UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2017

OR

☐ **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)

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

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 Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	
		Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of common stock outstanding as of November 1, 2017 was 43,732,082.

UNION BANKSHARES CORPORATION
FORM 10-Q
INDEX

Glossary of Acronyms and Defined Terms

2016 Form 10-K	–	Annual Report on Form 10-K for the year ended December 31, 2016
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
bps	–	Basis points
the Company	–	Union Bankshares Corporation and its subsidiaries
Dodd-Frank Act	–	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EPS	–	Earnings per share
Exchange Act	–	Securities Exchange Act of 1934
FASB	–	Financial Accounting Standards Board
FDIC	–	Federal Deposit Insurance Corporation
Federal Reserve	–	Board of Governors of the Federal Reserve System
Federal Reserve Bank	–	Federal Reserve Bank of Richmond
FHLB	–	Federal Home Loan Bank of Atlanta
U.S. GAAP or GAAP	–	Accounting principles generally accepted in the United States
HELOC	–	Home equity line of credit
HTM	–	Held to maturity
IDC	–	Interactive Data Corporation
LIBOR	–	London Interbank Offered Rate
NPA	–	Nonperforming assets
ODCM	–	Old Dominion Capital Management, Inc.
OREO	–	Other real estate owned
OTTI	–	Other than temporary impairment
PCI	–	Purchased credit impaired
ROA	–	Return on average assets
ROE	–	Return on average common equity
ROTCE	–	Return on average tangible common equity
SEC	–	Securities and Exchange Commission
StellarOne	–	StellarOne Corporation
TDR	–	Troubled debt restructuring
UMG	–	Union Mortgage Group, Inc.
Xenith	–	Xenith Bankshares, Inc.

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	September 30, 2017	December 31, 2016
	(Unaudited)	*(Audited)*
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 115,776	$ 120,758
Interest-bearing deposits in other banks	60,294	58,030
Federal funds sold	891	449
Total cash and cash equivalents	176,961	179,237
Securities available for sale, at fair value	968,361	946,764
Securities held to maturity, at carrying value	204,801	201,526
Restricted stock, at cost	68,441	60,782
Loans held for sale, at fair value	30,896	36,487
Loans held for investment, net of deferred fees and costs	6,898,729	6,307,060
Less allowance for loan losses	37,162	37,192
Net loans held for investment	6,861,567	6,269,868
Premises and equipment, net	120,808	122,027
Other real estate owned, net of valuation allowance	8,764	10,084
Goodwill	298,191	298,191
Amortizable intangibles, net	16,017	20,602
Bank owned life insurance	181,451	179,318
Other assets	93,178	101,907
Total assets	$ 9,029,436	$ 8,426,793
LIABILITIES		
Noninterest-bearing demand deposits	$ 1,535,149	$ 1,393,625
Interest-bearing deposits	5,346,677	4,985,864
Total deposits	6,881,826	6,379,489
Securities sold under agreements to repurchase	43,337	59,281
Other short-term borrowings	574,000	517,500
Long-term borrowings	434,750	413,308
Other liabilities	54,152	56,183
Total liabilities	7,988,065	7,425,761
Commitments and contingencies (Note 6)		
STOCKHOLDERS' EQUITY		
Common stock, $1.33 par value, shares authorized 100,000,000; issued and outstanding, 43,729,229 shares and 43,609,317 shares, respectively.	57,708	57,506
Additional paid-in capital	608,884	605,397
Retained earnings	373,468	341,938
Accumulated other comprehensive income	1,311	(3,809)
Total stockholders' equity	1,041,371	1,001,032
Total liabilities and stockholders' equity	$ 9,029,436	$ 8,426,793

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Interest and dividend income:				
Interest and fees on loans	**$ 75,948**	$ 66,190	**$ 216,644**	$ 193,884
Interest on deposits in other banks	**181**	65	**367**	178
Interest and dividends on securities:				
Taxable	**5,175**	4,732	**15,081**	13,558
Nontaxable	**3,546**	3,446	**10,620**	10,344
Total interest and dividend income	**84,850**	74,433	**242,712**	217,964
Interest expense:				
Interest on deposits	**7,234**	4,552	**18,410**	12,945
Interest on short-term borrowings	**1,871**	765	**4,221**	2,098
Interest on long-term borrowings	**4,547**	2,088	**13,316**	6,386
Total interest expense	**13,652**	7,405	**35,947**	21,429
Net interest income	**71,198**	67,028	**206,765**	196,535
Provision for credit losses	**3,050**	2,472	**7,345**	7,376
Net interest income after provision for credit losses	**68,148**	64,556	**199,420**	189,159
Noninterest income:				
Service charges on deposit accounts	**5,153**	4,965	**14,945**	14,454
Other service charges and fees	**4,529**	4,397	**13,575**	12,971
Fiduciary and asset management fees	**2,794**	2,844	**8,313**	7,315
Mortgage banking income, net	**2,305**	3,207	**7,123**	8,324
Gains on securities transactions, net	**184**	—	**782**	145
Bank owned life insurance income	**1,377**	1,389	**4,837**	4,122
Loan-related interest rate swap fees	**416**	1,303	**2,627**	3,056
Other operating income	**778**	845	**2,228**	2,470
Total noninterest income	**17,536**	18,950	**54,430**	52,857
Noninterest expenses:				
Salaries and benefits	**29,769**	30,493	**92,499**	87,061
Occupancy expenses	**4,939**	4,841	**14,560**	14,627
Furniture and equipment expenses	**2,559**	2,635	**7,882**	7,867
Printing, postage, and supplies	**1,154**	1,147	**3,710**	3,566
Communications expense	**798**	948	**2,580**	2,964
Technology and data processing	**4,232**	3,917	**12,059**	11,340
Professional services	**1,985**	1,895	**5,734**	6,432
Marketing and advertising expense	**1,944**	1,975	**5,963**	5,838
FDIC assessment premiums and other insurance	**1,141**	1,262	**2,793**	4,003
Other taxes	**2,022**	639	**6,065**	3,864
Loan-related expenses	**1,349**	1,531	**3,959**	3,638
OREO and credit-related expenses	**1,139**	503	**2,023**	1,965
Amortization of intangible assets	**1,480**	1,843	**4,661**	5,468
Training and other personnel costs	**887**	863	**2,900**	2,512
Merger-related costs	**732**	—	**3,476**	—
Other expenses	**1,366**	2,421	**3,957**	5,291
Total noninterest expenses	**57,496**	56,913	**174,821**	166,436
Income before income taxes	**28,188**	26,593	**79,029**	75,580
Income tax expense	**7,530**	6,192	**21,292**	18,881
Net income	**$ 20,658**	$ 20,401	**$ 57,737**	$ 56,699
Basic earnings per common share	**$ 0.47**	$ 0.47	**$ 1.32**	$ 1.29
Diluted earnings per common share	**$ 0.47**	$ 0.47	**$ 1.32**	$ 1.29
Dividends declared per common share	**$ 0.20**	$ 0.19	**$ 0.60**	$ 0.57
Basic weighted average number of common shares outstanding	**43,706,635**	43,565,937	**43,685,045**	43,853,548
Diluted weighted average number of common shares outstanding	**43,792,058**	43,754,915	**43,767,502**	43,967,725

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net income	**$ 20,658**	$ 20,401	**$ 57,737**	$ 56,699
Other comprehensive income (loss):				
Cash flow hedges:				
Change in fair value of cash flow hedges	**41**	(78)	**(766)**	(3,766)
Reclassification adjustment for losses (gains) included in net income (net of tax, $102 and $83 for the three months and $370 and $233 for the nine months ended September 30, 2017 and 2016, respectively)	**189**	154	**688**	433
AFS securities:				
Unrealized holding gains (losses) arising during period (net of tax, $1,470 and $604 for the three months and $3,195 and $4,227 for the nine months ended September 30, 2017 and 2016, respectively)	**(2,729)**	1,121	**5,935**	7,851
Reclassification adjustment for losses (gains) included in net income (net of tax, $64 and $0 for the three months and $274 and $51 for the nine months ended September 30, 2017 and 2016, respectively)	**(119)**	—	**(508)**	(95)
HTM securities:				
Reclassification adjustment for accretion of unrealized gain on AFS securities transferred to HTM (net of tax, $88 and $128 for the three months and $273 and $439 for the nine months ended September 30, 2017 and 2016, respectively)	**(163)**	(237)	**(507)**	(816)
Bank owned life insurance:				
Reclassification adjustment for losses included in net income	**84**	—	**278**	—
Other comprehensive income (loss)	**(2,697)**	960	**5,120**	3,607
Comprehensive income	**$ 17,961**	$ 21,361	**$ 62,857**	$ 60,306

