). For the years ended December 31, 2016 and 2015, the Level 3 weighted average discounts management applied to the appraised value of collateral related to impaired loans were 1.5% and 7.0%, respectively. The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Collateral dependent impaired loans allocated to the ALL are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Company's Consolidated Statements of Income.

Other real estate owned

OREO is evaluated for impairment at least quarterly by the Bank's Special Asset Loan Committee and any necessary write downs to fair values are recorded as impairment and included as a component of noninterest expense. Fair values of OREO are carried at fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral, or management's estimation of the value of the collateral. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as Level 3 valuation. For the years ended December 31, 2016 and 2015, the Level 3 weighted averages related to OREO were approximately25.1% and 32.0%, respectively.

Total valuation expenses related to OREO properties for the years endedDecember 31, 2016, 2015, 2014 were $1.0 million, $6.0 million, and $7.6 million, respectively.

The following tables summarize the Company's financial assets that were measured at fair value on a nonrecurring basis atDecember 31, 2016 and 2015 (dollars in thousands):

	Fair Value Measurements at December 31, 2016 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Impaired loans	$ —	$ —	$ 4,344	$ 4,344
Other real estate owned	—	—	10,084	10,084

	Fair Value Measurements at December 31, 2015 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Impaired loans	$ —	$ —	$ 2,214	$ 2,214
Other real estate owned	—	—	15,299	15,299

ASC 825, *Financial Instruments,* requires disclosure about fair value of financial instruments for interim periods and excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Cash and cash equivalents

For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Held to Maturity Securities

The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its securities portfolio. The vendor's primary source for security valuation is IDC, which evaluates securities based on market data. IDC utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance, and rating to incorporate additional spreads to the industry benchmark curves.

The Company primarily uses Bloomberg Valuation Service, an independent information source that draws on quantitative models and market data contributed from over4,000 market participants, to validate third party valuations. Any material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of December 31, 2016.

Loans

The fair value of performing loans is estimated by discounting expected future cash flows using a yield curve that is constructed by adding a loan spread to a market yield curve. Loan spreads are based on spreads currently observed in the market for loans of similar type and structure. Fair value for impaired loans and their respective level within the fair value hierarchy, are described in the previous disclosure related to fair value measurements of assets that are measured on a nonrecurring basis.

Bank owned life insurance

The carrying value of BOLI approximates fair value. The Company records these policies at their cash surrender value, which is estimated using information provided by insurance carriers.

Deposits

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Borrowings

The carrying value of the Company's repurchase agreements is a reasonable estimate of fair value. Other borrowings are discounted using the current yield curve for the same type of borrowing. For borrowings with embedded optionality, a third party source is used to value the instrument. The Company validates all third party valuations for borrowings with optionality using Bloomberg Valuation Service's derivative pricing functions.

Accrued interest

The carrying amounts of accrued interest approximate fair value.

The carrying values and estimated fair values of the Company's financial instruments as ofDecember 31, 2016 and 2015 are as follows (dollars in thousands):

		Fair Value Measurements at December 31, 2016 using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
ASSETS					
Cash and cash equivalents	$ 179,237	$ 179,237	$ —	$ —	$ 179,237
Securities available for sale	946,764	—	946,764	—	946,764
Held to maturity securities	201,526	—	202,315	—	202,315
Restricted stock	60,782	—	60,782	—	60,782
Loans held for sale	36,487	—	36,487	—	36,487
Net loans	6,269,868	—	—	6,265,443	6,265,443
Derivatives:					
Interest rate swap	1,005	—	1,005	—	1,005
Cash flow hedges	211	—	211	—	211
Fair value hedges	1,437	—	1,437	—	1,437
Interest rate lock commitments	610	—	—	610	610
Best efforts forward delivery commitments	1,469	—	—	1,469	1,469
Accrued interest receivable	23,448	—	23,448	—	23,448
Bank owned life insurance	179,318	—	179,318	—	179,318
LIABILITIES					
Deposits	$ 6,379,489	$ —	$ 6,370,457	$ —	$ 6,370,457
Borrowings	990,089	—	970,195	—	970,195
Accrued interest payable	2,230	—	2,230	—	2,230
Derivatives:					
Interest rate swap	1,005	—	1,005	—	1,005
Cash flow hedges	9,619	—	9,619	—	9,619
Fair value hedges	296	—	296	—	296

		Fair Value Measurements at December 31, 2015 using			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	Balance
ASSETS					
Cash and cash equivalents	$ 142,660	$ 142,660	$ —	$ —	$ 142,660
Securities available for sale	903,292	—	903,292	—	903,292
Held to maturity securities	205,374	—	209,437	—	209,437
Restricted stock	51,828	—	51,828	—	51,828
Loans held for sale	36,030	—	36,030	—	36,030
Net loans	5,637,415	—	—	5,671,155	5,671,155
Derivatives:					
Interest rate swap	3,758	—	3,758	—	3,758
Cash flow hedges	946	—	946	—	946
Interest rate lock commitments	701	—	—	701	701
Best efforts forward delivery commitments	370	—	—	370	370
Accrued interest receivable	20,760	—	20,760	—	20,760
Bank owned life insurance	173,687	—	173,687	—	173,687
LIABILITIES					
Deposits	$ 5,963,936	$ —	$ 5,957,484	$ —	$ 5,957,484
Borrowings	680,175	—	659,364	—	659,364
Accrued interest payable	1,578	—	1,578	—	1,578
Derivatives:					
Interest rate swap	3,758	—	3,758	—	3,758
Cash flow hedges	10,352	—	10,352	—	10,352
Fair value hedges	888	—	888	—	888

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company’s financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company’s overall interest rate risk.

14. EMPLOYEE BENEFITS AND STOCK BASED COMPENSATION

The Company has a 401(k) Plan designed to qualify under Section 401 of the Internal Revenue Code of 1986 that allows employees to defer a portion of their salary compensation as savings for retirement. The 401(k) Plan provides for the Company to match employee contributions based on each employee’s elected contribution percentage. For each employee’s 1% through 3% dollar contributions, the Company will match 100% of such dollar contributions, and for each employee’s 4% through 5% dollar contributions, the Company will match 50% of such dollar contributions. All employees are eligible to participate in the 401(k) Plan after meeting minimum age and period of service requirements. The Bank also has an ESOP. All full and part-time employees of the Bank with 1,000 hours of service are eligible to participate in the ESOP. The Company makes discretionary profit sharing contributions into the 401(k) Plan, ESOP, and in cash. Company discretionary contributions to both the 401(k) Plan and the ESOP are allocated to participant accounts in proportion to each participant’s compensation and vest according to the respective plan's vesting schedule. Employee contributions to the ESOP are not allowed.

The following 401(k) match and other discretionary contributions were made to the Company's employees, in accordance with the plans described above, in 2016, 2015, and 2014 (dollars in thousands):

	2016	2015	2014
401(k) Plan	**$ 3,263**	$ 3,120	$ 3,715
ESOP	**1,425**	1,146	3,440
Cash	**1,496**	1,146	983
Total	**$ 6,184**	$ 5,412	$ 8,138

The Company maintains certain deferred compensation arrangements with employees and certain current and former members of the Bank's and StellarOne's Boards of Directors. Under these deferred compensation plans the Company had an obligation of $10.4 million at December 31, 2016 and $9.1 million at December 31, 2015, respectively. The Company owns life insurance policies on plan beneficiaries as an informal funding vehicle to meet future benefit obligations.

The Company's Board of Directors has historically approved an annual short-term cash incentive compensation plan (the Management Incentive Plan, or "MIP") as a means of attracting, rewarding, and retaining the Company's key executives. Each annual MIP, as it may be amended from time to time, is based on both corporate and individual performance measures established annually for each key executive. Performance under these two categories is assessed for each executive to determine the amount of incentive compensation paid each year. Salaries and benefits expense for incentive compensation under the MIP was $2.7 million, $1.2 million, and $898,000 for the years ended December 31, 2016, 2015, and 2014, respectively.

On January 29, 2015, the Company's Board of Directors adopted the Union Bankshares Corporation Stock and Incentive Plan (the "Amended and Restated SIP"), which amends and restates the former equity compensation plan (the "2011 Plan"). The Amended and Restated SIP became effective on April 21, 2015 upon shareholder approval. The Company may grant awards under the amended plan until April 20, 2025. The Amended and Restated SIP amends the 2011 Plan to, among other things, increase the maximum number of shares of the Company's common stock issuable under the plan from 1,000,000 to 2,500,000 and add non-employee directors of the Company and certain subsidiaries, as well as regional advisory boards, as potential participants in the plan. The increase in shares in the Amended and Restated SIP includes shares that had been granted previously under the 2011 Plan. As of December 31, 2016, there were 1,666,637 shares available for future issuance in the Amended and Restated SIP.

The Amended and Restated SIP provides for the granting of stock-based awards to key employees and non-employee directors of the Company and its subsidiaries in the form of: (i) for key employees only, incentive stock options intended to comply with the requirements of Section 422 of the Internal Revenue Code of 1986 ("incentive stock options"); (ii) non-qualified stock options; (iii) restricted stock awards ("RSAs"), (iv) restricted stock units ("RSUs"), (v) stock awards; (vi) performance share units ("PSUs"); and performance cash awards. The Company issues new shares to satisfy stock-based awards. For option awards the option price cannot be less than the fair market value of the stock on the grant date. Stock option awards have a maximum term of ten years from the date of grant. No stock options have been granted since February 2012. RSAs and PSUs typically have vesting schedules over three to four year periods.

For the years ended December 31, 2016, 2015, and 2014, the Company recognized stock-based compensation expense (included in salaries and benefits expense) (dollars in thousands, except per share data) as follows:

	Year Ended December 31,		
	2016	2015	2014
Stock-based compensation expense	**$ 3,270**	$ 1,388	$ 979
Reduction of income tax expense	**1,104**	405	234
Per share compensation cost	**$ 0.05**	$ 0.02	$ 0.02

Stock Options

The following table summarizes the stock option activity during the year ended December 31, 2016:

	Stock Options (shares)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 31, 2015	**298,743**	**$ 16.40**		
Granted	—	—		
Exercised	(88,409)	16.10		
Forfeited	—	—		
Expired	(22,074)	30.12		
Outstanding as of December 31, 2016	**188,260**	**14.94**	**3.67**	**$ 3,915,988**
Exercisable as of December 31, 2016	**170,466**	**15.00**	**3.53**	**3,536,264**

During the year ended December 31, 2016, there were 88,409 stock options exercised with a total intrinsic value (the amount by which the stock price exceeded the exercise price) and fair value of approximately $1.2 million and $2.6 million, respectively. Cash received from the exercise of stock options for the year ended December 31, 2016 was approximately $1.4 million, and the tax benefit realized from tax deductions associated with options exercised during the year was approximately $381,000.

The fair value of all stock options vested during 2016 was approximately $159,000 and the total intrinsic value of all stock options outstanding was $3.9 million as of December 31, 2016.

During the year ended December 31, 2015, there were 60,637 stock options exercised with a total intrinsic value (the amount by which the stock price exceeded the exercise price) and fair value of approximately $544,000 and $1.4 million, respectively. Cash received from the exercise of stock options for the year ended December 31, 2015 was approximately $886,000, and the tax benefit realized from tax deductions associated with options exercised during the year was approximately $178,000.

The fair value of all stock options vested during 2015 was approximately $316,000 and the total intrinsic value of all stock options outstanding was $2.8 million as of December 31, 2015.

During the year ended December 31, 2014, there were 75,282 stock options exercised with a total intrinsic value (the amount by which the stock price exceeded the exercise price) and fair value of approximately $573,000 and $1.8 million, respectively. Cash received from the exercise of stock options for the year ended December 31, 2014 was approximately $1.2 million, and the tax benefit realized from tax deductions associated with options exercised during the year was $187,000.

The fair value of all stock options vested during 2014 was approximately $313,000 and the total intrinsic value of all stock options outstanding was $3.1 million as of December 31, 2014.

Restricted Stock

The Amended and Restated SIP permits the granting of restricted stock awards. Generally, RSAs vest 50% on each of the third and fourth anniversaries from the date of the grant. The value of the restricted stock awards was calculated by multiplying the fair market value of the Company’s common stock on the grant date by the number of shares awarded. Employees have the right to vote the shares and to receive cash or stock dividends for RSAs, if any. Nonvested shares of restricted stock are included in the computation of basic earnings per share.

The following table summarizes the restricted stock activity for the year endedDecember 31, 2016:

	Number of Shares of RSAs	Weighted Average Grant-Date Fair Value
Balance, December 31, 2015	**305,056**	**$ 22.64**
Granted	**137,690**	**23.94**
Net settle for taxes	**(23,123)**	**26.30**
Vested	**(43,618)**	**19.39**
Forfeited	**(4,567)**	**23.05**
Balance, December 31, 2016	**371,438**	**23.70**

<u>*Performance Stock*</u>

PSUs are granted to certain employees at no cost to the recipient and are subject to vesting based on achieving certain performance metrics; the grant of PSUs is subject to approval by the Company's Compensation Committee at its sole discretion. PSUs may be paid in cash or shares of common stock or a combination thereof. Holders of PSUs have no right to vote the shares represented by the units. In 2016, the PSUs awarded were market based awards with the number of PSUs ultimately earned based on the Company's total shareholder return ("TSR") as measured over the performance period.

	Number of Shares of PSUs	Weighted Average Grant-Date Fair Value
Balance, December 31, 2015	**95,742**	**$ 18.51**
Granted	**76,469**	**15.06**
Vested	**—**	**—**
Forfeited	**(29,808)**	**18.23**
Balance, December 31, 2016	**142,403**	**16.72**

During 2016, PSUs were awarded with a market based component based on total shareholder return. The fair value of each PSU granted is estimated on the date of grant using the Monte Carlo simulation lattice model that uses the assumptions noted in the following table.

	2016
Dividend yield(1)	**3.36%**
Expected life in years(2)	**2.85**
Expected volatility(3)	**22.16%**
Risk-free interest rate(4)	**0.83%**

(1) *Calculated as the ratio of the current dividend paid per the stock price on the date of grant.*
(2) *Represents the remaining performance period as of the grant date*
(3) *Based on the historical volatility for the period commensurate with the expected life of the PSUs.*
(4) *Based upon the zero-coupon U.S. Treasury rate commensurate with the expected life of the PSUs on the grant date.*

The estimated unamortized compensation expense, net of estimated forfeitures, related to stock options, restricted stock, and performance stock issued and outstanding as of December 31, 2016 that will be recognized in future periods is as follows (dollars in thousands):

	Stock Options	Restricted Stock	Performance Stock	Total
2017	$ 13	$ 2,353	$ 604	$ 2,970
2018	—	1,919	395	2,314
2019	—	1,164	—	1,164
2020	—	100	—	100
Total	$ 13	$ 5,536	$ 999	$ 6,548

At December 31, 2016, there was $6.5 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the Amended and Restated SIP. The cost is expected to be recognized through 2020.

15. INCOME TAXES

The Company files income tax returns in the U.S., the Commonwealth of Virginia, and other states. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years prior to 2013.

Net deferred tax assets and liabilities consist of the following components as ofDecember 31, 2016 and 2015 (dollars in thousands):

	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 13,017	$ 11,916
Benefit plans	3,898	3,475
Acquisition accounting	11,297	13,888
Stock grants	1,371	1,679
Other real estate owned	3,156	4,589
Securities available for sale	291	105
Prime loan swap	3,147	2,724
Investments in pass through entities	835	1,366
Other	2,408	2,212
Total deferred tax assets	$ 39,420	$ 41,954
Deferred tax liabilities:		
Acquisition accounting	$ 11,645	$ 13,282
Premises and equipment	4,843	4,588
Securities available for sale	1,818	6,861
Other	806	2,429
Total deferred tax liabilities	19,112	27,160
Net deferred tax asset	$ 20,308	$ 14,794

In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of temporary differences, projected future taxable income, and tax planning strategies. At December 31, 2016, management continued to believe that it is not likely that the Company would realize its deferred tax asset related to net operating losses generated at the state level and accordingly maintained a valuation allowance of $2.2 million compared to a valuation allowance of$1.7 million at December 31, 2015. The Bank is not subject to a state income tax in its primary place of business (Virginia). The Company's other subsidiaries are subject to state income taxes and have generated losses for state income tax purposes for which the Company is currently not able to utilize. The primary driver in management's estimate of the recoverability of the state net operating loss is related to the continued state losses of the consolidated group (excluding the Bank). The Company had state net operating loss carryovers of $57.7 million and $46.3 million for the years ended December 31, 2016 and 2015, respectively, which will begin to expire after 2026.

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with applicable ASC 740, *Accounting for Uncertainty in Income Taxes*, regulations.

The provision for income taxes charged to operations for the years ended December 31, 2016, 2015, and 2014 consists of the following (dollars in thousands):

	2016	2015	2014
Current tax expense	**$ 26,535**	$ 24,521	$ 15,481
Deferred tax expense (benefit)	**243**	(1,212)	2,644
Income tax expense	**$ 26,778**	$ 23,309	$ 18,125

The income tax expense differs from the amount of income tax determined by applying the U.S. federal income tax rate to pre-tax income for the years ended December 31, 2016, 2015, and 2014, due to the following (dollars in thousands):

	2016	2015	2014
Computed "expected" tax expense	**$ 36,489**	$ 31,636	$ 24,601
(Decrease) in taxes resulting from:			
Tax-exempt interest income, net	**(6,087)**	(5,865)	(5,181)
Other, net	**(3,624)**	(2,462)	(1,295)
Income tax expense	**$ 26,778**	$ 23,309	$ 18,125

The effective tax rates were 25.7%, 25.8%, and 25.8% for years ended December 31, 2016, 2015, and 2014, respectively. Tax credits totaled approximately $2.0 million, $913,000, and $667,000 for the years ended December 31, 2016, 2015, and 2014, respectively.

16. EARNINGS PER SHARE

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, including the effect of dilutive potential common shares outstanding attributable to stock awards.

There were 178 anti-dilutive stock options for the year endedDecember 31, 2016, compared to 79,315 and 169,670 shares for the years endedDecember 31, 2015 and 2014, respectively, which were excluded from the calculation of diluted EPS.

The following is a reconciliation of the denominators of the basic and diluted EPS computations for the years endedDecember 31, 2016, 2015, and 2014 (in thousands except per share data):

	Net Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
For the Year Ended December 31, 2016			
Basic EPS	**$ 77,476**	**43,784**	**$ 1.77**
Effect of dilutive stock awards	—	**106**	—
Diluted EPS	**$ 77,476**	**43,890**	**$ 1.77**
For the Year Ended December 31, 2015			
Basic EPS	$ 67,079	45,055	$ 1.49
Effect of dilutive stock awards	—	84	—
Diluted EPS	$ 67,079	45,139	$ 1.49
For the Year Ended December 31, 2014			
Basic EPS	$ 52,164	46,036	$ 1.13
Effect of dilutive stock awards	—	95	—
Diluted EPS	$ 52,164	46,131	$ 1.13

17. SEGMENT REPORTING DISCLOSURES

The Company has two reportable segments: a traditional full service community bank segment and a mortgage loan origination business segment. The community bank segment includes one subsidiary bank, which provides loan, deposit, investment, and trust services to retail and commercial customers throughout its 114 retail locations in Virginia. The mortgage segment includes UMG, which provides a variety of mortgage loan products principally in Virginia, North Carolina, Maryland, and the Washington D.C. metro area. These loans are originated and primarily sold in the secondary market through purchase commitments from investors, which serves to mitigate the Company's exposure to interest rate risk.

Profit and loss is measured by net income after taxes including realized gains and losses on the Company's investment portfolio. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Inter-segment transactions are recorded at cost and eliminated as part of the consolidation process.

Both of the Company's reportable segments are service-based. The mortgage segment's business is a primarily fee-based business while the bank segment's is driven principally by net interest income. The bank segment provides a distribution and referral network through its customers for the mortgage loan origination business. The mortgage segment offers a more limited referral network for the bank segment.

The community bank segment provides the mortgage segment with the short-term funds needed to originate mortgage loans through a warehouse line of credit and charges the mortgage banking segment interest. The interest rate on the warehouse line of credit was the three month LIBOR rate plus 0.15% with no floor for the years ended December 31, 2016 and December 31, 2015. During the year ended December 31, 2014, the interest rate on the warehouse line of credit was the three month LIBOR rate plus 1.5% with a floor of 2.0% through May 31, 2014; beginning June 1, 2014, the interest rate was the one month LIBOR rate plus 1.5% with no floor. These transactions are eliminated in the consolidation process.

During 2015, the mortgage segment began originating loans with the intent that they be held for investment purposes. The community bank segment provides the mortgage segment with the long-term funds needed to originate these loans through a long-term funding facility and charges the mortgage segment interest. The interest charged is determined by the community bank segment based on the cost of funds available to the community bank segment for similar durations of the loans being funded by the mortgage segment.

A management fee for operations and administrative support services is charged to all subsidiaries and eliminated in the consolidated totals.

Information about reportable segments and reconciliation of such information to the consolidated financial statements for years ended December 31, 2016, 2015, and 2014 is as follows (dollars in thousands):

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
SEGMENT FINANCIAL INFORMATION

	Community Bank	Mortgage	Eliminations	Consolidated
Year Ended December 31, 2016				
Net interest income	**$ 263,714**	**$ 1,436**	**$ —**	**$ 265,150**
Provision for credit losses	**8,883**	**217**	**—**	**9,100**
Net interest income after provision for credit losses	**254,831**	**1,219**	**—**	**256,050**
Noninterest income	**59,505**	**12,008**	**(606)**	**70,907**
Noninterest expenses	**212,774**	**10,535**	**(606)**	**222,703**
Income before income taxes	**101,562**	**2,692**	**—**	**104,254**
Income tax expense	**25,846**	**932**	**—**	**26,778**
Net income	**$ 75,716**	**$ 1,760**	**$ —**	**$ 77,476**
Total assets	**$ 8,419,625**	**$ 93,581**	**$ (86,413)**	**$ 8,426,793**
Year Ended December 31, 2015				
Net interest income	$ 250,510	$ 1,324	$ —	$ 251,834
Provision for credit losses	9,450	121	—	9,571
Net interest income after provision for credit losses	241,060	1,203	—	242,263
Noninterest income	55,645	10,044	(682)	65,007
Noninterest expenses	205,993	11,571	(682)	216,882
Income (loss) before income taxes	90,712	(324)	—	90,388
Income tax expense (benefit)	23,431	(122)	—	23,309
Net income (loss)	$ 67,281	$ (202)	$ —	$ 67,079
Total assets	$ 7,690,132	$ 57,900	$ (54,741)	$ 7,693,291
Year Ended December 31, 2014				
Net interest income	$ 253,956	$ 1,062	$ —	$ 255,018
Provision for credit losses	7,800	—	—	7,800
Net interest income after provision for credit losses	246,156	1,062	—	247,218
Noninterest income	51,878	10,091	(682)	61,287
Noninterest expenses	222,311	16,587	(682)	238,216
Income (loss) before income taxes	75,723	(5,434)	—	70,289
Income tax expense (benefit)	20,061	(1,936)	—	18,125
Net income (loss)	$ 55,662	$ (3,498)	$ —	$ 52,164
Total assets	$ 7,354,058	$ 51,485	$ (46,900)	$ 7,358,643

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company may have loans issued to its executive officers, directors, and principal stockholders. Pursuant to its policy, such loans are issued on the same terms as those prevailing at the time for comparable loans to unrelated persons and do not involve more than the normal risk of collectability.

19. PARENT COMPANY FINANCIAL INFORMATION

The primary source of funds for the dividends paid by Union Bankshares Corporation (for this note only, the "Parent Company") is dividends received from its subsidiaries. The payments of dividends by the Bank to the Parent Company are subject to certain statutory limitations which contemplate that the current year earnings and earnings retained for the two preceding years may be paid to the Parent Company without regulatory approval. As of December 31, 2016, the aggregate amount of unrestricted funds that could be transferred from the Bank to the Parent Company without prior regulatory approval totaled approximately $37.1 million, or 3.71%, of the consolidated net assets.