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Dollars in thousands, except share and per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance - December 31, 2015	$ 59,159	$ 631,822	$ 298,134	$ 6,252	$ 995,367
Net income - 2016			56,699		56,699
Other comprehensive income (net of taxes of $3,970)				3,607	3,607
Issuance of common stock in regard to acquisition (17,232 shares)	23	430			453
Dividends on common stock ($0.57 per share)			(24,957)		(24,957)
Stock purchased under stock repurchase plan (1,411,131 shares)	(1,876)	(31,300)			(33,176)
Issuance of common stock under Equity Compensation Plans (54,044 shares)	72	681			753
Issuance of common stock for services rendered (14,576 shares)	19	360			379
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (35,515 shares)	47	(492)			(445)
Stock-based compensation expense		2,284			2,284
Balance - September 30, 2016	$ 57,444	$ 603,785	$ 329,876	$ 9,859	$ 1,000,964
Balance - December 31, 2016	$ 57,506	$ 605,397	$ 341,938	$ (3,809)	$ 1,001,032
Net income - 2017			57,737		57,737
Other comprehensive income (net of taxes of $3,018)				5,120	5,120
Dividends on common stock ($0.60 per share)			(26,207)		(26,207)
Issuance of common stock under Equity Compensation Plans (58,421 shares)	78	891			969
Issuance of common stock for services rendered (16,529 shares)	22	539			561
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (76,505 shares)	102	(1,415)			(1,313)
Stock-based compensation expense		3,472			3,472
Balance - September 30, 2017	$ 57,708	$ 608,884	$ 373,468	$ 1,311	$ 1,041,371

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Dollars in thousands)

	2017	2016
Operating activities:		
Net income	**$ 57,737**	$ 56,699
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation of premises and equipment	**8,307**	7,617
Writedown of OREO	**845**	879
Amortization, net	**10,500**	10,241
Amortization (accretion) related to acquisition, net	**(158)**	1,400
Provision for credit losses	**7,345**	7,376
Gains on securities transactions, net	**(782)**	(145)
BOLI income	**(3,999)**	(4,122)
Decrease (increase) in loans held for sale, net	**5,591**	(10,784)
Losses (gains) on sales of other real estate owned, net	**32**	(278)
Losses on sales of premises, net	**51**	97
Stock-based compensation expenses	**3,472**	2,284
Issuance of common stock for services	**561**	379
Net decrease (increase) in other assets	**4,952**	(11,169)
Net increase in other liabilities	**909**	11,192
Net cash and cash equivalents provided by (used in) operating activities	**95,363**	71,666
Investing activities:		
Purchases of securities available for sale and restricted stock	**(205,965)**	(159,863)
Purchases of securities held to maturity	**(7,836)**	—
Proceeds from sales of securities available for sale and restricted stock	**91,911**	18,272
Proceeds from maturities, calls and paydowns of securities available for sale	**88,675**	83,942
Proceeds from maturities, calls and paydowns of securities held to maturity	**818**	1,841
Net increase in loans held for investment	**(594,967)**	(479,346)
Net increase in premises and equipment	**(7,139)**	(5,102)
Proceeds from BOLI settlements	**2,497**	—
Proceeds from sales of other real estate owned	**1,028**	4,982
Cash paid in acquisition	**—**	(4,077)
Cash acquired in acquisitions	**—**	207
Net cash and cash equivalents provided by (used in) investing activities	**(630,978)**	(539,144)
Financing activities:		
Net increase in noninterest-bearing deposits	**141,524**	69,331
Net increase in interest-bearing deposits	**360,813**	225,239
Net increase in short-term borrowings	**40,556**	276,748
Cash paid for contingent consideration	**(3,003)**	—
Proceeds from issuance of long-term debt	**20,000**	—
Repayments of long-term debt	**—**	(32,500)
Cash dividends paid - common stock	**(26,207)**	(24,957)
Repurchase of common stock	**—**	(33,176)
Issuance of common stock	**969**	753
Vesting of restricted stock, net of shares held for taxes	**(1,313)**	(445)
Net cash and cash equivalents provided by (used in) financing activities	**533,339**	480,993
Increase (decrease) in cash and cash equivalents	**(2,276)**	13,515
Cash and cash equivalents at beginning of the period	**179,237**	142,660
Cash and cash equivalents at end of the period	**$ 176,961**	$ 156,175
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	**$ 33,947**	$ 21,812
Income taxes	**19,600**	19,800
Supplemental schedule of noncash investing and financing activities		
Transfers between loans and other real estate owned	**$ 585**	$ 865
Issuance of common stock in exchange for net assets in acquisition	**—**	453

See accompanying notes to consolidated financial statements.

1. ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and follow general practice within the banking industry. Accordingly, the unaudited consolidated financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements; however, in the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2016 Form 10-K. Certain prior period amounts have been reclassified to conform to current period presentation.

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 on such loans is dependent upon the real estate and general economic conditions in those markets, as well as other factors.

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 allowance for loan losses, and any deferred fees or 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.

Below is a summary of the Company's loan segments:

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 manages 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.

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 three and nine months ended September 30, 2017, the Company recognized amortization of $229,000 and $643,000, respectively, and tax credits of $240,000 and $724,000, respectively, associated with these investments within "Income tax expense" on the Company's Consolidated Statements of Income. For the three and nine months ended September 30, 2016, the Company recognized amortization of $185,000 and $445,000, respectively, and tax credits of $265,000 and $685,000, respectively. The carrying value of the Company's investments in these qualified affordable housing projects was $9.1 million and $9.9 million as of September 30, 2017 and December 31, 2016, respectively. At September 30, 2017 and December 31, 2016, the Company's recorded liability totaled $4.0 million and $7.1 million, respectively, for the related unfunded commitments, which are expected to be paid from the second half of 2017 through 2019.

Adoption of New Accounting Standards

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. The Company adopted this standard in the first quarter of 2017. The adoption of ASU 2016-09 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 via the modified retrospective approach. The Company performed its assessment of the adoption of this ASU and the related subsequent technical corrections issued. Based on the completed contracts reviewed thus far, the adoption of this accounting guidance is not expected to have a material impact on the Company's 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. The Company is currently working to identify the complete lease population, including potential embedded leases. The adoption of this standard is expected to result in additional assets and liabilities, as the Company will be required to recognize operating leases on the Consolidated Balance Sheet. Other implementation matters to be addressed include, but are not limited to, the determination of effects on the financial and capital ratios and the quantification of the impacts that this accounting guidance will have on the Company's 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 January 2017, the FASB issued ASU No. 2017-01, "*Business Combinations (Topic 805): Clarifying the Definition of a Business*." This ASU clarifies the definition of a business that appears in ASC 805, Business Combinations. Amendments narrow the definition and provide a framework for making judgments whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendment to the Business Combinations Topic is intended to address concerns that the existing definition of a business has been applied too broadly and has resulted in many transactions being recorded as business acquisitions that in substance are more akin to asset acquisitions. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company has concluded the adoption of ASU 2017-01 will not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-03, "*Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (SEC Update)*." This ASU incorporates into the Accounting Standards Codification recent SEC guidance about disclosing, under SEC SAB Topic 11.M, the effect on financial statements of adopting the revenue, leases, and credit losses standards. ASU 2017-03 is effective upon issuance. The Company has concluded the adoption of ASU 2017-03 will not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*." This ASU simplifies accounting for goodwill impairments by eliminating step two (the implied fair value to carrying value of goodwill) from the existing goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of the goodwill. The effective date and transition requirements for the technical corrections will be effective for the Company for reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has concluded the adoption of ASU 2017-04 will not have a material impact on its consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "*Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales* *of Nonfinancial Assets*." This ASU conforms the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard. The amendments will be effective for the Company for reporting periods beginning after December 15, 2018. The Company concluded that ASU 2017-05 will not have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, "*Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*." This ASU focuses on the amortization period for certain purchased callable debt securities held at a premium. The amendments shorten the amortization period for the premium to the earliest call date. The amendments will be effective for the Company for interim and annual periods beginning after December 15, 2018. The Company has concluded the adoption of ASU 2017-08 will not have a material impact on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "*Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*." This ASU relates to changes in the terms or conditions of a share-based payment award. The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments will be effective for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company has concluded the adoption of ASU 2017-09 will not have a material impact on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*." This ASU relates to any entity that elects to apply hedge accounting in accordance with current GAAP. The amendment simplifies the application of the hedge accounting guidance and improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The amendments will be effective for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact ASU 2017-12 will have on its consolidated financial statements.