Financial information for the Parent Company is as follows:

PARENT COMPANY
CONDENSED BALANCE SHEETS
AS OF DECEMBER 31, 2016 and 2015
(Dollars in thousands)

	2016	2015
ASSETS		
Cash	**$ 10,681**	$ 10,386
Premises and equipment, net	**11,470**	11,875
Other assets	**10,864**	8,462
Investment in subsidiaries	**1,213,484**	1,067,611
Total assets	**$ 1,246,499**	$ 1,098,334
LIABILITIES AND STOCKHOLDERS' EQUITY		
Long-term borrowings	**148,000**	7,500
Trust preferred capital notes	**86,559**	86,312
Other liabilities	**10,908**	9,155
Total liabilities	**245,467**	102,967
Total stockholders' equity	**1,001,032**	995,367
Total liabilities and stockholders' equity	**$ 1,246,499**	$ 1,098,334

PARENT COMPANY
CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016, 2015, and 2014
(Dollars in thousands)

	2016	2015	2014
Income:			
Interest and dividend income	**$ 23**	$ 8	$ 5
Dividends received from subsidiaries	**51,439**	51,496	75,470
Equity in (distributed) undistributed net income from subsidiaries	**31,984**	20,800	(15,909)
Other operating income	**1,314**	1,228	1,393
Total income	**84,760**	73,532	60,959
Expenses:			
Interest expense	**5,656**	4,697	4,581
Occupancy expenses	**549**	556	573
Furniture and equipment expenses	**18**	9	20
Other operating expenses	**1,061**	1,191	3,621
Total expenses	**7,284**	6,453	8,795
Net income	**$ 77,476**	$ 67,079	$ 52,164
Comprehensive income	**$ 67,415**	$ 61,076	$ 66,609

PARENT COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016, 2015, and 2014
(Dollars in thousands)

	2016	2015	2014
Operating activities:			
Net income	**$ 77,476**	$ 67,079	$ 52,164
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in distributed (undistributed) net income of subsidiaries	**(31,984)**	(20,800)	15,909
Depreciation of premises and equipment	**438**	435	464
Acquisition accounting amortization, net	**247**	235	224
Issuance of common stock grants for services	**533**	564	713
Net (increase) decrease in other assets	**(2,402)**	902	2,964
Net (decrease) increase in other liabilities	**5,533**	6,124	(7,286)
Net cash and cash equivalents provided by operating activities	**49,841**	54,539	65,152
Investing activities:			
Net decrease (increase) in premises and equipment	**(33)**	(35)	863
Payments for equity method investment	**—**	(355)	(60)
Payments for investments in and advances to subsidiaries	**(125,000)**	—	—
Repayment of investments in and advances to subsidiaries	**540**	—	—
Cash received in acquisitions	**—**	—	4,735
Net cash and cash equivalents provided by (used in) investing activities	**(124,493)**	(390)	5,538
Financing activities:			
Advances (repayments) of short-term borrowings	**—**	(8,000)	8,000
Repayments of long-term borrowings	**(7,500)**	(625)	(625)
Proceeds from issuance of long-term borrowings	**148,000**	—	—
Cash dividends paid	**(33,672)**	(29,082)	(25,494)
Net Issuance (repurchase) of common stock	**(31,881)**	(15,748)	(52,971)
Net cash and cash equivalents provided by (used in) financing activities	**74,947**	(53,455)	(71,090)
Net increase (decrease) in cash and cash equivalents	**295**	694	(400)
Cash and cash equivalents at beginning of the period	**10,386**	9,692	10,092
Cash and cash equivalents at end of the period	**$ 10,681**	$ 10,386	$ 9,692
Supplemental schedule of noncash investing and financing activities			
Issuance of common stock in exchange for net assets in acquisition	$ —	$ —	$ 549,523
Transactions related to bank acquisition			
Assets acquired	—	—	2,957,521
Liabilities assumed	—	—	2,642,120

ITEM 9. - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. - CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. The Company maintains "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 using the criteria set forth in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013 framework). Based on the assessment using those criteria, management concluded that the internal control over financial reporting was effective on December 31, 2016.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, the independent registered public accounting firm which also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. Ernst & Young's attestation report on the Company's internal control over financial reporting is included in Item 8 "Financial Statements and Supplementary Data" of this Form 10-K.

Changes in Internal Control over Financial Reporting. There was no change in the internal control over financial reporting that occurred during the year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

ITEM 9B. - OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding directors, the Company’s audit committee and the audit committee financial expert is incorporated by reference from the Company’s definitive proxy statement for the Company’s 2017 Annual Meeting of Shareholders to be held May 2, 2017 (“Proxy Statement”), under the captions “Election of Six Class III Directors – Proposal 1,” “Election of One Class II Director – Proposal 2”, “Information About Directors Whose Terms Do Not Expire This Year” and “Corporate Governance, Board Leadership, and Board Diversity.” The executive officers of the Company, and their respective titles and principal occupations, are listed below:

Name (Age)	Title and Principal Occupation During at Least the Past Five Years
John C. Asbury (51)	Chief Executive Officer of the Company since January 2017 and President since October 2016; President and Chief Executive Officer of Union Bank & Trust since October 2016; President and Chief Executive Officer of First National Bank of Santa Fe from February 2015 until August 2016; prior to that, Senior Executive Vice President and Head of the Business Services Group at Regions Bank from May 2010 until July 2014; also served as a Senior Vice President at Bank of America in a variety of roles; received his B.S. degree in Business from Virginia Tech and his M.B.A. from The College of William & Mary.
G. William Beale (67)	Chief Executive Officer of the Company from February 2010 until January 2017 and President of the Company from October 2013 until January 2017; President and Chief Executive Officer of the Company from its inception in 1993 to February 2010; Chief Executive Officer of Union Bank & Trust, the Company’s wholly owned bank subsidiary, from February 2010 to October 2016 and President of Union Bank & Trust from January 2016 to October 2016; President and Chief Executive Officer of Union Bank and Trust Company, a predecessor of Union Bank & Trust, from 1991 to 2004.
Robert M. Gorman (58)	Executive Vice President and Chief Financial Officer of the Company since joining the Company in July 2012; Senior Vice President and Director of Corporate Support Services in 2011, and Senior Vice President and Strategic Financial Officer of SunTrust Banks, Inc., from 2002 to 2011; serves as a member of the Board of Directors of the Company's affiliate, Old Dominion Capital Management, Inc.
D. Anthony Peay (57)	Executive Vice President of the Company since 2003; Chief Banking Officer of Union Bank & Trust since April 2012; Chief Financial Officer of the Company from 1994 to June 2012.
Elizabeth M. Bentley (56)	Executive Vice President of the Company since 2007; Chief Retail Officer of Union Bank & Trust since 2007; Senior Vice President of Union Bank & Trust from 2005 to 2007; Vice President of Union Bank & Trust from 2002 to 2005; joined the Company in 1998 as an Assistant Vice President.
David G. Bilko (58)	Executive Vice President and Chief Risk Officer of the Company since joining the Company in January 2014; Chief Risk Officer of StellarOne Corporation from January 2012 to January 2014; Chief Audit Officer of StellarOne Corporation from June 2011 to January 2012; Corporate Operational Risk Officer of SunTrust Banks, Inc. from May 2010 to May 2011; Chief Audit Executive of SunTrust Banks, Inc. from November 2005 to April 2010; various positions with SunTrust Banks, Inc. since 1987; serves as a member of the Board of Directors of the Company's affiliate, Old Dominion Capital Management, Inc.
M. Dean Brown (52)	Executive Vice President and Chief Information Officer & Head of Bank Operations since joining the Company in February 2015; Chief Information and Back Office Operations Officer of Intersections Inc. from 2012 to 2014; Chief Information Officer of Advance America from 2009 to 2012; Senior Vice President and General Manager of Revolution Money from 2007 to 2008; Executive Vice President, Chief Information Officer and Chief Operating Officer from 2006 to 2007, and Executive Vice President and Chief Information Officer from 2005 to 2007, of Upromise LLC.

Name (Age)	Title and Principal Occupation During at Least the Past Five Years
Jeffrey W. Farrar (56)	Executive Vice President and Director of Wealth Management, Mortgage & Insurance of the Company since January 2014; Executive Vice President and Chief Financial Officer of StellarOne Corporation from January 2002 to January 2014; Executive Vice President and Chief Financial Officer of Virginia Commonwealth Financial Corporation and its predecessor, Second National Financial Corporation since 1996; serves as Chairman of the Boards of Directors of the Company's affiliates, Union Mortgage Group, Inc. and Old Dominion Capital Management, Inc.
Loreen A. Lagatta (48)	Executive Vice President and Chief Human Resources Officer of the Company since 2015; Senior Vice President and Director of Human Resources of Union Bank & Trust from 2011 to 2015; Director of Human Resources of Capital One Financial Corporation from June 2008 to October 2011; Vice President, Compensation – Brokerage Division of Wells Fargo Securities (formerly, Wachovia Corporation) from 2006 to June 2008; Vice President, Senior HR Business Partner – Alternative Investments of Citigroup Inc. from 2000 to 2006, and various positions with Citigroup, Inc. since 1991.

Information on Section 16(a) beneficial ownership reporting compliance for the directors and executive officers of the Company is incorporated by reference from the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

The Company has adopted a *Code of Business Conduct and Ethics* applicable to all employees and directors. The Company has also adopted a *Code of Ethics for Senior Financial Officers and Directors,* which is applicable to directors and senior officers who have financial responsibilities. Both of these codes may be found at *http://investors.bankatunion.com*. In addition, a copy of either of the codes may be obtained without charge by written request to the Company's Corporate Secretary.

ITEM 11. - EXECUTIVE COMPENSATION.

This information is incorporated by reference from the Proxy Statement under the captions "Corporate Governance, Board Leadership, and Board Diversity," "Named Executive Officers," "Compensation Discussion and Analysis," "Report of the Compensation Committee," "Ownership of Company Common Stock," "Executive Compensation," and "Director Compensation."

ITEM 12. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Other than as set forth below, this information is incorporated by reference from the Proxy Statement under the caption "Ownership of Company Common Stock" and from Note 14 "Employee Benefits and Stock Based Compensation" contained in the "Notes to the Consolidated Financial Statements" contained in Item 8 of this Form 10-K.

The following table summarizes information relating to the Company's equity compensation plans, pursuant to which grants of options to acquire shares of common stock may be awarded from time to time, as of December 31, 2016:

	Number of securities to be issued upon exercise of outstanding warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders	188,260	$ 14.94	1,666,637
Total	188,260	$ 14.94	1,666,637

ITEM 13. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

This information is incorporated by reference from the Proxy Statement under the captions “Corporate Governance, Board Leadership, and Board Diversity” and “Interest of Directors and Officers in Certain Transactions.”

ITEM 14. - PRINCIPAL ACCOUNTING FEES AND SERVICES.

This information is incorporated by reference from the Proxy Statement under the caption “Principal Accounting Fees.”

PART IV

ITEM 15. - EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this report:

(a)(1) Financial Statements

The following consolidated financial statements and reports of independent registered public accountants of the Company are in Part II, Item 8:

- Reports of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets - December 31, 2016 and 2015;
- Consolidated Statements of Income - Years ended December 31, 2016, 2015, and 2014;
- Consolidated Statements of Comprehensive Income Years ended December 31, 2016, 2015, and 2014;
- Consolidated Statements of Changes in Stockholder's Equity - Years ended December 31, 2016, 2015, and 2014;
- Consolidated Statements of Cash Flows - Years ended December 31, 2016, 2015, and 2014; and
- Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

All schedules are omitted since they are not required, are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

The following exhibits are filed as part of this Form 10-K and this list includes the Exhibit Index.

Exhibit No.	Description
2.01	Agreement and Plan of Reorganization, dated as of June 9, 2013, between Union First Market Bankshares Corporation and StellarOne Corporation (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed on June 12, 2013)
3.01	Articles of Incorporation of Union Bankshares Corporation, as amended April 25, 2014 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on April 29, 2014)
3.02	Bylaws of Union Bankshares Corporation, as amended January 21, 2017.
4.01	Subordinated Indenture, dated as of December 5, 2016, between Union Bankshares Corporation and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on December 5, 2016)
4.02	First Supplemental Indenture, dated as of December 5, 2016, between Union Bankshares Corporation and U.S. Bank National Association as Trustee (incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on December 5, 2016)
4.03	Form of 5.00% Fixed-to-Floating Rate Subordinated Note due 2016 (included as Exhibit A in Exhibit 4.2 filed with, and incorporated herein by reference, to the Company’s Current Report on Form 8-K filed December 5, 2016)
	Certain instruments relating to trust preferred securities not being registered have been omitted in accordance with Item 601(b)(4)(iii) of Regulation S-K. The registrant will furnish a copy of any such instrument to the Securities and Exchange Commission upon its request.