2. SECURITIES

Available for Sale

The amortized cost, gross unrealized gains and losses, and estimated fair values of securities available for sale as of September 30, 2017 and December 31, 2016 are summarized as follows (dollars in thousands):

	Amortized	Gross Unrealized		Estimated
	Cost	Gains	(Losses)	Fair Value
September 30, 2017				
Obligations of states and political subdivisions	**$ 285,921**	**$ 7,582**	**$ (1,304)**	**$ 292,199**
Corporate bonds	**114,997**	**1,241**	**(816)**	**115,422**
Mortgage-backed securities	**546,038**	**4,119**	**(3,253)**	**546,904**
Other securities	**13,890**	**—**	**(54)**	**13,836**
Total available for sale securities	**$ 960,846**	**$ 12,942**	**$ (5,427)**	**$ 968,361**
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

The following table shows the gross unrealized losses and fair value (dollars in thousands) of the Company's available for sale securities with unrealized losses that are not deemed to be other-than-temporarily impaired as of September 30, 2017 and December 31, 2016. 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
September 30, 2017						
Obligations of states and political subdivisions	**$ 55,319**	**$ (700)**	**$ 9,338**	**$ (604)**	**$ 64,657**	**$ (1,304)**
Mortgage-backed securities	**283,466**	**(2,708)**	**42,481**	**(545)**	**325,947**	**(3,253)**
Corporate bonds and other securities	**21,128**	**(353)**	**32,674**	**(517)**	**53,802**	**(870)**
Total available for sale securities	**$ 359,913**	**$ (3,761)**	**$ 84,493**	**$ (1,666)**	**$ 444,406**	**$ (5,427)**
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 securities	$ 472,297	$ (9,523)	$ 83,152	$ (1,790)	$ 555,449	$ (11,313)

As of September 30, 2017, there were $84.5 million, or 36 issues, of individual available for sale securities that had been in a continuous loss position for more than 12 months. These securities had an unrealized loss of $1.7 million and consisted of municipal obligations, mortgage-backed securities, and corporate bonds. As of December 31, 2016, there were $83.2 million, or 30 issues, of individual securities that had been in a continuous loss position for more than 12 months. These securities had an unrealized loss of $1.8 million and consisted of municipal obligations, mortgage-backed securities, and corporate bonds. The Company has determined that these securities are temporarily impaired as of September 30, 2017 and December 31, 2016 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 credit crisis 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 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 available for sale securities as ofSeptember 30, 2017 and December 31, 2016, 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.

	September 30, 2017		December 31, 2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 23,387**	**$ 23,510**	$ 21,403	$ 21,517
Due after one year through five years	**128,261**	**130,107**	108,198	109,778
Due after five years through ten years	**267,492**	**271,830**	300,552	301,888
Due after ten years	**541,706**	**542,914**	517,444	513,581
Total securities available for sale	**$ 960,846**	**$ 968,361**	$ 947,597	$ 946,764

For information regarding the estimated fair value of 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 September 30, 2017 and December 31, 2016, see Note 6 "Commitments and Contingencies."

Held to Maturity

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 or 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 September 30, 2017 and December 31, 2016 are summarized as follows (dollars in thousands):

	Carrying Value [(1)]	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
September 30, 2017				
Obligations of states and political subdivisions	**$ 204,801**	**$ 5,111**	**$ (77)**	**$ 209,835**
December 31, 2016				
Obligations of states and political subdivisions	$ 201,526	$ 1,617	$ (828)	$ 202,315

(1) *The carrying value includes $4.0 million as of September 30, 2017 and $5.2 million as of December 31, 2016 of net unrealized gains present at the time of transfer from available for sale securities, net of any accretion.*

The following table shows the gross unrealized losses and fair value (dollars in thousands) of the Company's held to maturity securities with unrealized losses that are not deemed to be other-than-temporarily impaired as of September 30, 2017 and December 31, 2016. 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
September 30, 2017						
Obligations of states and political subdivisions	**$ 5,130**	**$ (53)**	**$ 638**	**$ (24)**	**$ 5,768**	**$ (77)**
December 31, 2016						
Obligations of states and political subdivisions	$ 92,841	$ (747)	$ 648	$ (81)	$ 93,489	$ (828)

As of September 30, 2017, there was $638,000, or one issue, of an individual held to maturity security that had been in a continuous loss position for more than 12 months and had an unrealized loss of $24,000. As of December 31, 2016, there was $648,000, or one issue, of an individual held to maturity security that had been in a continuous loss position for more than 12 months and had an unrealized loss of $81,000. This security is a municipal bond with minimal credit exposure and is credit enhanced with a guarantee from the local school board. For this reason, the Company has determined that this security in a loss position is temporarily impaired as of September 30, 2017 and December 31, 2016. Because the Company does not intend to sell this investment and the accounting standard of "more likely than not" has not been met for the Company to be required to sell the investment before recovery of its amortized cost basis, which may be maturity, the Company does not consider this investment to be other-than-temporarily impaired.

The following table presents the amortized cost and estimated fair value of held to maturity securities as of September 30, 2017 and December 31, 2016, 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.

	September 30, 2017		December 31, 2016	
	Carrying Value [(1)]	Estimated Fair Value	Carrying Value [(1)]	Estimated Fair Value
Due in one year or less	**$ 5,879**	**$ 5,902**	$ 4,403	$ 4,440
Due after one year through five years	**41,196**	**41,959**	28,383	28,763
Due after five years through ten years	**65,893**	**67,444**	51,730	51,522
Due after ten years	**91,833**	**94,530**	117,010	117,590
Total securities held to maturity	**$ 204,801**	**$ 209,835**	$ 201,526	$ 202,315

(1) *The carrying value includes $4.0 million as of September 30, 2017 and $5.2 million as of December 31, 2016 of net unrealized gains present at the time of transfer from available for sale securities, net of any accretion.*

For information regarding the estimated fair value of held to maturity securities which were pledged to secure public deposits as permitted or required by law as of September 30, 2017 and December 31, 2016, see Note 6 "Commitments and Contingencies."

Restricted Stock, at cost

Due to restrictions placed upon the Bank's common stock investment 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 and are included as a separate line item on the Company's Consolidated Balance Sheets. At September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016. Restricted equity securities consist of Federal Reserve Bank stock in the amount of $27.6 million and $23.8 million for September 30, 2017 and December 31, 2016 and FHLB stock in the amount of $40.9 million and $37.0 million as of September 30, 2017 and December 31, 2016, respectively.

Other-Than-Temporary-Impairment

During each quarter, 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 assessment for the three and nine months ended September 30, 2017, and in accordance with the guidance, no OTTI was recognized.

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 quarter ended March 31, 2016, the municipal security was sold. As a result, the Company recognized an additional loss on sale of the previously written down security.

Realized Gains and Losses

The following table presents the gross realized gains and losses on and the proceeds from the sale of securities during the three and nine months ended September 30, 2017 and 2016 (dollars in thousands).

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Realized gains (losses):		
Gross realized gains	**$ 296**	**$ 958**
Gross realized losses	**(112)**	**(176)**
Net realized gains	**$ 184**	**$ 782**
Proceeds from sales of securities	**$ 39,284**	**$ 91,911**

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Realized gains (losses):		
Gross realized gains	**$ —**	**$ 242**
Gross realized losses	**—**	**(97)**
Net realized gains	**$ —**	**$ 145**
Proceeds from sales of securities	**$ 2,848**	**$ 18,272**

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at their face amount, net of deferred fees and costs, and consist of the following atSeptember 30, 2017 and December 31, 2016 (dollars in thousands):

	September 30, 2017	December 31, 2016
Construction and Land Development	**$ 841,738**	$ 751,131
Commercial Real Estate - Owner Occupied	**903,523**	857,805
Commercial Real Estate - Non-Owner Occupied	**1,748,039**	1,564,295
Multifamily Real Estate	**368,686**	334,276
Commercial & Industrial	**554,522**	551,526
Residential 1-4 Family	**1,083,112**	1,029,547
Auto	**276,572**	262,071
HELOC	**535,446**	526,884
Consumer and all other	**587,091**	429,525
Total loans held for investment, net[1]	**$ 6,898,729**	$ 6,307,060

(1) *Loans, as presented, are net of deferred fees and costs totaling$335,000 and $1.8 million as of September 30, 2017 and December 31, 2016, respectively.*

The following table shows the aging of the Company's loan portfolio, by segment, atSeptember 30, 2017 (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	$ 7,221	$ 100	$ 54	$ 3,026	$ 5,671	$ 825,666	$ 841,738
Commercial Real Estate - Owner Occupied	1,707	689	679	17,668	2,205	880,575	903,523
Commercial Real Estate - Non-Owner Occupied	909	571	298	14,376	2,701	1,729,184	1,748,039
Multifamily Real Estate	—	—	—	77	—	368,609	368,686
Commercial & Industrial	1,558	255	101	625	1,252	550,731	554,522
Residential 1-4 Family	5,633	1,439	2,360	14,077	6,163	1,053,440	1,083,112
Auto	2,415	293	143	—	174	273,547	276,572
HELOC	1,400	628	709	982	1,791	529,936	535,446
Consumer and all other	3,469	1,445	188	210	165	581,614	587,091
Total loans held for investment	$ 24,312	$ 5,420	$ 4,532	$ 51,041	$ 20,122	$ 6,793,302	$ 6,898,729

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 PCI loan portfolios, by segment and their delinquency status, atSeptember 30, 2017 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Construction and Land Development	$ 62	$ —	$ 2,964	$ 3,026
Commercial Real Estate - Owner Occupied	463	643	16,562	17,668
Commercial Real Estate - Non-Owner Occupied	318	1,032	13,026	14,376
Multifamily Real Estate	—	—	77	77
Commercial & Industrial	—	—	625	625
Residential 1-4 Family	949	1,125	12,003	14,077
HELOC	132	128	722	982
Consumer and all other	34	—	176	210
Total	$ 1,958	$ 2,928	$ 46,155	$ 51,041

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 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 September 30, 2017 and December 31, 2016 (dollars in thousands):

	September 30, 2017			December 31, 2016		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a specific allowance						
Construction and Land Development	$ 13,889	$ 13,981	$ —	$ 13,877	$ 14,353	$ —
Commercial Real Estate - Owner Occupied	5,238	5,378	—	5,886	6,042	—
Commercial Real Estate - Non-Owner Occupied	5,548	5,636	—	1,399	1,399	—
Commercial & Industrial	1,632	1,880	—	648	890	—
Residential 1-4 Family	9,510	10,523	—	8,496	9,518	—
HELOC	1,651	1,741	—	1,017	1,094	—
Consumer and all other	521	631	—	230	427	—
Total impaired loans without a specific allowance	$ 37,989	$ 39,770	$ —	$ 31,553	$ 33,723	$ —
Loans with a specific allowance						
Construction and Land Development	$ 1,347	$ 1,444	$ 113	$ 1,395	$ 1,404	$ 107
Commercial Real Estate - Owner Occupied	2,118	2,132	157	646	646	4
Commercial Real Estate - Non-Owner Occupied	2,032	2,032	42	2,809	2,809	474
Commercial & Industrial	2,511	2,562	909	857	880	14
Residential 1-4 Family	4,421	4,543	249	3,335	3,535	200
Auto	174	235	1	169	235	1
HELOC	766	800	56	323	433	15
Consumer and all other	242	310	43	62	298	1
Total impaired loans with a specific allowance	$ 13,611	$ 14,058	$ 1,570	$ 9,596	$ 10,240	$ 816
Total impaired loans	$ 51,600	$ 53,828	$ 1,570	$ 41,149	$ 43,963	$ 816

The following tables show the average recorded investment and interest income recognized for the Company's impaired loans, excluding PCI loans, by segment for the three and nine months ended September 30, 2017 and 2016 (dollars in thousands):

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
Construction and Land Development	$ 15,654	$ 128	$ 15,378	$ 368
Commercial Real Estate - Owner Occupied	7,354	62	7,407	245
Commercial Real Estate - Non-Owner Occupied	7,597	57	7,584	185
Commercial & Industrial	4,139	36	4,203	121
Residential 1-4 Family	14,218	94	14,358	261
Auto	192	—	223	2
HELOC	2,460	7	2,492	29
Consumer and all other	800	8	690	20
Total impaired loans	$ 52,414	$ 392	$ 52,335	$ 1,231

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
Construction and Land Development	$ 28,195	$ 464	$ 27,645	$ 1,346
Commercial Real Estate - Owner Occupied	7,691	72	7,862	230
Commercial Real Estate - Non-Owner Occupied	3,777	33	3,759	98
Commercial & Industrial	4,628	42	4,964	134
Residential 1-4 Family	13,106	89	13,439	267
Auto	271	—	289	4
HELOC	2,118	7	2,185	35
Consumer and all other	453	—	620	6
Total impaired loans	$ 60,239	$ 707	$ 60,763	$ 2,120

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 three and nine months ended September 30, 2017, the recorded investment in TDRs 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 on nonaccrual status, which are considered to be nonperforming, as of September 30, 2017 and December 31, 2016 (dollars in thousands):

	September 30, 2017			December 31, 2016		
	No. of Loans	Recorded Investment	Outstanding Commitment	No. of Loans	Recorded Investment	Outstanding Commitment
Performing						
Construction and Land Development	**7**	**$ 2,841**	**$ —**	8	$ 3,793	$ —
Commercial Real Estate - Owner Occupied	**7**	**2,934**	**—**	7	3,106	—
Commercial Real Estate - Non-Owner Occupied	**3**	**2,196**	**—**	2	2,390	—
Commercial & Industrial	**12**	**2,112**	**—**	3	533	—
Residential 1-4 Family	**34**	**5,941**	**—**	28	4,145	—
Consumer and all other	**1**	**495**	**—**	—	—	—
Total performing	**64**	**$ 16,519**	**$ —**	48	$ 13,967	$ —
Nonperforming						
Construction and Land Development	**5**	**$ 400**	**$ —**	2	$ 215	$ —
Commercial Real Estate - Owner Occupied	**2**	**142**	**—**	2	156	—
Commercial & Industrial	**5**	**1,062**	**—**	1	116	—
Residential 1-4 Family	**8**	**1,095**	**—**	8	948	—
Consumer and all other	**1**	**26**	**—**	—	—	—
Total nonperforming	**21**	**$ 2,725**	**$ —**	13	$ 1,435	$ —
Total performing and nonperforming	**85**	**$ 19,244**	**$ —**	61	$ 15,402	$ —

The Company considers a default of a TDR to occur when the borrower is 90 days past due following the restructure or a foreclosure and repossession of the applicable collateral occurs. The following table shows, by segment, TDRs that were identified by the Company as going into default during the period shown that were restructured in the prior twelve-month period (dollars in thousands):

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	No. of Loans	Recorded Investment	No. of Loans	Recorded Investment
Construction and Land Development	—	$ —	2	$ 198
Commercial Real Estate - Owner Occupied	—	—	1	469
Commercial & Industrial	1	350	1	350
Residential 1-4 Family	2	187	4	605
Total	3	$ 537	8	$ 1,622

During the three and nine months ended September 30, 2016, the Company identified one loan, totaling approximately $23,000, that went into default that had been restructured in the twelve-month period prior to the time of default. This loan was a commercial real estate - owner occupied loan that had a term modification at a market rate.

The following table shows, by segment and modification type, TDRs that occurred during the three and nine months ended September 30, 2017 (dollars in thousands):

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	No. of Loans	Recorded Investment at Period End	No. of Loans	Recorded Investment at Period End
Modified to interest only, at a market rate				
Commercial & Industrial	3	$ 936	8	$ 1,596
Total interest only at market rate of interest	3	$ 936	8	$ 1,596
Term modification, at a market rate				
Construction and Land Development	1	$ 160	4	$ 1,150
Commercial Real Estate - Owner Occupied	1	380	1	380
Commercial Real Estate - Non-Owner Occupied	1	571	3	2,196
Commercial & Industrial	—	—	4	969
Residential 1-4 Family	3	1,647	8	2,574
Consumer and all other	1	26	2	522
Total loan term extended at a market rate	7	$ 2,784	22	$ 7,791
Term modification, below market rate				
Commercial Real Estate - Owner Occupied	—	$ —	1	$ 841
Commercial & Industrial	—	—	3	179
Residential 1-4 Family	1	40	8	1,143
Total loan term extended at a below market rate	1	$ 40	12	$ 2,163
Total	**11**	**$ 3,760**	**42**	**$ 11,550**

The following table shows, by segment and modification type, TDRs that occurred during thethree and nine months ended September 30, 2016 (dollars in thousands):

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	No. of Loans	Recorded Investment at Period End	No. of Loans	Recorded Investment at Period End
Term modification, at a market rate				
Construction and Land Development	—	$ —	1	$ 1,177
Commercial Real Estate - Owner Occupied	—	—	2	739
Commercial & Industrial	1	457	1	457
Residential 1-4 Family	—	—	2	474
Total loan term extended at a market rate	1	$ 457	6	$ 2,847
Term modification, below market rate				
Residential 1-4 Family	—	$ —	1	$ 36
Total loan term extended at a below market rate	—	$ —	1	$ 36
Interest rate modification, below market rate				
Commercial & Industrial	—	$ —	1	$ 125
Total interest only at below market rate of interest	—	$ —	1	$ 125
Total	**1**	**$ 457**	**8**	**$ 3,008**