10.01	Amended and Restated Management Continuity Agreement between Union Bankshares Corporation and G. William Beale, dated November 21, 2000 (incorporated by reference to Exhibit 10.01 to Annual Report on Form 10-K filed on March 16, 2009)
10.02	Amended and Restated Employment Agreement by and between Union Bankshares Corporation and G. William Beale, dated May 1, 2006 (incorporated by reference to Exhibit 10.02 to Annual Report on Form 10-K filed on March 16, 2009)
10.03	Amended and Restated Management Continuity Agreement between Union Bankshares Corporation and D. Anthony Peay, dated November 21, 2000 (incorporated by reference to Exhibit 10.03 to Annual Report on Form 10-K filed on March 16, 2009)
10.04	Letter Agreement, dated September 28, 2015, between Union Bankshares Corporation and John C. Neal (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on October 1, 2015)
10.05	Amended and Restated Management Continuity Agreement of John C. Neal (incorporated by reference to Exhibit 10.04 to Annual Report on Form 10-K filed on March 16, 2009)
10.06	Amended and Restated Employment Agreement of John C. Neal (incorporated by reference to Exhibit 10.04 to Annual Report on Form 10-K filed on March 16, 2009)
10.07	Amended and Restated Employment Agreement by and between Union Bankshares Corporation and D. Anthony Peay, dated December 31, 2008 (incorporated by reference to Exhibit 10.09 to Annual Report on Form 10-K filed on March 16, 2009)
10.08	Amended and Restated Employment Agreement by and between Union First Market Bankshares Corporation and Elizabeth M. Bentley, dated October 24, 2011 (incorporated by reference to Exhibit 99.2 to Current Report on Form 8-K filed on October 25, 2011)
10.09	Management Continuity Agreement by and between Union First Market Bankshares Corporation and Elizabeth M. Bentley, dated October 24, 2011 (incorporated by reference to Exhibit 99.3 to Current Report on Form 8-K filed on October 25, 2011)
10.10	Amended and Restated Management Continuity Agreement between Union First Market Bankshares Corporation and Robert M. Gorman, dated July 17, 2012 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on December 11, 2012)
10.11	Employment Agreement by and between Union First Market Bankshares and Robert M. Gorman, dated July 17, 2012 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on July 20, 2012)
10.12	Management Continuity Agreement of M. Dean Brown (incorporated by Reference to Exhibit 10.12 to Annual Report on Form 10-K filed February 25, 2016)
10.13	Union Bankshares Corporation 2003 Stock Incentive Plan (incorporated by reference to Exhibit 99.0 to Form S-8 Registration Statement filed on March 3, 2004; SEC file no. 333-113839)
10.14	Union Bankshares Corporation Stock and Incentive Plan (as amended and restated effective April 21, 2015) (incorporated by reference to Exhibit 99.1 to Form S-8 Registration Statement filed April 23, 2015; SEC file no. 333-203580)
10.15	1995 Supplemental Compensation Agreement between Union Bank and Trust Company and G. William Beale, as amended, dated October 20, 2014 (incorporated by reference to Exhibit 10.14 to Annual Report on Form 10-K filed on February 27, 2015)
10.16	1995 Supplemental Compensation Agreement between Union Bank and Trust Company and Daniel I. Hansen, as amended, dated July 18, 1995 (incorporated by reference to Exhibit 10.15 to Annual Report on Form 10-K filed on February 27, 2015)
10.17	Supplemental Compensation Agreement between Union Bank & Trust and Ronald L. Hicks (incorporated by reference to Exhibit 10.16 to Annual Report on Form 10-K filed on February 27, 2015)
10.18	Restated Virginia Bankers Association Non-Qualified Deferred Compensation Plan for Executives of Union Bankshares Corporation, as restated effective January 1, 2008 (incorporated by reference to Exhibit 10.17 to Annual Report on Form 10-K filed on February 27, 2015)
10.19	Restated Virginia Bankers Association Non-Qualified Deferred Compensation Plan for Directors of Union Bankshares Corporation, as restated effective January 1, 2008 (incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K filed on February 27, 2015)
10.20	Registration Rights Agreement, dated February 1, 2010, by and among Union Bankshares Corporation and the shareholders of First Market Bank, FSB (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on February 5, 2010)

10.21	Stock Purchase Agreement, dated as of March 7, 2013, by and between Union Bankshares Corporation and Markel Corporation (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on March 8, 2013)
10.22	Form of Time-Based Restricted Stock Agreement under Union Bankshares Corporation Stock and Incentive Plan (incorporated by reference to Exhibit 10.23 to Current Report on Form 8-K filed on April 27, 2015)
10.23	Form of Performance Share Unit Agreement under Union Bankshares Corporation Stock and Incentive Plan (incorporated by reference to Exhibit 10.24 to Current Report on Form 8-K filed on April 27, 2015)
10.24	Union Bankshares Corporation Executive Severance Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on December 16, 2015)
10.25	Employment Agreement by and between Union Bankshares Corporation and John C. Asbury, dated August 23, 2016 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on August 24, 2016).
10.26	Management Continuity Agreement by and between Union Bankshares Corporation and John C. Asbury, dated August 23, 2016 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K on August 24, 2016).
10.27	Transition Agreement by and between Union Bankshares Corporation and G. William Beale, dated August 23, 2016 (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on August 24, 2016).
10.28	Change of Control Waiver between Union Bankshares Corporation and David G. Bilko, dated August 14, 2013 and Change of Control Agreement between StellarOne Corporation and David G. Bilko, dated June 23, 2011
10.29	Schedule of Union Bankshares Corporation Non-Employee Directors' Annual Compensation
10.30	Management Incentive Plan
11.01	Statement re: Computation of Per Share Earnings (incorporated by reference to Note 16 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K)
12.01	Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends
21.01	Subsidiaries of Union Bankshares Corporation
23.01	Consent of Ernst & Young LLP
23.02	Consent of Yount, Hyde & Barbour, P.C.
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.00	Interactive data filed pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2016 and 2015, (ii) the Consolidated Statements of Income for the years ended December 31, 2016, 2015, and 2014, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015, and 2014, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2016, 2015, and 2014, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015, and 2014 and (vi) the Notes to the Consolidated Financial Statements.

ITEM 16. - FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Union Bankshares Corporation

By:	/s/ John C. Asbury	Date: February 28, 2017
	John C. Asbury	
	President and Chief Executive Officer	

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 28, 2017.

Signature	Title
/s/ L. Bradford Armstrong L. Bradford Armstrong	Director
/s/ John C. Asbury John C. Asbury	President and Chief Executive Officer (principal executive officer)
/s/ G. William Beale G. William Beale	Executive Vice Chairman of the Board of Directors
/s/ Glen C. Combs Glen C. Combs	Director
/s/ Beverley E. Dalton Beverley E. Dalton	Director
/s/ Gregory L. Fisher Gregory L. Fisher	Director
/s/ Robert M. Gorman Robert M. Gorman	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)
/s/ Daniel I. Hansen Daniel I. Hansen	Director
/s/ Jan S. Hoover Jan S. Hoover	Director
/s/ Patrick J. McCann Patrick J. McCann	Director
/s/ W. Tayloe Murphy, Jr. W. Tayloe Murphy, Jr.	Director
/s/ Alan W. Myers Alan W. Myers	Director

Signature	Title
/s/ Thomas P. Rohman Thomas P. Rohman	Director
/s/ Linda V. Schreiner Linda V. Schreiner	Director
/s/ Raymond L. Slaughter Raymond L. Slaughter	Director
/s/ Raymond D. Smoot, Jr. Raymond D. Smoot, Jr.	Chairman of the Board of Directors
/s/ Charles W. Steger Charles W. Steger	Director
/s/ Ronald L. Tillett Ronald L. Tillett	Vice Chairman of the Board of Directors
/s/ Keith L. Wampler Keith L. Wampler	Director

Exhibit 3.02

BYLAWS

OF

UNION BANKSHARES CORPORATION

Effective as of January 1, 2017

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ARTICLE IV
OFFICERS

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ARTICLE I
MEETINGS OF SHAREHOLDERS

Section 1. Places of Meetings. All meetings of the shareholders shall be held either at the principal office of the Corporation or at such other place as may be stated in the notice of any such meeting.

Section 2. Annual Meeting. The annual meeting of the shareholders of the Corporation shall be held at a time and place to be determined by the Chairman or Vice Chairman of the Board, if any, the Chief Executive Officer (sometimes hereinafter the "CEO"), the President, the Board of Directors or the Board's Executive Committee, which time and place shall be stated in the notice of the annual meeting.

Section 3. Special Meetings. Except as otherwise specifically provided by law, any special meeting of the shareholders shall be held only upon the call of the Chairman or Vice Chairman of the Board, if any, the CEO, the President, the Board of Directors or the Board's Executive Committee.

Section 4. Notice of Shareholder business. Except as otherwise provided by law, at any annual or special meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting in accordance with this Section.

(a) In order to be properly brought before the meeting, such business must have been either (i) specified in the written notice of the meeting (or any supplement thereto) given the shareholders of record on the record date of such meeting by or at the direction of the Board of Directors, (ii) brought before the meeting at the direction of the Board of Directors or the officer presiding over the meeting, (iii) specified in written notice given by or on behalf of a shareholder of record on the record date for such meeting entitled to vote thereat or a duly authorized proxy for such shareholder, in accordance with all the following requirements.

(b) A notice referred to in clause 4(a)(iii) hereof must be delivered personally to, or mailed to and received at, the principal executive office of the Corporation, addressed to the attention of the Secretary, not more than ten (10) days after the date of the initial notice referred to in clause 4(a)(i) hereof, in the case of business to be brought before a special meeting of shareholders, and not less than thirty (30) days prior to the first anniversary date of the initial notice referred to in clause 4(a)(i) above of the previous year's annual meeting, in the case of business to be brought before an annual meeting of shareholders, provided, however, that such notice shall not be required to be given more than ninety (90) days prior to the annual meeting of shareholders. Such notice referred to in clause 4(a)(iii) above shall set forth:

(1) a full description of each such item of business proposed to be brought before the meeting including the complete text of any resolution to be presented, the reasons for wanting to conduct such business, and any material interest of the shareholder in such business;

(2) the name and address as they appear on the Corporation's books of the shareholder proposing to bring such business before the meeting;

(3) the class and number of shares held of record, held beneficially and represented by proxy by such person as of the record date for the meeting (if such date has then been made publicly available) and as of the date of such notice;

(4) if any item of such business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the Securities and Exchange Commission under Regulation 14A and pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, or any successors thereto, and the written consent of each such nominee to serve if elected; and

(5) all other information that would be required to be filed with the Securities and Exchange Commission if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Regulation 14A under Section 14 of the Securities Exchange Act of 1934, as amended, or any successors thereto.

(c) Any matter brought before a meeting of shareholders upon the affirmative recommendation of the Board of Directors where such matter is included in the written notice of the meeting (or any supplement thereto) and accompanying proxy statement given to shareholders of record on the record date for such meeting by or at the direction of the Board of Directors is deemed to be properly before the shareholders for a vote and does not need to be moved or seconded from the floor of such meeting. No business shall be brought before any meeting of shareholders of the Corporation otherwise than as provided in this Section 4.

Section 5. Notice of Meeting. Written notice stating the place, date, and time of each annual and any special meeting of the shareholders, and the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days previous thereto (except as otherwise required or permitted by law), either personally, by mail, or by such other manner as permitted or required by law, by or at the direction of the Chairman or Vice Chairman of the Board, the CEO, the President, the Secretary, or by the persons calling the meeting, to each shareholder of record entitled to vote at the meeting.

Section 6. Waiver of Notice. Notice of any meeting may be waived before or after the date and time of the meeting in a writing signed by the shareholder entitled to notice and delivered to the Secretary, or by the shareholder who attends the meeting in person or by proxy without objecting to the transaction of business.

Section 7. Quorum. Any number of shareholders together holding a majority of the shares issued and outstanding of the Corporation entitled to vote (which shall not include any treasury stock, if any, held by the Corporation), who shall be present in person or represented by proxy at any meeting, shall constitute a quorum for the transaction of business, including the election of directors, except as otherwise provided by statute, the Articles of Incorporation, or these Bylaws. If less than a quorum shall be present or represented by proxy at the time for which a meeting shall have been called, the meeting may be adjourned from time to time by a majority of the shareholders present or represented by proxy, without notice other than by announcement at the meeting, until a quorum shall be present or represented by proxy. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholder.

Section 8. Proxies. A shareholder may appoint a proxy to vote for him or otherwise act for him by signing an appointment form, either personally or by his attorney in fact, and the proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes.

Section 9. Organization. The Chairman of the Board and in his absence, the Vice Chairman of the Board, or in the absence of the Chairman and Vice Chairman of the Board, the CEO, the President, and in the absence of the CEO or the President, a chairman appointed by the Board of Directors, shall call the meeting of the shareholders to order and shall act as chairman thereof. A chairman of the meeting cannot be elected by the shareholders present.

Section 10. Voting. At any meeting of the shareholders, each shareholder entitled to vote, who is present in person or by proxy appointed by an instrument in writing, subscribed by such shareholder or by his duly authorized attorney, shall have one vote for each share of common stock registered in his name.

Section 11. List of Shareholders. At each meeting of the shareholders, a full, true and complete list, in alphabetical order, of all the shareholders of record entitled to vote at such meeting, with the number of shares held by each, certified by the Secretary, any Assistant Secretary, or the Transfer Agent, shall be available for review.

Section 12. Conduct of Meetings. The Board of Directors of the Corporation may, to the extent not prohibited by law, adopt by resolution such rules and regulations for the conduct of the meeting of shareholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the presiding officer of any meeting of shareholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such officer, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding officer, may to the extent not prohibited by law include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to shareholders of record of the Corporation, their duly authorized and constituted proxies and any such other persons as the presiding officer shall determine; (iv) restrictions on the entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless, and to the extent, determined by the Board of Directors or the presiding officer of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE II
DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by the Board of Directors, and, except as otherwise expressly provided by law or by the Articles of Incorporation, or by these Bylaws, all of the powers of the Corporation shall be vested in the Board of Directors.

Section 2. Number and Qualification. The number of directors comprising the Board of Directors shall be fixed from time to time by the Board of Directors and in accordance with the Articles of Incorporation. Within thirty (30) days after election to the Board of Directors, each director, if not already a shareholder of record, shall become a shareholder of record. A majority of the directors actually elected and serving at the time of any given meeting shall constitute a quorum for the transaction of business and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3. Election of Directors. The directors shall be elected at the annual meeting of shareholders in accordance with the Articles of Incorporation.

Section 4. Chairman of the Board.

(a) At the annual meeting of the Board of Directors following each annual meeting of shareholders, the Board of Directors shall elect a Chairman and a Vice Chairman from among its members to preside at meetings of the Board. In their absence, the CEO or the President shall perform the duties of the Chairman.