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 nine months ended and as of September 30, 2017. The table below includes the provision for loan losses. 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	$ 10,055	$ 193	$ (2,115)	$ 535	$ 8,668
Commercial Real Estate - Owner Occupied	3,801	84	(46)	(620)	3,219
Commercial Real Estate - Non-Owner Occupied	6,622	2	(1,181)	1,825	7,268
Multifamily Real Estate	1,236	—	—	(136)	1,100
Commercial & Industrial	4,627	451	(1,241)	1,526	5,363
Residential 1-4 Family	6,399	332	(815)	(35)	5,881
Auto	946	352	(761)	398	935
HELOC	1,328	240	(861)	675	1,382
Consumer and all other	2,178	905	(2,929)	3,192	3,346
Total	**$ 37,192**	**$ 2,559**	**$ (9,949)**	**$ 7,360**	**$ 37,162**

	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	$ 15,236	$ 113	$ 823,476	$ 8,555	$ 3,026	$ —	$ 841,738	$ 8,668
Commercial Real Estate - Owner Occupied	7,356	157	878,499	3,062	17,668	—	903,523	3,219
Commercial Real Estate - Non-Owner Occupied	7,580	42	1,726,083	7,226	14,376	—	1,748,039	7,268
Multifamily Real Estate	—	—	368,609	1,100	77	—	368,686	1,100
Commercial & Industrial	4,143	909	549,754	4,454	625	—	554,522	5,363
Residential 1-4 Family	13,931	249	1,055,104	5,632	14,077	—	1,083,112	5,881
Auto	174	1	276,398	934	—	—	276,572	935
HELOC	2,417	56	532,047	1,326	982	—	535,446	1,382
Consumer and all other	763	43	586,118	3,303	210	—	587,091	3,346
Total loans held for investment, net	**$ 51,600**	**$ 1,570**	**$ 6,796,088**	**$ 35,592**	**$ 51,041**	**$ —**	**$ 6,898,729**	**$ 37,162**

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 nine months ended and as of September 30, 2016. In addition, a $175,000 provision was recognized during the nine months ended September 30, 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	$ 165	$ (869)	$ 5,464	$ 10,800
Commercial Real Estate - Owner Occupied	4,614	112	(772)	(770)	3,184
Commercial Real Estate - Non-Owner Occupied	6,929	3	(1)	(813)	6,118
Multifamily Real Estate	1,606	—	—	(658)	948
Commercial & Industrial	3,163	422	(1,301)	3,119	5,403
Residential 1-4 Family	5,414	466	(741)	518	5,657
Auto	1,703	243	(815)	(260)	871
HELOC	2,934	229	(1,272)	(534)	1,357
Consumer and all other	1,644	382	(957)	1,135	2,204
Total	**$ 34,047**	**$ 2,022**	**$ (6,728)**	**$ 7,201**	**$ 36,542**

	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	$ 27,241	$ 123	$ 745,984	$ 10,677	$ 3,205	$ —	$ 776,430	$ 10,800
Commercial Real Estate - Owner Occupied	7,612	5	830,466	3,179	19,064	—	857,142	3,184
Commercial Real Estate - Non-Owner Occupied	3,792	1	1,432,895	6,117	18,141	—	1,454,828	6,118
Multifamily Real Estate	—	—	337,234	948	2,079	—	339,313	948
Commercial & Industrial	3,448	642	505,264	4,761	1,145	—	509,857	5,403
Residential 1-4 Family	12,673	115	969,860	5,542	16,828	—	999,361	5,657
Auto	231	1	254,957	870	—	—	255,188	871
HELOC	2,053	17	520,546	1,340	1,498	—	524,097	1,357
Consumer and all other	451	88	431,865	2,116	386	—	432,702	2,204
Total loans held for investment, net	**$ 57,501**	**$ 992**	**$ 6,029,071**	**$ 35,550**	**$ 62,346**	**$ —**	**$ 6,148,918**	**$ 36,542**

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 with General Obligation Municipal Borrowers;
- 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 September 30, 2017 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 768,206	$ 57,190	$ 13,201	$ 115	$ 838,712
Commercial Real Estate - Owner Occupied	834,265	47,019	4,571	—	885,855
Commercial Real Estate - Non-Owner Occupied	1,702,500	23,764	7,399	—	1,733,663
Multifamily Real Estate	361,175	7,434	—	—	368,609
Commercial & Industrial	534,594	16,400	2,903	—	553,897
Residential 1-4 Family	1,045,736	15,878	4,480	2,941	1,069,035
Auto	273,446	2,910	143	73	276,572
HELOC	530,263	2,427	1,051	723	534,464
Consumer and all other	583,728	2,618	530	5	586,881
Total	$ 6,633,913	$ 175,640	$ 34,278	$ 3,857	$ 6,847,688

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 only PCI loans by segment with their related risk level as of September 30, 2017 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 1,460	$ 1,311	$ 255	$ —	$ 3,026
Commercial Real Estate - Owner Occupied	5,521	8,237	3,910	—	17,668
Commercial Real Estate - Non-Owner Occupied	10,676	2,435	1,265	—	14,376
Multifamily Real Estate	—	77	—	—	77
Commercial & Industrial	94	309	222	—	625
Residential 1-4 Family	7,498	4,227	1,577	775	14,077
HELOC	722	132	6	122	982
Consumer and all other	154	46	10	—	210
Total	$ 26,125	$ 16,774	$ 7,245	$ 897	$ 51,041

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

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 Nine Months Ended September 30,	
	2017	2016
Balance at beginning of period	$ 19,739	$ 22,139
Accretion	(4,896)	(4,232)
Reclass of nonaccretable difference due to improvement in expected cash flows	2,175	3,580
Other, net (1)	(452)	(1,149)
Balance at end of period	$ 16,566	$ 20,338

(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 quarter.*

The carrying value of the Company's PCI loan portfolio, accounted for under ASC 310-30, totaled $51.0 million at September 30, 2017 and $59.3 million at December 31, 2016. The outstanding balance of the Company's PCI loan portfolio totaled $62.8 million at September 30, 2017 and $73.6 million at December 31, 2016. The carrying value of the Company's acquired performing loan portfolio, accounted for under ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, totaled $942.0 million at September 30, 2017 and $1.1 billion at December 31, 2016; the remaining discount on these loans totaled $14.6 million at September 30, 2017 and $16.9 million at December 31, 2016.

4. INTANGIBLE ASSETS

The Company's intangible assets consist of core deposits, goodwill, and other intangibles arising from 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. Other amortizable intangible assets are being amortized 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 2017 and determined that there was no impairment to its goodwill or intangible assets.

Amortization expense of core deposit intangibles for the three and nine months ended September 30, 2017 totaled $1.4 million and $4.3 million, respectively; and the three and nine months ended September 30, 2016 totaled $1.7 million and $5.3 million, respectively. Amortization expense of other intangibles for the three and nine months ended September 30, 2017 totaled $120,000 and $360,000, respectively and $160,000 for the both three and nine months ended September 30, 2016. As of September 30, 2017, the estimated remaining amortization expense of intangibles is as follows (dollars in thousands):

For the remaining three months of 2017	**$ 1,420**
For the year ending December 31, 2018	**4,664**
For the year ending December 31, 2019	**3,599**
For the year ending December 31, 2020	**2,509**
For the year ending December 31, 2021	**1,481**
Thereafter	**2,344**
Total estimated amortization expense	**$ 16,017**

5. 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 September 30, 2017 and December 31, 2016 (dollars in thousands):

	September 30, 2017	December 31, 2016
Securities sold under agreements to repurchase	**$ 43,337**	**$ 59,281**
Other short-term borrowings [1]	**574,000**	**517,500**
Total short-term borrowings	**$ 617,337**	**$ 576,781**
Maximum month-end outstanding balance	**$ 696,529**	**$ 678,262**
Average outstanding balance during the period	**606,441**	**590,074**
Average interest rate (year-to-date)	**0.93 %**	**0.49 %**
Average interest rate at end of period	**1.15 %**	**0.60 %**

[1] *As of September 30, 2017 and December 31, 2016 , all other short-term borrowings were FHLB advances.*

The Bank maintains federal funds lines with several correspondent banks; the remaining available balance was $185.0 million and $175.0 million at September 30, 2017 and December 31, 2016, respectively. The Company maintains an alternate line of credit at a correspondent bank; the available balance was $25.0 million at both September 30, 2017 and December 31, 2016. 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 $2.7 billion and $2.4 billion at September 30, 2017 and December 31, 2016, 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 $6.5 million at September 30, 2017. 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 %	4.08%	6/17/2034
Trust Preferred Capital Note - Statutory Trust II	36,000,000	1,114,000	1.40 %	2.73%	6/15/2036
VFG Limited Liability Trust I Indenture	20,000,000	619,000	2.73 %	4.06%	3/18/2034
FNB Statutory Trust II Indenture	12,000,000	372,000	3.10 %	4.43%	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 the fourth quarter of 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 15, 2026. At September 30, 2017 and December 31, 2016, the carrying value of the subordinated debt was $150.0 million, with a remaining discount of $1.8 million, respectively.