(b) Notwithstanding the foregoing, from and after the Effective Date (as defined in the Agreement and Plan of Reorganization, dated as of June 9, 2013, by and between Union First Market Bankshares Corporation and StellarOne Corporation, as the same may be amended from time to time) through the third anniversary of the Effective Date, the Chairman of the Board shall be Dr. Raymond D. Smoot, Jr. During the period that Dr. Smoot continues to serve as Chairman of the Board pursuant to the terms of this Section 4(b), he shall also serve as a member of the Executive Committee of the Corporation. The removal of Dr. Smoot, or the failure to appoint or re-elect Dr. Smoot as Chairman of the Board as provided in this Section 4 prior to the third anniversary of the Effective Date, and any determination not to nominate Dr. Smoot as director of the Corporation, prior to the third anniversary of the Effective Date, shall each require the affirmative vote of at least 75% of the full Board of Directors.

(c) The provisions of this Section 4 may be modified, amended or repealed, and any Bylaw provision inconsistent with the provisions of this Section 4 may be adopted, only by the affirmative vote of at least 75% of the full Board of Directors. The provisions of paragraphs (b) and (c) of this Section 4 will automatically terminate and be deemed repealed in full effective as of the third anniversary of the Effective Date without any further action by the Board of Directors of the Corporation. In the event of any inconsistency between any provisions of this Section 4 and any other provision of these Bylaws or the Corporation's other constituent documents, the provisions of this Section 4 shall control.

Section 5. Meetings of Directors. An annual meeting of the Board of Directors shall be held as soon as possible after the annual meeting of shareholders without notice thereof. The Board of Directors may also adopt a schedule of additional meetings, which, together with the annual meeting referred to in the preceding sentence, shall be considered the regular meetings of the Board of Directors. Special meetings may be held whenever called by or at the direction of either the Chairman or Vice Chairman of the Board, the CEO, the President, or by any two directors then in office. Unless otherwise specified in any notice thereof, any and all business may be transacted at a special meeting. Meetings of the Board of

Directors shall be held at places in or outside the Commonwealth of Virginia and at such times and places as designated by the Board, or by the person or persons calling the meeting. The Secretary, or officer performing such duties, shall give at least twenty-four (24) hours notice by electronic mail, telegraph, facsimile telecommunication, letter, or telephone of all special meetings of the directors. Notice need not be given of regular meetings held at such times and places designated by the Board. Meetings may be held at any time without notice if all of the directors are present, or if those not present waive notice either before or after the meeting.

Section 6. Action Without a Meeting. Any action which is required or which may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the actions so to be taken, shall be signed before or after such action by all of the directors, or all of the members of the committee, as the case may be. A director's consent may be made and delivered in writing, including by electronic communication or by facsimile telecommunication.

Section 7. Participation by Conference Telephone. The Board of Directors may permit any or all directors to participate in a meeting of the directors by, or conduct the meeting through the use of, conference telephone or any other means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by such means shall be deemed to be present in person at the meeting.

Section 8. Maximum Age for Directors. No person who is age 72 or older shall be eligible to serve on the Board of Directors after the annual meeting following his/her 72^{nd} birthday with the exception of those individuals whom the Board of Directors has, from time to time, determined to be exempt from this policy.

ARTICLE III
COMMITTEES

Section 1. Standing Committees. The standing committees of the Board of Directors shall be an Executive Committee, Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Risk Committee. The purpose and responsibilities of each standing committee shall be set forth in a written charter approved by the Board of Directors. Each standing committee shall review and assess the adequacy of its charter annually and recommend to the Board of Directors any proposed changes to its charter. The Board of Directors shall appoint members of the standing committees at least annually and shall have the power at any time to change the membership of committees and to fill committee vacancies, subject to restrictions imposed by the Articles of Incorporation, these Bylaws or applicable law. The Chairman of the Board shall recommend to the Board committee members at the annual organizational meeting of the Board of Directors following the annual meeting of shareholders.

Section 2. Executive Committee.

(a) The Executive Committee shall consist of not less than three (3) members of the Board. The Executive Committee shall have the power to do any and all acts and to exercise any and all authority during the intervals between the meetings of the Board of Directors which the Board of Directors is authorized and empowered to exercise, except as otherwise limited under applicable law, the Articles of Incorporation, the Bylaws of the Corporation or as may be limitedfrom time to time by the Board of Directors.

(b) The Chairman of the Board of the Corporation shall serve as Chairman of the Executive Committee. The Chairman shall preside at meetings of the Executive Committee and shall have such other powers and duties as shall be conferred upon him from time to time by the Board of Directors.

(c) All actions of the Executive Committee shall be reported to the Board of Directors at its next succeeding meeting.

Section 3. Other Committees;. The Board of Directors may establish such other committees as the Board of Directors may, from time to time, deem advisable and may delegate to such committees such powers and authority as it shall deem appropriate and as permitted by applicable law, the Articles of Incorporation, or these Bylaws. The Board of Directors shall appoint the members of any such committee or shall determine the manner in which such members shall be appointed.

Section 4. Committee Meetings. Each committee may fix its own rules of proceeding and meet where and as provided by such rules, provided that such rules do not conflict with the charter of such committee or these Bylaws. Each committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board of Directors. Regular meetings of any standing or other committee may be held without call or notice at such times or places as such committee from time to time may fix. Special meetings of any standing or other committee may be called by the Chairman or Vice Chairman of the Board, the CEO, the President, the chairman of the committee or any two members of such committee, upon giving notice of the time, place and purposes of each such meeting to each member at either his business or residence address, as shown by the records of the Secretary, at least forty-eight (48) hours previously thereto if mailed, and twenty-four (24) hours previously thereto if delivered in person, given orally, by telephone, telegraph, facsimile telecommunication, or electronic communication. Any director or member may waive notice of any meeting and the attendance of a director or member at a meeting shall constitute a waiver of notice of such meeting except where a director or member attends for the express purpose of objecting to the transaction of business at the meeting on the grounds that the meeting is not lawfully called or convened.

ARTICLE IV
OFFICERS

Section 1. Officers Generally. The officers of the Corporation shall be a President, a Chief Executive Officer, a Secretary, a Chief Financial Officer, one or more Executive Vice Presidents, one or more Vice Presidents, and persons elected to such other offices as may be established from time to time by the Board of Directors. All officers shall be elected by the Board of Directors and shall hold office until their successors are elected and qualify. Any number of offices may be held by the same person as the Board of Directors may determine. The Chief Executive Officer may from time to time appoint other officers and any such appointment shall be reported to the Board of Directors at its next regularly scheduled meeting after any such appointment.

Section 2. Officer Vacancies. Any vacancy occurring in any office by reason of death, resignation, termination, removal or otherwise may be filled at any meeting of the Board of Directors.

Section 3. Powers and Duties. The President and the CEO of the Corporation shall each have the power and responsibility for carrying out the policies of the Board of Directors. The officers of the Corporation shall have such powers and duties as generally pertain to their offices, as well as such powers and duties as may be authorized or conferred upon them from time to time by the Board of Directors, except that in any event each officer shall exercise such powers and perform such duties as may be required by law.

ARTICLE V
CAPITAL STOCK

Section 1. Evidence of Shares of Capital Stock. Shares of the Corporation’s capital stock, when fully paid, may be certificated or uncertificated, as provided under Virginia law, and in the case of certificated shares, in such form as may be prescribed by the Board of Directors and may (but need not) bear the seal of the Corporation or a facsimile thereof. When issued, all certificates shall be signed by the Chairman or Vice Chairman of the Board, or the President or the CEO, and also by the Secretary or the Assistant Secretary, which signatures may be facsimiles thereof.

Section 2. Certificates to be Entered. All certificates shall be consecutively numbered, and shall contain the names of the owners, the number of shares and the date of issue, a record whereof shall be entered in the Corporation's books or the books of the Corporation's transfer agent, if applicable. The Corporation shall be entitled to treat the holder of record of certificated or uncertificated shares as the legal and equitable owner thereof and accordingly shall not be bound to recognize any equitable or other claim with respect thereto on the part of any other person so far as the right to vote and to participate in dividends is concerned.

Section 3. Transfer of Stock. The stock of the Corporation shall be transferable or assignable on the books of the Corporation's transfer agent, if any, or on the books of the Corporation by the holders in person or by attorney on surrender of the certificate or certificates for such shares duly
endorsed, and, if sought to be transferred by attorney, accompanied by a written power of attorney to have the same transferred on the books of the Corporation or on the books of the Corporation's transfer agent, if applicable.

Section 4. Lost, Destroyed and Mutilated Certificates. The holder of stock of the Corporation shall immediately notify the Corporation of any loss, destruction, or mutilation of the certificate therefor, and the Board of Directors, or the Secretary, may in its discretion cause one or more new certificates for the same number of shares in the aggregate to be issued to such shareholder upon the surrender of the mutilated certificate, or upon satisfactory proof of such loss or destruction accompanied by the deposit of a bond in such form and amount and with such surety as the Board of Directors may require.

Section 5. Regulations. The Board of Directors may make such rules and regulations as it may deem expedient regulating the issue, transfer and registration of certificated or uncertificated shares of stock of the Corporation.

Section 6. Determination of Shareholders of Record. The share transfer books may be closed by order of the Board of Directors for not more than seventy (70) days for the purpose of determining shareholders entitled to notice of or to vote at any meeting of the shareholders or any adjournment thereof (or entitled to receive any distribution or in order to make a determination of shareholders for any other purpose). In lieu of closing such books, the Board of Directors may fix in advance as the record date for any such determination a date not more than seventy (70) days before the date on which such meeting is to be held (or such distribution made or other action requiring such determination is to be taken). If the books are not thus closed or the record date is not thus fixed, the record date shall be the close of business on the day before the effective date of the notice to shareholders.

ARTICLE VI
MISCELLANEOUS PROVISIONS

Section 1. Seal. The seal of the Corporation shall contain the name of the Corporation and shall be in such form as shall be approved by the Board of Directors.

Section 2. Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of January and end on the 31st day of December.

Section 3. Examination of Books. The Board of Directors, the CEO, or the President, subject to the laws of the Commonwealth of Virginia, shall have the power to determine from time to time whether and to what extent and under what conditions and limitations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the shareholders.

Section 4. Execution of Instruments. The CEO, in the ordinary course of business, may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. The CEO may sign, execute, and deliver in the name of the Corporation powers of attorney, contracts, bonds, notes, corporate obligations, and other documents. The Board of Directors or the CEO may authorize management members or any other officer, employee or agent to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization may be general or limited to specific contracts or instruments.

Section 5. Construction. In the event of any conflict between the provisions of these Bylaws as in effect from time to time and the provisions of the Articles of Incorporation of the Corporation as in effect from time to time, the provisions of the Articles of Incorporation shall be controlling. As used in these Bylaws, the term *"Articles of Incorporation"* shall mean the articles of incorporation of the Corporation filed with the Virginia State Corporation Commission pursuant to the Virginia Stock Corporation Act, as amended from time to time. As used herein, unless the context otherwise requires: (i) the terms defined herein shall have the meaning set forth herein for all purposes; (ii) the terms *"include," "includes,"* and *"including"* are deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of like import; (iii) *"writing," "written"* and comparable terms refer to printing, typing, handwriting and other means of reproducing words in a visible form; (iv) *"hereof," "herein," "hereunder"* and comparable terms refer to the entirety of these Bylaws and not to any particular article, section or other subdivision hereof; and (v) references to any gender include references to all genders, and references to the singular include references to the plural and vice versa.

Section 6. Amendment of Bylaws. These Bylaws may be amended, altered, or repealed by the Board of Directors at any meeting. The shareholders shall have the power to rescind, alter, amend, or repeal any Bylaws and to enact Bylaws which, if so expressed by the shareholders, may not be rescinded, altered, amended, or repealed by the Board of Directors.

Section 7. Redemption of Certain Shares. In accordance with the provisions of Section 13.1-728.7 of Article 14.1 of the Virginia Stock Corporation Act, the Corporation may, but is not required to, redeem shares of its common stock which have been the subject of a control share acquisition (as defined in that Article) under the circumstances set forth in A and B of Section 13.1-728.7.

This is to certify that these Bylaws were adopted by the Board of Directors of Union Bankshares Corporation as the Bylaws of the Corporation with an effective date of January 1, 2017.

Dated this 1st day of January, 2017.

____

Corporate Secretary

SEAL

Exhibit 10.28

CHANGE OF CONTROL WAIVER

This Waiver is being executed in connection with the proposed merger (the "Merger") between Union First Market Bankshares Corporation ("Union") and StellarOne Corporation("StellarOne").

The undersigned employee of StellarOne, intending to be legally bound , hereby agrees that, if and when consummated, neither the Merger nor the subsequent merger of StellarOne Bank with and into Union First Market Bank shall be deemed to constitute a "Change of Control" for purposes of the undersigned's Change of Control Agreement, dated as of June 23, 2011 (the "Change of Control Agreement"), with StellarOne. Accordingly, the undersigned will not be entitled to receive, and hereby waives any and all right to receive, any severance related payments and benefits to which the undersigned would otherwise have been entitled to receive under the Change of Control Agreement as a result of the Merger, provided that all the required conditions to the payment of such severance benefits thereunder were satisfied.

Union will assume and honor the Change of Control Agreement at the effective date of the Merger , as amended by this Waiver. Union and the undersigned employee of StellarOne specifically agree that, for purposes of interpreting and construing the Change of Control Agreement from and after the effective date of the Merger, references to "StellarOne Corporation" and "StellarOne Bank" shall mean "Union First Market Bankshares Corporation " and "Union First Market Bank," respectively.

Except as set forth in this Change of Control Waiver, the Change of Control Agreement shall otherwise remain in full force and effect. This Change of Control Waiver shall be null, void and of no further force or effect in the event the Merger is not consummated. This waiver relates solely to the acquisition of StellarOne by Union and does not affect any other event that would qualify as a "Change of Control" of StellarOne.

Dated: August 14, 2013

UNION FIRST MARKET BANKSHARES CORPORATION

/s/ David G. Bilko /s/ G. William Beale

David G. Bilko G. William Beale

Chief Executive Officer

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT, dated as of this 23rd day of June, 2011, by and between StellarOne Corporation, a Virginia corporation (the "Company"), and David G. Bilko (the "Executive").

WHEREAS, the Executive is a key executive of the Company; and

WHEREAS, the Company considers the availability of the Executive's services to be important to the management and conduct of the Company's business and desire to provide the Executive with reasonable employment security in the event of a change in control of the Company and certain rights in the event of the Executive's termination of employment after a change in control of the Company.

In consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment. The Executive is employed by StellarOne Bank (the "Employer") as its Chief Audit Officer (the "Position").

2. Term. The term of this Agreement is effective as of the Effective Date, and will continue through December 31, 2012, unless terminated or extended as hereinafter provided. Except as provided in Section 3(a)(i), this Agreement shall be extended for successive one-year periods following the original term unless either party notifies the other in writing at least ninety (90) days prior to the end of the original term, or the end of any additional one-year renewal term, that the Agreement shall not be extended beyond its current term. The term of this Agreement, including any renewal term, is referred to as the "Term."

3. Change of Control and Severance Benefits.

(a) In the event a Change of Control as hereinafter defined occurs during the Term, the following provisions shall apply:

(i) The Term provided in Section 2 hereof shall continue for twenty-four (24) months after the Change of Control or the balance of the Term, whichever is greater.

(ii) If, during the Term and after the occurrence of a Change of Control, the Executive's employment is terminated without Cause by the Company or the Employer for reasons other than the Executive's Incapacity (as defined in Section 4(e)), or the Executive resigns from employment with the Company and all of its subsidiaries for Good Reason within one hundred eighty (180) days after the occurrence of the Good Reason, except as set forth in Section 3(b) below, the Executive shall receive as "Severance Benefits" the following payments or benefits following the Executive's cessation of employment:

(A) Accrued Obligations - the "Accrued Obligations" are the sum of: (1) the Executive's annual base salary through the date of termination; (2) the amount, if any, of any incentive or bonus compensation theretofore earned which has not yet been paid; and (3) any benefits or awards (including both the cash and stock components) which pursuant to the terms of any plans, policies or programs have been earned or become payable, but which have not yet been paid to the Executive (but not including amounts that previously had been deferred at the Executive's request, which amounts will be paid in accordance with the Executive's existing directions). The Accrued Obligations will be paid to the Executive in a lump sum payment of cash or stock, as applicable, as soon as administratively feasible after the date of termination; provided, however, that if payment of any such Accrued Obligation at such time would result in a prohibited acceleration under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such Accrued Obligation shall be paid at the time the Accrued Obligation would have been paid under the applicable plan, policy, program or arrangement relating to such Accrued Obligation had the Executive remained employed with the Company or the Employer;

(B) Salary Continuance Benefit - the "Salary Continuance Benefit" is the payment of the Executive's base salary then in effect (but in no event less than the Executive's base salary in effect at the Change of Control) for the Continuation Period (as defined below). The Salary Continuance Benefit will be paid to the Executive at regular paydays (but not less frequently than monthly) during the Continuation Period; and

(C) Health Care Continuance Benefit - the "Health Care Continuance Benefit" is the opportunity to be covered for the Continuation Period (as defined below) under any health care (medical, dental and vision) plan or plans ("Health Care Plans"), other than a flexible spending account, provided to the Executive and the Executive's spouse and dependents at the date of termination, with the Company paying on a monthly or more frequent basis the normal Company paid contribution therefore for similarly situated active employees and with such coverage being available on the same basis as available to similarly active employees during such continuation period, provided that the Executive's continued participation is possible under the general terms and provisions of such plans. The following rules shall also apply:

(1) If the Company reasonably determines that it cannot maintain such coverage for the Executive or the Executive's spouse or dependents under the terms and provisions of such plans and programs (or that such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall either provide substantially identical benefits directly or through an insurance arrangement or shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefore for the Continuation Period with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for employees generally for the period during which such cash payments are to be provided.

(2) The Health Care Continuance Benefit as to any Health Care Plan will cease if and when the Executive has obtained health care coverage under one or more welfare benefit plans of a subsequent employer that provides for equal or greater benefits to the Executive and the Executive's spouse and dependents with respect to the specific type of benefit.

(3) If the Executive dies while receiving a Health Care Continuance Benefit, the Executive's spouse and dependents will continue to receive the Health Care Continuance Benefit during the remainder of the Continuation Period.

(4) The Executive and the Executive's spouse and dependents will become eligible for COBRA continuation coverage as of the date the Health Care Continuance Benefit ceases for all health and dental benefits.

For purposes hereof, the "Continuation Period" shall mean 12 months.

(b) Excess Parachute Payment Limitation on Severance Benefits. Notwithstanding the foregoing provisions of Section 3(a), the aggregate value of all Severance Benefits provided for under this Agreement, when added to the value of all other payments or benefits payable to or with respect to the Executive (even though not paid or provided pursuant to this Agreement) which constitute "parachute payments" under Section 280G of the Code shall be reduced to the extent necessary so that none of such benefits and payments (whether or not paid or provided pursuant to this Agreement) constitute "excess parachute payments" on which an excise tax is imposed pursuant to Section 4999 of the Code. The order of reduction shall be first all cash payments on a pro rata basis, then any equity compensation or accelerated vesting on a pro rata basis, and lastly medical, dental and vision coverage.

shall mean:

(c) Change of Control Defined. For purposes of this Agreement, a "Change of Control"

(i) the acquisition after the Effective Date by any individual, entity or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act') of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act), of securities of the Company representing 20% or more of the combined voting power of the then outstanding securities; provided, however, that the following acquisitions shall not constitute a Change of Control:

(A) acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege);

(B) any acquisition by the Company;

(C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(D) any acquisition pursuant to a reorganization, merger or consolidation by any corporation owned or proposed to be owned, directly or indirectly, by shareholders of the Company if the shareholders' ownership of securities of the corporation resulting from such transaction constitutes a majority of the ownership of securities of the resulting entity and at least a majority of the members of the board of directors of the corporation resulting from such transaction were members of the Incumbent Board as defined in this Agreement at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(ii) where individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board of Directors; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-ll of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than a member of the Board of Directors; or

(iii) the Company consummates after the Effective Date:

(A) a merger, statutory share exchange, or consolidation of the Company with any other corporation, except as provided in subparagraph (i)(D) of this section, or

(B) the sale or other disposition of all or substantially all of the assets of the Company.

(d) Cause. For purposes of this Agreement, "Cause" shall include but not be limited to:

(i) the Executive's willful misconduct in connection with the performance of the Executive's duties which the Company believes does or may result in material harm to the Company or any of its subsidiaries;

(ii) the Executive's misappropriation or embezzlement of funds or property of the Company or any of its subsidiaries;

(iii) the Executive's fraud or dishonesty with respect to the Company or any of its subsidiaries;

(iv) the Executive's failure to perform any of the duties and responsibilities required by the Position (other than by reason of Incapacity as defined in Section 4(e)) or the Executive's willful failure to follow reasonable instructions or policies of the Employer or the Company, in either case after being advised in writing of such failure and being given a reasonable opportunity and period (as determined by the Employer or the Company) to remedy such failure;

(v) the Executive's conviction of, indictment for (or its procedural equivalent), or entering of a guilty plea or plea of no contest with respect to any felony or any other crime involving moral turpitude or any other crime with respect to which imprisonment is a possible punishment;

(vi) the Executive's breach of a material term of this Agreement, or violation in any material respect of any code or standard of behavior generally applicable to officers of the Employer or the Company, after being advised in writing of such breach or violation and being given a reasonable opportunity and period (as determined by the Employer or the Company) to remedy such breach or violation;

(vii) the Executive's breach of fiduciary duties owed to the Company or any of its subsidiaries; or

(viii) the Executive's willful engaging in conduct that, if it became known by any regulatory or governmental agency or the public, is reasonably likely to result, in the good faith judgment of the Company, in material injury to the Company or any of its subsidiaries, monetarily or otherwise.

(e) Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the continued assignment to the Executive of duties materially inconsistent with the Executive's position, authority, duties or responsibilities in all material respects with the most significant of those held, exercised and assigned at any time during the ninety (90) day period immediately preceding the Change of Control;

(ii) any action taken by the Employer or the Company which results in a substantial reduction in the status of the Executive, including a significant diminution in the Executive's position, authority, duties or responsibilities;

(iii) the relocation of the Executive to any other primary place of employment which might require the Executive to move the Executive's residence which, for this purpose, includes any reassignment to a place of employment other than the location where the Executive was employed immediately preceding the Change of Control or any office that is the headquarters of the Company or the Employer and is less than thirty-five (35) miles from such location, without the Executive's express written consent to such relocation; provided, however, this subsection (iii) shall not apply in connection with the relocation ofthe Executive if the Company decides to relocate its headquarters;

(iv) any material reduction in the Executive's annual base salary in effect at the time of the

Change of Control or any uncompensated exclusion of the Executive from participation (other than an isolated, insubstantial or inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive) in any plans, programs or forms of compensation or benefits that the Company or its subsidiaries provide to the class of employees that includes the Executive, on a basis not less favorable than that provided to such class of employees, provided however, a reasonable transition period following any merger, statutory share exchange, consolidation or acquisition or transaction involving the Company or any of its subsidiaries shall be permitted in order to make appropriate adjustments in compliance with this obligation; or

(v) any failure by the Company, or any successor entity following a Change of Control, to comply with the provisions of Section 11 hereof or to honor any other term or provision of this Agreement.

Notwithstanding the above, "Good Reason" shall not include the removal of the Executive as an officer of any subsidiary of the Company (including the Employer if the Employer is not the Company) in order that the Executive might concentrate the Executive's efforts on the Company, any resignation by the Executive where Cause for the Executive's termination by the Company exists, or an isolated, insubstantial and/or inadvertent action not taken in bad faith by the Employer or the Company and which is remedied by the Employer or the Company within a reasonable time after receipt of notice thereof given by the Executive, and the Executive's termination shall be considered for "Good Reason" only if the Executive provides written notice to the Company of the Good Reason no later than sixty (60) days after the event claimed to be Good Reason (which notice shall include the specifics of the event or events) the Company fails to cure the claimed Good Reason within thirty (30) days after receipt of such notice.

4. Employment at Will and Other Termination of or Resignation from Employment.

(a) At Will Employment. The Executive and the Company acknowledge that the employment of the Executive by the Company is "at will," and the Executive's employment may be terminated by the Company, the Employer or the Executive at any time.

(b) Termination for Cause. If the Executive's employment shall be terminated by the Company for Cause (whether before or after a Change of Control), this Agreement shall terminate without further obligation to the Executive other than the Executive's Accrued Obligations (as described in Section 3(a)(ii)(A)), if any.

(c) Resignation Other Than for Good Reason. If the Executive resigns or voluntarily leaves the employment of the Company for other than for Good Reason (whether before or after a Change of Control), this Agreement shall terminate without further obligation to the Executive other than the Executive's Accrued Obligations (as described in Section 3(a)(ii)(A)), if any.

(d) Death. The Executive's employment under this Agreement shall cease automatically upon the Executive's death (whether before or after a Change of Control) and this Agreement shall terminate without further obligation to the Executive other than the Executive's Accrued Obligations (as described in Section 3(a)(ii)(A)), if any; provided, however, that in the event the Executive dies while employed during the Term and on or after a Change of Control, the following benefits shall be provided:

(i) Salary Death Benefit - the "Salary Death Benefit" is a payment of an amount equal to three (3) months of the Executive's base salary in a lump sum cash payment within thirty (30) days of the date of death. The Salary Death Benefit shall be paid to the Executive's beneficiary designated in writing (provided such writing is executed and dated by the Executive and delivered to the Company in a form acceptable to the Company prior to the Executive's death) and surviving the Executive or, if none, the Executive's estate, as applicable; and

(ii) Health Care Continuance Death Benefit - the "Health Care Continuance Death Benefit" is the opportunity for the Executive's spouse and dependents to receive the Health Care Continuance Benefit described in Section 3(a)(ii)(C) above (determined as though the Executive has terminated employment thereunder immediately prior to the Executive's death) for the Continuation Period. The Executive's spouse and dependents will become eligible for COBRA continuation coverage for health and dental benefits at the end of such Continuation Period.