On August 23, 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 on the Company's Consolidated Balance Sheets. In accordance with ASC 470-50, *Modifications and Extinguishments*, the Company is amortizing 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 on the Company's Consolidated Statements of Income. Amortization expense for the three and nine months ended September 30, 2017 and 2016 was $486,000 and $1.4 million and $474,000 and $1.4 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 at September 30, 2017 that had a remaining fair value premium of $223,000.

As of September 30, 2017, the Company had long-term advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate (1)	Maturity Date	Advance Amount
Adjustable Rate Credit	0.44%	1.77%	8/23/2022	$ 55,000
Adjustable Rate Credit	0.45%	1.79%	11/23/2022	65,000
Adjustable Rate Credit	0.45%	1.79%	11/23/2022	10,000
Adjustable Rate Credit	0.45%	1.79%	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
Fixed Rate Hybrid	—	1.58%	5/18/2020	20,000
				$ 210,000

(1) *Interest rates calculated using non-rounded numbers.*

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

Long-term Type	Spread to 3-Month LIBOR	Interest Rate (1)	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

(1) *Interest rates calculated using non-rounded numbers.*

For information on the carrying value of loans and securities pledged as collateral on FHLB advances as of September 30, 2017 and December 31, 2016, refer to Note 6 "Commitments and Contingencies".

As of September 30, 2017, 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	Fair Value Premium (Discount)	Prepayment Penalty	Total Long-term Borrowings
For the remaining three months of 2017	$ —	$ —	$ 10,000	$ (21)	$ (488)	**$ 9,491**
2018	—	—	40,000	(343)	(1,970)	**37,687**
2019	—	—	—	(486)	(2,018)	**(2,504)**
2020	—	—	20,000	(501)	(2,074)	**17,425**
2021	—	—	—	(516)	(2,119)	**(2,635)**
Thereafter	93,301	150,000	140,000	(6,308)	(1,707)	**375,286**
Total Long-term borrowings	$ 93,301	$ 150,000	$ 210,000	$ (8,175)	$ (10,376)	**$ 434,750**

6. COMMITMENTS AND CONTINGENCIES

Litigation Matters

On September 7, 2017, Paul Parshall, a purported shareholder of Xenith, filed a putative class action lawsuit (the "Parshall Lawsuit") in the United States District Court for the Eastern District of Virginia against Xenith, its current directors, and the Company on behalf of all public shareholders of Xenith. The plaintiff in the action alleged that the Company's registration statement on Form S-4 filed with the SEC, as amended, relating to the Pending Merger omitted certain material information in violation of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and further that the individual defendants were liable for those omissions under Section 20(a) of the Exchange Act. The relief sought in the lawsuit included preliminary and permanent injunction to prevent the completion of the Pending Merger, rescission or rescissory damages if the Pending Merger were completed, costs and attorneys' fees. On November 6, 2017, Mr. Parshall filed a notice of voluntary dismissal, terminating the Parshall Lawsuit without prejudice.

On September 19, 2017, Shannon Rowe, a purported shareholder of Xenith, filed a putative class action lawsuit (the "Rowe Lawsuit"), also in the United States District Court for the Eastern District of Virginia, against Xenith and its current directors. The Company is not named as a defendant in the Rowe Lawsuit. The allegations in the Rowe Lawsuit are similar to the allegations in the Parshall Lawsuit.

At this time, it is not possible to predict the outcome of the proceeding in the Rowe Lawsuit or its impact on Xenith, the Company, or the Pending Merger. The Company believes that the claims in the Rowe Lawsuit are without merit and has been advised that Xenith and the Xenith board of directors also believe that the claims in the Rowe Lawsuit are without merit and that Xenith and the Xenith board of directors intend to defend vigorously against them.

In addition to the Rowe Lawsuit, in the ordinary course of its operations, the Company and its subsidiaries are parties to various other legal proceedings. Based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome in such other legal proceedings, in the aggregate, will not have a material adverse effect on the business or 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 also records an indemnification reserve that includes balances relating to mortgage loans previously sold based on historical statistics and loss rates. As of both September 30, 2017 and December 31, 2016, the Company's reserves for off-balance sheet credit risk and indemnification were $1.1 million and are reported as a component of "Other Liabilities" on the Company's Consolidated Balance Sheets.

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 and contingencies (dollars in thousands):

	September 30, 2017	December 31, 2016
Commitments with off-balance sheet risk:		
Commitments to extend credit [(1)]	$ 2,085,103	$ 1,924,885
Standby letters of credit	119,977	84,212
Total commitments with off-balance sheet risk	$ 2,205,080	$ 2,009,097

(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 period ended September 30, 2017, the aggregate amount of daily average required reserves was approximately$73.1 million and was satisfied by vault cash holdings and deposits maintained with the Federal Reserve Bank.

As of September 30, 2017, the Company had approximately $45.4 million in deposits in other financial institutions, of which $23.8 million served as collateral for cash flow and loan swap derivatives. The Company had approximately $20.3 million in deposits in other financial institutions that were uninsured atSeptember 30, 2017. At least annually, 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 7 "Derivatives" for additional information.

As part of the Company's liquidity management strategy, it pledges collateral to secure various financing and other activities that occur during the normal course of business. The following tables present the types of collateral pledged, at September 30, 2017 and December 31, 2016 (dollars in thousands):

	Pledged Assets as of September 30, 2017				
	Cash	AFS Securities (1)	HTM Securities (1)	Loans (2)	Total
Public deposits	$ —	$ 224,153	$ 206,878	$ —	$ 431,031
Repurchase agreements	—	88,257	—	—	88,257
FHLB advances	—	1,022	—	2,404,355	2,405,377
Derivatives	23,831	3,898	—	—	27,729
Other purposes	—	15,580	—	—	15,580
Total pledged assets	$ 23,831	$ 332,910	$ 206,878	$ 2,404,355	$ 2,967,974

(1) *Balance represents market value.*
(2) *Balance represents book value.*

	Pledged Assets as of December 31, 2016				
	Cash	AFS Securities (1)	HTM Securities (1)	Loans (2)	Total
Public deposits	$ —	$ 210,546	$ 197,889	$ —	$ 408,435
Repurchase agreements	—	108,208	—	—	108,208
FHLB advances	—	1,475	—	1,959,929	1,961,404
Derivatives	33,595	4,376	—	—	37,971
Other purposes	—	17,499	—	—	17,499
Total pledged assets	$ 33,595	$ 342,104	$ 197,889	$ 1,959,929	$ 2,533,517

(1) *Balance represents market value.*
(2) *Balance represents book value.*

7. 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. The original terms and conditions of the interest rate swaps vary and range in length with a maximum hedging time through November 2022. Amounts receivable or payable are recognized as accrued under the terms of the agreements.

All swaps entered into with counterparties 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 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 or 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 three year period using the effective interest method. The estimated net amount of gains expected to be reclassified into earnings by September 30, 2018 is $395,000.

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. At September 30, 2017 and December 31, 2016, the aggregate notional amount of the related hedged items totaled $82.0 million and $65.9 million, respectively, and the fair value of the related hedged items was an unrealized loss of $597,000 and $890,000, 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 on 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 or 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 from30 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 ofSeptember 30, 2017 and December 31, 2016, segregated by derivatives that are considered accounting hedges and those that are not (dollars in thousands):

	September 30, 2017			December 31, 2016		
		Derivative [2]			Derivative [2]	
	Notional or Contractual Amount [1]	**Assets**	**Liabilities**	Notional or Contractual Amount [1]	Assets	Liabilities
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Cash flow hedges	**$ 152,500**	**$ 120**	**$ 9,460**	$ 188,500	$ 211	$ 9,619
Fair value hedges	**81,965**	**1,253**	**371**	65,920	1,437	296
Derivatives not designated as accounting hedges:						
Loan Swaps						
Pay fixed - receive floating interest rate swaps	**506,056**	**3,051**	**—**	373,355	—	1,005
Pay floating - receive fixed interest rate swaps	**506,056**	**—**	**3,051**	373,355	1,005	—
Other contracts:						
Interest rate lock commitments	**50,311**	**685**	**—**	48,743	610	—
Best efforts forward delivery commitments	**80,307**	**245**	**—**	85,400	1,469	—

(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.*

For information regarding collateral pledged on derivative instruments, see Note 6 "Commitments and Contingencies."

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2017 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 Hedge	Unrealized Gains (Losses) on BOLI	Total
Balance - June 30, 2017	$ 7,733	$ 3,033	$ (5,487)	$ (1,271)	$ 4,008
Other comprehensive income (loss)	(2,729)	—	41	—	(2,688)
Amounts reclassified from accumulated other comprehensive income	(119)	(163)	189	84	(9)
Net current period other comprehensive income (loss)	(2,848)	(163)	230	84	(2,697)
Balance - September 30, 2017	$ 4,885	$ 2,870	$ (5,257)	$ (1,187)	$ 1,311

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Unrealized Gains (Losses) on BOLI	Total
Balance - December 31, 2016	$ (542)	$ 3,377	$ (5,179)	$ (1,465)	$ (3,809)
Other comprehensive income (loss)	5,935	—	(766)	—	5,169
Amounts reclassified from accumulated other comprehensive income	(508)	(507)	688	278	(49)
Net current period other comprehensive income (loss)	5,427	(507)	(78)	278	5,120
Balance - September 30, 2017	$ 4,885	$ 2,870	$ (5,257)	$ (1,187)	$ 1,311

The change in accumulated other comprehensive income (loss) for the three and nine months ended September 30, 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 Hedge	Total
Balance - June 30, 2016	$ 14,412	$ 3,853	$ (9,366)	$ 8,899
Other comprehensive income (loss)	1,121	—	(78)	1,043
Amounts reclassified from accumulated other comprehensive income	—	(237)	154	(83)
Net current period other comprehensive income (loss)	$ 1,121	$ (237)	$ 76	$ 960
Balance - September 30, 2016	$ 15,533	$ 3,616	$ (9,290)	$ 9,859

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Total
Balance - December 31, 2015	$ 7,777	$ 4,432	$ (5,957)	$ 6,252
Other comprehensive income (loss)	7,851	—	(3,766)	4,085
Amounts reclassified from accumulated other comprehensive income	(95)	(816)	433	(478)
Net current period other comprehensive income (loss)	7,756	(816)	(3,333)	3,607
Balance - September 30, 2016	$ 15,533	$ 3,616	$ (9,290)	$ 9,859

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 $184,000 and $782,000 for the three and nine months ended September 30, 2017, respectively, and $0 and $145,000 for the three and nine months ended September 30, 2016, respectively, related to the sale of securities. The tax effects of these transactions during the three and nine months ended September 30, 2017 were $64,000 and $274,000, respectively, and were $0 and $51,000 during the three and nine months ended September 30, 2016, respectively, which amounts were included as a component of income tax expense.

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 $251,000 and $780,000 for the three and nine months ended September 30, 2017, respectively, and $365,000 and $1.3 million for the three and nine months ended September 30, 2016, respectively. The tax effect of these transactions during the three and nine months ended September 30, 2017 were $88,000 and $273,000, respectively, and were $128,000 and $439,000 for the three and nine months ended September 30, 2016, 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 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 reported net interest expense of $291,000 and $1.1 million for the three and nine months ended September 30, 2017, respectively, and $237,000 and $666,000 for the three and nine months ended September 30, 2016, respectively. The tax effects of these transactions during the three and nine months ended September 30, 2017 were $102,000 and $370,000, respectively, and were $83,000 and $233,000 during the three and nine months ended September 30, 2016, 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 $84,000 and $278,000 for the three and nine months ended September 30, 2017, respectively, and $0 for the both three and nine months ended September 30, 2016.

9. 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 7 "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. This value, however, 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% as of September 30, 2017 and 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 September 30, 2017 and December 31, 2016.

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 September 30, 2017 and December 31, 2016 (dollars in thousands):

	Fair Value Measurements at September 30, 2017 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	$ —	$ 292,199	$ —	$ 292,199
Corporate and other bonds	—	115,422	—	115,422
Mortgage-backed securities	—	546,904	—	546,904
Other securities	—	13,836	—	13,836
Loans held for sale	—	30,896	—	30,896
Derivatives:				
Interest rate swap	—	3,051	—	3,051
Cash flow hedges	—	120	—	120
Fair value hedges	—	1,253	—	1,253
Interest rate lock commitments	—	—	685	685
Best efforts forward delivery commitments	—	—	245	245
LIABILITIES				
Derivatives:				
Interest rate swap	$ —	$ 3,051	$ —	$ 3,051
Cash flow hedges	—	9,460	—	9,460
Fair value hedges	—	371	—	371

	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 hedges	—	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

Certain assets are measured at fair value on a nonrecurring basis in accordance with U.S. 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). At September 30, 2017 and December 31, 2016, the Level 3 weighted average adjustments related to impaired loans were 3.3% and 1.5%, 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 allowance for loan losses 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. At September 30, 2017 and December 31, 2016, the Level 3 weighted average adjustments related to OREO were approximately 25.1% and 25.1%, respectively.

Total valuation expenses related to OREO properties for the three months ended September 30, 2017 and 2016 totaled $588,000 and $479,000, respectively. Total valuation expenses related to OREO properties for the nine months ended September 30, 2017 and 2016 totaled $845,000 and $879,000, respectively.

The following tables summarize the Company's financial assets that were measured at fair value on a nonrecurring basis at September 30, 2017 and December 31, 2016 (dollars in thousands):

	Fair Value Measurements at September 30, 2017 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	**$ —**	**$ —**	**$ 7,143**	**$ 7,143**
Other real estate owned	**—**	**—**	**8,764**	**8,764**

	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

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 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 September 30, 2017 and 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 atSeptember 30, 2017 and December 31, 2016 are as follows (dollars in thousands):

		Fair Value Measurements at September 30, 2017 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	$ 176,961	$ 176,961	$ —	$ —	$ 176,961
Securities available for sale	968,361	—	968,361	—	968,361
Held to maturity securities	204,801	—	209,835	—	209,835
Restricted stock	68,441	—	68,441	—	68,441
Loans held for sale	30,896	—	30,896	—	30,896
Net loans	6,861,567	—	—	6,873,609	6,873,609
Derivatives:					
Interest rate swap	3,051	—	3,051	—	3,051
Cash flow hedge	120	—	120	—	120
Fair value hedge	1,253	—	1,253	—	1,253
Interest rate lock commitments	685	—	—	685	685
Best efforts forward delivery commitments	245	—	—	245	245
Accrued interest receivable	25,279	—	25,279	—	25,279
Bank owned life insurance	181,451	—	181,451	—	181,451
LIABILITIES					
Deposits	$ 6,881,826	$ —	$ 6,873,124	$ —	$ 6,873,124
Borrowings	1,052,087	—	1,031,983	—	1,031,983
Accrued interest payable	4,372	—	4,372	—	4,372
Derivatives:					
Interest rate swap	3,051	—	3,051	—	3,051
Cash flow hedges	9,460	—	9,460	—	9,460
Fair value hedges	371	—	371	—	371

	Carrying Value	Fair Value Measurements at December 31, 2016 using: 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	2,320	—	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

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. Borrowers with fixed rate obligations, however, 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.

10. 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.

The following is a reconciliation of the denominators of the basic and diluted EPS computations for thethree and nine months ended September 30, 2017 and 2016 (dollars in thousands except per share data):

	Net Income Available to Common Stockholders (Numerator)	Weighted Average Common Shares (Denominator)	Per Share Amount
Three months ended September 30, 2017			
Basic	20,658	**43,707**	**$ 0.47**
Add: potentially dilutive common shares - stock awards	—	**85**	—
Diluted	**$ 20,658**	**43,792**	**$ 0.47**
Three months ended September 30, 2016			
Basic	20,401	43,566	$ 0.47
Add: potentially dilutive common shares - stock awards	—	189	—
Diluted	$ 20,401	43,755	$ 0.47
Nine months ended September 30, 2017			
Basic	57,737	**43,685**	**$ 1.32**
Add: potentially dilutive common shares - stock awards	—	**83**	—
Diluted	**$ 57,737**	**43,768**	**$ 1.32**
Nine months ended September 30, 2016			
Basic	56,699	43,854	$ 1.29
Add: potentially dilutive common shares - stock awards	—	114	—
Diluted	$ 56,699	43,968	$ 1.29

11. 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, the Bank, which provides loan, deposit, investment, and trust services to retail and commercial customers throughout its111 retail locations in Virginia as of September 30, 2017. 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 sold primarily 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 community bank segment is driven principally by net interest income. The community 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 for the three and nine months ended September 30, 2017 and 2016 was the three month LIBOR rate plus 0.15% with no floor. These transactions are eliminated in the consolidation process.