(e) Incapacity. If the Company determines that the Incapacity, as hereinafter defined, of the Executive has occurred, it may terminate the Executive's employment and this Agreement upon thirty (30) days' written notice provided that, within thirty (30) days after receipt of such notice, the Executive shall not have returned to full-time performance of the Executive's assigned duties. In the event of the termination of the Executive's employment due to the Executive's Incapacity, this Agreement shall terminate without further obligation to the Executive other than the Executive's Accrued Obligations (as described in Section 3(a)(ii)(A)), if any; provided, however, that in the event the Executive's Incapacity occurs while employed during the Term and on or after a Change of Control the Company shall pay or cause the Employer to pay a "Salary Incapacity Benefit" in the amount of three (3) months of the Executive's base salary. The Salary Incapacity Benefit shall be paid to the Executive at regular paydays (but not less frequently than monthly) during the three (3) month period immediately following the Executive's termination on account of Incapacity. "Incapacity" shall mean the failure of the Executive to perform the Executive's assigned duties with the Company on a full-time basis as a result of mental or physical illness or injury as determined by a physician selected by the Company for ninety (90) consecutive calendar days.

5. Confidentiality.

(a) The Executive recognizes that as an employee of the Company the Executive will have access to and may participate in the origination of non-public, proprietary and confidential information and that the Executive owes a fiduciary duty to the Company. Confidential information may include, but is not limited to, trade secrets, customer lists and information, internal corporate planning, methods of marketing and operations, and other data or information of or concerning the Company and its subsidiaries or their customers or any of their clients and not generally known to the public or in the banking industry. The Executive agrees never to reveal any such confidential information, either directly or indirectly, to any third party except as may be authorized in writing specifically by the Company.

(b) Notwithstanding the foregoing, nothing in this Agreement is intended to prohibit the Executive from performing any duty or obligation that shall arise as a matter of law. Specifically, the Executive shall continue to be under a duty to truthfully respond to any legal and valid subpoena or other legal process. This Agreement is not intended in any way to proscribe the Executive's right and ability to provide information to any federal, state or local agency in response or adherence to the lawful exercise of such agency's authority. In the event the Executive is requested to disclose confidential information by subpoena or other legal process or lawful exercise of authority, the Executive shall promptly provide the Company with notice of the same and either receive approval from the Company to make the disclosure or cooperate with the Company in the Company's effort, at its sole expense, to avoid disclosure.

6. Severability. If any provision of this Agreement, or part thereof, is determined to be unenforceable for any reason whatsoever, it shall be severable from the remainder of this Agreement and shall not invalidate or affect the other provisions of this Agreement, which shall remain in full force and effect and shall be enforceable according to their terms. No covenant shall be dependent upon any other covenant or provision herein, each of which stands independently.

7. Modification. The parties expressly agree that should a court find any provision of this Agreement, or part thereof, to be unenforceable or unreasonable, the court may modify the provision, or part thereof, in a manner which renders that provision reasonable, enforceable, and in conformity with the public policy of Virginia.

8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

9. Notices. All written notices required by this Agreement shall be deemed given when delivered

personally or sent by registered or certified mail, return receipt requested, to the parties at their addresses set forth on the signature page of this Agreement. Each party may, from time to time, designate a different address to which notices should be sent.

10. Amendment. This Agreement may not be varied, altered, modified or in any way amended except by an instrument in writing executed by the parties hereto or their legal representatives.

11. Binding Effect. This Agreement shall be binding upon the Executive and on the Company, its successors and assigns effective on the date first above written subject to the approval by the Board of Directors of the Company. The Company will require any successor to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. If the Executive dies before receiving all payments due under this Agreement, unless expressly otherwise provided hereunder or in a separate plan, program, arrangement or agreement, any remaining payments due after the Executive's death shall be made to the Executive's beneficiary designated in writing (provided such writing is executed and dated by the Executive and delivered to the Company in a form acceptable to the Company prior to the Executive's death) and surviving the Executive or, if none, to the Executive's estate.

12. No Construction Against Any Party . This Agreement is the product of informed negotiations between the Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The Executive and the Company agree that neither party was in a superior bargaining position regarding the substantive terms of this Agreement.

13. Nonqualified Deferred Compensation Omnibus Provision. Notwithstanding any other provision of this Agreement, it is intended that any payment or benefit which is provided pursuant to or in connection with this Agreement which is considered to be deferred compensation subject to Section 409A of the Code shall be provided and paid in a manner, and at such time, including without limitation payment and provision of benefits only in connection with the occurrence of a permissible payment event contained in Section 409A (e.g. death, disability, separation from service from the Company and its affiliates as defined for purposes of Section 409A of the Code), and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance. The following rules shall apply:

(a) Notwithstanding any other provision of this Agreement, the Company's Compensation Committee or Board of Directors is authorized to amend this Agreement, to amend or void any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by it to be necessary or appropriate to

comply, or to evidence or further evidence required compliance, with Section 409A of the Code (including any transition or grandfather rules thereunder).

(b) For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code. If under this Agreement, an amount is to be paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

(c) If the Executive is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months as required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral

Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Executive's expense, with the Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled.

(d) For purposes of this Agreement, termination of employment and date of termination or cessation of employment will be read to mean a "separation from service" within the meaning of Section 409A of the Code where it is reasonably anticipated that no further services would be performed after such date or that the level of bona fide services Executive would perform after that date (whether as an employee or independent contractor) would permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period.

(e) With regard to any provision herein that provides for reimbursement of expenses subject to Code Section 409A, except as permitted by Code Section 409A, (a) the right to reimbursement is not subject to liquidation or exchange for another benefit, and (b) the amount of expenses eligible for reimbursement provided during any taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. All reimbursements shall be reimbursed in accordance with the Company's reimbursement policies but in no event later than the calendar year following the calendar year in which the related expense is incurred.

(f) Notwithstanding any of the provisions of this Agreement, the Company shall not be liable to the Executive if any payment or benefit which is to be provided pursuant to this Agreement and which is considered deferred compensation subject to Section 409A of the Code otherwise fails to comply with, or be exempt from, the requirements of Section 409A of the Code.

14. Capital Purchase Program Limitations. The Executive understands that the Company has participated in the Capital Purchase Program (the "CPP") implemented under the Emergency Economic Stabilization Act of 2008, as amended (the "EESA") and that the Company is required to comply with the requirements of Section 111(b) of the EESA, as amended from time to time, and the CPP with respect to the compensation of certain current and future employees of the Company (as determined for purposes of the EESA and the guidance and regulations issued by the Treasury Department with respect to the CPP (the "CPP Requirements")), in accordance with the CPP Requirements. Notwithstanding any other provision of this Agreement or any other agreement to the contrary, the Executive acknowledges and understands that this Agreement and such other agreements shall be administered, interpreted and construed and, if and where applicable, benefits provided hereunder or thereunder shall be limited, deferred, forfeited and/or subject to repayment to the Company in accordance with the CPP Requirements and Section 111(b) of the EESA, as amended from time to time, to the extent legally applicable with respect to the Employee, as determined by the Committee in its discretion, including without limitation the clawback, the bonus prohibition and the parachute prohibitions thereof.

15. Entire Agreement. Except as provided in the next sentence, this Agreement constitutes the entire agreement of the parties with respect to the matters addressed herein and it supersedes all other prior agreements and understandings, both written and oral, express or implied, with respect to the subject matter of this Agreement including, without limitation, agreements, if any, in effect immediately prior to the Effective Date. It is specifically agreed and acknowledged that exercisability of stock options and vesting of restricted stock, benefits or other rights on account of there being a "change of control" (as defined in any applicable plan or agreement providing for rights upon the occurrence of a change of control) in plans or agreements other than those designated as severance, separation, change of control or employment agreements shall not be superseded by this Agreement and shall operate in accordance with their terms. It is further specifically agreed and acknowledged that, except as provided herein, the Executive shall not be entitled to severance payments or benefits under any severance or similar plan, program, arrangement or agreement of or with the Employer or the Company for any cessation of employment occurring while this Agreement is in effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written herein.

STELLARONE CORPORATION

By: /s/O.R. Ed Barham
Its Pres/CEO

Address:

590 Peter Jefferson Parkway, Suite 250
Charlottesville, VA 22911

By: /s/David G. Bilko
Chief Audit Officer

Address:

590 Peter Jefferson Parkway, Suite 250
Charlottesville, VA 22911

Exhibit 10.29

SCHEDULE OF NON-EMPLOYEE DIRECTORS' ANNUAL COMPENSATION
OF
UNION BANKSHARES CORPORATION

Effective January 1, 2017

	Amount
Annual Retainer Cash Fees (1)	
Service as a Director	$25,000
Service as Chairman of the Board of Directors	$80,000 (additional)
Service as Vice Chairman of the Board of Directors	$20,000 (additional)
Service as Chairman of Audit Committee	$15,000 (additional)
Service as Chairman of Compensation and Risk Committees	$10,000 (additional)
Service as Chairman of Nominating and Corporate Governance Committee	$7,500 (additional)
Members of Audit, Risk, Compensation and Nominating and Corporate Governance Committees	$8,000 (additional)
Meeting Fees	
Executive Committee per meeting (in person)	$1,000
Executive Committee per meeting (telephonic lasting under an hour)	$500
Meetings above maximum per year number per Meeting	$1,000

Equity Compensation

In addition to cash compensation, non-employee directors receive an annual stock retainer of $35,000 paid quarterly in advance in unrestricted shares of the Company's stock.

(1) The retainer fees are payable in advance in quarterly installments

Union Bankshares Corporation
Management Incentive Plan

This document (the "Incentive Document"), together with the Union Bankshares Corporation Incentive Plan Terms and Conditions (" T&C") which are incorporated herein by reference, sets forth the Union Bankshares Corporation Management Incentive Plan (collectively, the "Plan"). The Plan is offered by Union Bankshares Corporation ("UNION"), its subsidiary Union Bank & Trust (the " Bank"), to the undersigned eligible executive (the "Participant").

1. Eligible Positions; Participation

Participation is limited to those executives recommended by the Chief Executive Officer (the " Plan Sponsor") and approved by the Committee. The Committee shall retain the discretion to include as a Participant any otherwise-eligible executive hired or promoted after the commencement of a Plan Year.

2. Basis of Incentive Compensation Awards

The Plan is a cash award plan. The Participant's incentive compensation award under the Plan is based on an incentive target that is approved at the beginning of the Plan Year by the Committee in its discretion. The incentive compensation award is expressed as a percentage of the Participant's base salary at the end of the Plan Year, and may be awarded if either or both the UNION corporate performance goals (the "Corporate Goals") and the Participant's individual performance goals (the "Individual Goals") are achieved. In no event shall a Participant receive payment under the Plan that exceeds 150% of the Participant's base salary as of the end of the Plan Year.

3. Plan Details

The amount of an incentive compensation award that the Participant is entitled to receive under the Plan is determined based on the Participant's incentive target and weighting and achievement of the approved performance goals. The performance period for achievement of any performance goal(s) is the Plan Year.

A. *Award Targets and Weightings*

Each Participant shall be assigned an incentive target, calculated as a percentage of the Participant's base salary, which may be awarded if UNION and the Participant achieve targeted performance goals.

The incentive compensation award shall be weighted between Corporate Goals and Individual Goals. The weightings for the two goal categories shall be recommended by the Plan Sponsor and approved by the Committee. Threshold, target and superior achievement levels for each Corporate Goal and Individual Goal will be recommended by the Plan Sponsor and approved by the Committee. The payout for the threshold achievement level will be not less than 10% of the target payout, and the payout for the superior achievement level will be not more than 150% of the target payout.

B. *Corporate Goals*

The Corporate Goals for the Plan Year will be recommended by the Plan Sponsor and approved by the Committee.

C. *Individual Goals*

Individual Goals for the Plan Year will be established for the Participant in conjunction with his or her direct supervisor and approved by the Committee (or its delegee).

D. *Determination of Incentive Compensation Award*

Following the end of the Plan Year, the Committee will review performance against the Corporate Goals and any Individual Goals established for the Participant, certify in writing that the applicable performance goals were satisfied, and determine the amount of the incentive compensation award, if any, to be paid to each Participant under the Plan. Notwithstanding any provision of the Plan to the contrary, in making this determination, the Committee may, in its discretion, in light of such considerations as it may deem relevant, increase or decrease an incentive compensation award to which a Participant would otherwise be entitled by such amount or percentage as the Committee deems appropriate.

Unless the Committee deems otherwise, an incentive compensation award will not be earned or paid, regardless of Corporate or Individual performance, if 1) any regulatory agency issues a formal, written enforcement action, memorandum of understanding or other negative directive action to UNION or the Bank and where the Committee considers it imprudent to provide awards under the Plan, 2) after a review of the Bank's credit quality measures the Committee considers it imprudent to provide awards under the Plan, or 3) if UNION's operating return on assets falls below [omitted].

A sample incentive compensation award calculation is set forth on the attached Appendix A.

4. Payment of Awards

An incentive compensation award under the Plan will be calculated and paid in cash on an annual basis. Payment of any incentive compensation award, less deferrals and applicable federal, state and local taxes, will be made as soon as practicable following the end of the Plan Year (the "Payment Date"), but in no event before certification of the Committee or later than March 15th following the end of the Plan Year.

Union Bankshares Corporation
Management Incentive Plan

APPENDIX A

[omitted]

Union Bankshares Corporation
Management Incentive Plan

The terms and conditions ("T&C") set forth herein apply to, are an integral part of and are incorporated into the cash incentive plan document (the "Incentive Document") to which the T&C are attached. Collectively, the T&C and the Incentive Document constitute the "Plan." Capitalized terms used but not defined in the T&C have the meaning assigned to them in the Incentive Document, unless the T&C provides, or the context requires, otherwise.

1. Purpose

The purpose of the Plan is to reward the performance of the Participants in a manner that is consistent with UNION's strategic plan and the attainment of a growing return to the shareholders of UNION. The Plan is further intended to assist UNION and the Bank in their ability to motivate, attract and retain qualified teammates.

2. Effective Date

The Plan is in effect January 1, 2017 through December 31, 2017, and will continue to renew for successive one-year periods (each calendar year being a "Plan Year") unless otherwise terminated or modified in accordance with the Plan.

3. Eligibility

A teammate who is hired or promoted into an eligible position, as defined within the Incentive Document, subsequent to the commencement of the Plan Year may be deemed eligible by the Committee (or its delegee) for participation in the Plan, in the Committee's discretion (or in the delegee's discretion). The Plan Sponsor will recommend to the Committee (or its delegee) the terms and conditions upon which such employee may participate during his or her partial year of eligibility.

For a Participant who is on a performance improvement plan or similar counseling or performance document, the Plan Sponsor , following consultation with the Chief Human Resources Officer, may, in his or her discretion, modify the incentive to result in a zero or reduced award unless and until the Participant's manager documents in writing that the Participant is performing at an appropriate level to be eligible for the incentive compensation.

No Participant will be eligible to participate in other short-term, annual cash incentive plans or programs offered by UNION or the Bank while he or she is a Participant in the Plan.

4. Active Participation

In the event, during the Plan Year, of the Participant's death, permanent disability (as determined by the Committee in its discretion) or retirement at or after age 65 (each, an "Early Termination Event"), any incentive compensation award shall be based on performance for the Plan Year, but prorated through the end of the most recent month prior to the Early Termination Event and shall be paid at the same time as would be otherwise due under the Plan, but in no event later than March 15th following the end of the Plan Year.

Any incentive compensation award to a Participant who transfers out of an eligible position to a different position with UNION or the Bank prior to the end of the Plan Year, for any reason, will be prorated through the end of the most recent month prior to the transfer and will be paid at the same time as would otherwise be due under the Plan, but in no event later than March 15^{th} following the end of the Plan Year.

In the event the Participant's employment ceases prior to the payment of any incentive compensation award under the Plan for any reason other than an Early Termination Event, including, without limitation, a voluntary termination of employment by the Participant, or an involuntary termination with or without cause, the Participant shall not be entitled to, and shall not have earned, any incentive compensation award under the Plan.

5. Administration

Responsibility for the administration of the Plan rests with its Plan Sponsor and/or the Chief Human Resource Officer. The Plan Sponsor shall monitor for accuracy the performance reporting of the Participant and determine the amount of a Participant's award, if any, under the Plan. In addition, the Committee, and ultimately the Board, is responsible for the overall oversight, supervision and existence of the Plan. The Committee has been delegated the sole discretion to interpret the terms of the Plan and to determine whether an individual is eligible to participate in the Plan. The Committee shall also be empowered to make any and all of the determinations not herein specifically authorized which may be necessary or desirable for the effective administration of the Plan.

Notwithstanding any provision to the contrary contained in the Plan, no incentive compensation award is earned until paid, and the Committee, may withhold (as not earned) or adjust any incentive compensation award in its sole discretion as it deems appropriate and will notify the Participants of its decision to withhold or adjust the Participant's incentive compensation award.

Any decision or interpretation of any provision of the Plans adopted by the Committee shall be final and conclusive.

6. Modification and Termination of the Plans

The Plans may be modified or changed at any time by the Committee (or its delegee) in its discretion, followed by written notification to the Participant as soon as reasonably practicable. The Plan may be terminated at any time by the Committee in its discretion, followed by written notification to the Participant as soon as reasonably practicable. In the event of a Plan termination, a Participant shall continue to be eligible for incentive compensation awards for the Plan Year prorated through the Plan's termination date, unless the Committee determines in its discretion that no incentive compensation should be paid. Any incentive compensation awards shall be calculated through the date of the Plan termination on such basis as the Committee deems appropriate in its discretion and will be payable as soon as practicable after the termination of the Plan but in no event later than March 15^{th} following the end of the Plan Year in which the termination occurs.

7. Participant Rights Not Assignable; Plan not a Contract

Any award made pursuant to the Plan shall not be subject to assignment, pledge or other disposition, nor shall such amounts be subject to garnishment, attachment, transfer by operation of law, or any legal process. Nothing contained in the Plan shall affect an employee's at-will status or confer upon any employee any right to continued employment or to receive or continue to receive any rate of pay or other compensation, nor does the Plan affect the right of UNION or the Bank to terminate a Participant's employment. Participation in the Plan does not confer rights to participation in other UNION or Bank programs or plans, including annual or long-term incentive plans or non-qualified retirement or deferred compensation plans.

8. Ethical Statement

The Participant is subject to UNION's Code of Business Conduct and Ethics. Any violation of this Code or any other policy of UNION or the Bank, or any breach by the Participant of the provisions of the Plan, as determined by the Committee (or its delegee) in its sole discretion, may result in a reduction of or ineligibility from payments under the Plan and disciplinary action up to and including termination.

9. Governing Law and Venue

The parties agree that the interpretation and enforcement of the Plan shall be governed by the laws of the Commonwealth of Virginia, and that any action to enforce or determine any rights under the Plan shall be brought exclusively in the Circuit Court of Caroline County, Virginia or the applicable federal court in Richmond, Virginia, at the option of UNION and/or the Bank. The Participant consents and waives any objection to personal jurisdiction and venue in such court. The Plan, and any payments thereunder, shall not be subject to the Employee Retirement Income Security Act.

10. Attorney's Fees and Costs

The parties agree that in the event of any legal action arising out of or relating to the interpretation or enforcement of the Plan, UNION and the Bank shall be entitled to recover their attorney's fees and costs in the event that they are (or any of them is) the prevailing party.

11. No Oral or Written Representations

The parties agree that the terms of the Plan are set forth solely in the T&C and the Incentive Document and the T&C and the Incentive Document collectively constitute the Plan. The Plan constitutes the complete and entire agreement of the parties relating to the subject matter thereof. The parties have relied on no oral or written representation or promises not set forth in the Plan.

12. Clawback

A Participant, while employed by UNION or the Bank and in the conduct of his or her duties as an employee, shall not expose UNION or the Bank to any unreasonable or unnecessary risk. All incentive compensation awards under the Plans are subject to the terms of UNION's Compensation Clawback

Policy or similar policy as such may be in effect from time to time, as well as any similar provisions of applicable federal law or regulation and any applicable listing standard of the national securities exchange on which UNION's common stock is listed, which could in certain circumstances require repayment of an incentive compensation award or portion thereof.

13. Banking Regulatory Provision

All incentive compensation awards under the Plan are subject to any condition, limitation or prohibition under any financial institution regulatory policy or rule to which UNION or the Bank is subject.

Exhibit 12.01

Ratio of Earnings to Fixed Charges and Preferred Dividends

The following table shows the ratio of earnings to fixed charges as well as the ratio of earnings to fixed charges and preferred dividends for the Company.

	For the Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Ratios of earnings to fixed charges (1):					
Including deposit interest	4.24	4.28	4.11	3.11	2.69
Excluding deposit interest	8.24	8.54	7.06	6.69	5.96
Ratios of earnings to fixed charges and preferred dividends(1)(2):					
Including deposit interest	4.24	4.28	4.11	3.11	2.69
Excluding deposit interest	8.24	8.54	7.06	6.69	5.96

(1) For purposes of calculating the ratio of earnings to fixed charges, fixed charges is the sum of (i) interest cost, including interest on deposits; and (ii) that portion of rent expense estimated to be representative of the interest factor.

(2) For purposes of calculating the ratio of earnings to fixed charges and preferred stock dividends, divide earnings by the sum of fixed charges and preferred stock dividends.

Exhibit 21.01

Subsidiaries of Union Bankshares Corporation

Subsidiary	State of Incorporation or Organization
Union Bank & Trust	Virginia
Union Mortgage Group, Inc.	Virginia
Union Insurance Group, LLC	Virginia
Carmel Church Properties, LLC	Virginia
UB Properties, LLC	Virginia
Manquin Properties, LLC	Virginia
Guaranty Investments Corporation	Virginia
King Carter, LLC	Virginia
UB Eight, LLC	Virginia
Union Service Corporation	Virginia
Union Bank Community Development Corporation	Virginia
Union Bankshares Corporation Statutory Trust I	Connecticut
Union Bankshares Corporation Statutory Trust II	Delaware
VFG Limited Liability Trust (assumed January 1, 2014)	Connecticut
FNB (VA) Statutory Trust II (assumed January 1, 2014)	Connecticut
Old Dominion Capital Management, Inc.	Virginia

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements, as listed below, of Union Bankshares Corporation and in the related Prospectuses, where applicable, of our reports dated February 28, 2017, with respect to the consolidated financial statements of Union Bankshares Corporation and the effectiveness of internal control over financial reporting of Union Bankshares Corporation, included in this Annual Report (Form 10-K) of Union Bankshares Corporation for the year ended December 31, 2016.

Registration Statement Number	**Form**	**Description**
333-198710	Form S-3	Common Stock, Preferred Stock, Debt Securities, Warrants, Purchase Contracts, Units
333-175807	Form S-3	Common Stock, Preferred Stock, Debt Securities, Warrants, Purchase Contracts, Units
333-166520	Form S-3	Fixed Rate Cumulative Perpetual Preferred Stock, Series B
333-165874	Form S-3	Common stock
333-161860	Form S-3	Common stock
333-156946	Form S-3	Fixed Rate Cumulative Perpetual Preferred Stock, Series A; Warrant to Purchase 422,636 Shares of Common Stock; 422,636 Shares of Common Stock
333-154730	Form S-3	Common Stock, Preferred Stock, Depositary Shares, Debt Securities, Warrants, Purchase Contracts, Units
333-144481	Form S-3	Dividend Reinvestment and Stock Purchase Plan
033-78060	Form S-3	Dividend Reinvestment and Stock Purchase Plan
333-102012	Form S-3	Common stock
333-81199	Form S-3	Common stock
333-203580	Form S-8	Union Bankshares Corporation Stock and Incentive Plan
333-193364	Form S-8	FNB Corporation 2000 Incentive Stock Plan, FNB Corporation 2006 Incentive Stock Plan, StellarOne Corporation Stock Incentive Plan and StellarOne Corporation Stock and Incentive Compensation Plan
333-175808	Form S-8	Union First Market Bankshares Corporation 2011 Stock Incentive Plan
333-113842	Form S-8	Union Bankshares Corporation Non-Employee Directors' Stock Plan
333-113839	Form S-8	Union Bankshares Corporation 2003 Stock Incentive Plan

/s/ Ernst & Young LLP

Richmond, Virginia
February 28, 2017

Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-198710, 333-175807, 333-165874, 333-166520, 333-161860, 333-156946, 333-154730, 333-144481, 033-78060, 333-102012 and 333-81199 on Form S-3 and No. 333-203580, 333-193364, 333-175808, 333-113842 and 333-113839 on Form S-8 of Union Bankshares Corporation of our report dated February 27, 2015, relating to our audit of the consolidated financial statements, which appear in this Annual Report on Form 10-K of Union Bankshares Corporation for the year ended December 31, 2016.

/s/ YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia
February 28, 2017

Exhibit 31.01

CERTIFICATIONS

I, John C. Asbury, certify that:

1. I have reviewed this report on Form 10-K of Union Bankshares Corporation;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(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.

Date: February 28, 2017

/s/ John C. Asbury

John C. Asbury,
President and Chief Executive Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Union Bankshares Corporation and will be retained by Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.02

CERTIFICATIONS

I, Robert M. Gorman, certify that:

1. I have reviewed this report on Form 10-K of Union Bankshares Corporation;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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 internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(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.

Date: February 28, 2017

/s/ Robert M. Gorman

Robert M. Gorman,

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Union Bankshares Corporation and will be retained by Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.01

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 Union Bankshares Corporation (the "Company") on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge and belief: 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 results of operations of the Company as of and for the periods covered in the Report.

/s/ John C. Asbury

John C. Asbury,
President and Chief Executive Officer

/s/ Robert M. Gorman

Robert M. Gorman,
Executive Vice President and Chief Financial Officer

February 28, 2017

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Union Bankshares Corporation and will be retained by Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.