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 thethree and nine months ended September 30, 2017 and 2016 is as follows (dollars in thousands):

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
SEGMENT FINANCIAL INFORMATION

	Community Bank	Mortgage	Eliminations	Consolidated
Three Months Ended September 30, 2017				
Net interest income	$ 70,718	$ 480	$ —	$ 71,198
Provision for credit losses	3,056	(6)	—	3,050
Net interest income after provision for credit losses	67,662	486	—	68,148
Noninterest income	15,121	2,527	(112)	17,536
Noninterest expenses	55,133	2,475	(112)	57,496
Income before income taxes	27,650	538	—	28,188
Income tax expense	7,339	191	—	7,530
Net income	$ 20,311	$ 347	$ —	$ 20,658
Total assets	$ 9,020,486	$ 97,154	$ (88,204)	$ 9,029,436
Three Months Ended September 30, 2016				
Net interest income	$ 66,605	$ 423	$ —	$ 67,028
Provision for credit losses	2,455	17	—	2,472
Net interest income after provision for credit losses	64,150	406	—	64,556
Noninterest income	15,589	3,501	(140)	18,950
Noninterest expenses	54,353	2,700	(140)	56,913
Income before income taxes	25,386	1,207	—	26,593
Income tax expense	5,770	422	—	6,192
Net income	$ 19,616	$ 785	$ —	$ 20,401
Total assets	$ 8,251,351	$ 90,692	$ (83,813)	$ 8,258,230
Nine Months Ended September 30, 2017				
Net interest income	$ 205,534	$ 1,231	$ —	$ 206,765
Provision for credit losses	7,344	1	—	7,345
Net interest income after provision for credit losses	198,190	1,230	—	199,420
Noninterest income	47,080	7,743	(393)	54,430
Noninterest expenses	167,643	7,571	(393)	174,821
Income before income taxes	77,627	1,402	—	79,029
Income tax expense	20,791	501	—	21,292
Net income	$ 56,836	$ 901	$ —	$ 57,737
Total assets	$ 9,020,486	$ 97,154	$ (88,204)	$ 9,029,436
Nine Months Ended September 30, 2016				
Net interest income	$ 195,508	$ 1,027	$ —	$ 196,535
Provision for credit losses	7,215	161	—	7,376
Net interest income after provision for credit losses	188,293	866	—	189,159
Noninterest income	44,137	9,185	(465)	52,857
Noninterest expenses	158,964	7,937	(465)	166,436
Income before income taxes	73,466	2,114	—	75,580
Income tax expense	18,145	736	—	18,881
Net income	$ 55,321	$ 1,378	$ —	$ 56,699
Total assets	$ 8,251,351	$ 90,692	$ (83,813)	$ 8,258,230

Review Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of Union Bankshares Corporation

We have reviewed the consolidated balance sheet of Union Bankshares Corporation (the "Company") as of September 30, 2017, and the related consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2017 and 2016, and the consolidated statements of changes in stockholders' equity and cash flows for the nine-month periods ended September 30, 2017 and 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, not presented herein, and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 28, 2017. In our opinion, the accompanying consolidated balance sheet of the Company as of December 31, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Richmond, Virginia
November 7, 2017

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis is presented to aid the reader in understanding and evaluating the financial condition and results of operations of Union Bankshares Corporation and its subsidiaries (collectively, the "Company"). This discussion and analysis should be read with the consolidated financial statements, the notes to the financial statements, and the other financial data included in this report, as well as the Company's 2016 Form 10-K, including management's discussion and analysis. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends affecting the Company. Results of operations for the three and nine months ended September 30, 2017 and 2016 are not necessarily indicative of results that may be attained for any other period. Amounts are rounded for presentation purposes; however, some of the percentages presented are computed based on unrounded amounts.

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 or changes in:

- the possibility that any of the anticipated benefits of the acquisition of Xenith pursuant to a definitive merger agreement between the Company and Xenith, dated as of May 19, 2017 (the "Pending Merger") with Xenith will not be realized or will not be realized within the expected time period, the businesses of the Company and Xenith may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, the expected revenue synergies and cost savings from the Pending Merger may not be fully realized or realized within the expected time frame, revenues following the Pending Merger may be lower than expected, customer and employee relationships and business operations may be disrupted by the Pending Merger, or completing the Pending Merger on the expected timeframe, may be more difficult, time-consuming or costly than expected,
- 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*, or the Company's Annual Report on Form 10-K for the year ended December 31, 2016, this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, and other reports filed with the SEC, including without limitation the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. The information on the Company's website is not a part of this Form 10-Q. 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.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company are in accordance with U.S. 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 Company evaluates its critical accounting estimates and assumptions on an ongoing basis and updates them, as needed. Management has discussed the Company's critical accounting policies and estimates with the Audit Committee of the Board of Directors.

The critical accounting and reporting policies include the Company's accounting for the allowance for loan losses, 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 "Financial Statements and Supplementary Data" of the Company's 2016 Form 10-K.

The Company provides additional information on its critical accounting policies and estimates listed above under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in its 2016 Form 10-K.

ABOUT UNION BANKSHARES CORPORATION

Headquartered in Richmond, Union Bankshares Corporation is the largest community banking organization headquartered in Virginia and operates in all major banking markets of the Commonwealth. Union Bankshares Corporation is the holding company for Union Bank & Trust, which provides banking, trust, and wealth management services and has a statewide presence of 111 bank branches and approximately 173 ATMs. Non-bank affiliates of the holding company include: Union Mortgage Group, Inc., which provides a full line of mortgage products; Union Insurance Group, LLC, which offers various lines of insurance products; and Old Dominion Capital Management, Inc., which provides investment advisory services.

Shares of the Company's common stock are traded on the NASDAQ Global Select Market under the symbol UBSH. Additional information is available on the Company's website at *http://investors.bankatunion.com*. The information contained on the Company's website is not a part of or incorporated into this report.

RESULTS OF OPERATIONS

Executive Overview

For the quarter ended September 30, 2017, the Company reported net income of $20.7 million and earnings per share of $0.47. Excluding after-tax merger-related costs of $661,000, net operating earnings[(1)] were $21.3 million and operating earnings per share[(1)] were $0.49 for the third quarter of 2017. The Company's net operating earnings and operating earnings per share for the third quarter of 2017 represent an increase of $918,000, or 4.5%, over net income and an increase of $0.02, or 4.3%, over earnings per share, in each case compared to the third quarter of 2016. These increases are primarily attributable to increases in net interest income, driven by higher average loan balances partially offset by the impact of the decline in net interest margin.

For the nine months ended September 30, 2017, the Company reported net income of $57.7 million and earnings per share of $1.32. Excluding after-tax merger-related costs of $3.0 million, net operating earnings[(1)] were $60.8 million and operating earnings per share[(1)] were $1.39 for the first nine months of 2017. The Company's net operating earnings and operating earnings per share for the first nine months of 2017 represent an increase of $4.1 million, or 7.2%, over net income and an increase of $0.10, or 7.8%, over earnings per share, in each case compared to the first nine months of 2016. These increases are primarily attributable to increases in net interest income, driven by higher average loan balances, as well as higher overall noninterest income.

Select highlights for the third quarter of 2017 include:

- The Company entered into a definitive merger agreement during the second quarter of 2017 to acquire Xenith in the Pending Merger, which is expected to close in early January 2018. On October 17, 2017, the Company and Xenith jointly announced the receipt of regulatory approval from the Federal Reserve Bank and from the Virginia State Corporation Commission to move forward with the Pending Merger. On October 26, 2017, the Company and Xenith jointly announced that stockholders of both Union and Xenith, at separate special meetings, approved the Pending Merger of Xenith with and into Union.

- Net income for the community bank segment was $20.3 million, or $0.46 per share, for the third quarter of 2017 compared to $19.6 million, or $0.45 per share, for the third quarter of 2016. Net operating earnings(1) for the community bank segment were $21.0 million, or $0.48 per share, for the third quarter of 2017.
- Net income for the community bank segment was $56.8 million, or $1.30 per share, for the nine months ended September 30, 2017 compared to $55.3 million, or $1.26 per share, for the nine months ended September 30, 2016. Net operating earnings(1) for the community bank segment were $59.9 million, or $1.37 per share, for the nine months ended September 30, 2017.
- The mortgage segment reported net income of $347,000 for the third quarter of 2017 compared to net income of $785,000 in the third quarter of 2016. The mortgage segment reported net income of $901,000 for the nine months ended September 30, 2017 compared to $1.4 million for the nine months ended September 30, 2016.
- ROA was 0.91% for the quarter ended September 30, 2017 compared to 1.00% for the third quarter of 2016. Operating ROA(1) for the quarter ended September 30, 2017 was 0.94%. ROA was 0.88% for the nine months ended September 30, 2017 compared to 0.95% for the nine months ended September 30, 2016. Operating ROA(1) for the nine months ended September 30, 2017 was 0.93%.
- ROE was 7.90% for the quarter ended September 30, 2017 compared to 8.14% for the third quarter of 2016. Operating ROE(1) for the quarter ended September 30, 2017 was 8.15%. ROE was 7.53% for the nine months ended September 30, 2017 compared to 7.64% for the nine months ended September 30, 2016. Operating ROE(1) for the nine months ended September 30, 2017 was 7.93%.
- ROTCE was 11.34% for the quarter ended September 30, 2017 compared to 12.00% for the third quarter of 2016. Operating ROTCE(1) for the quarter ended September 30, 2017 was 11.70%. ROTCE was 10.90% for the nine months ended September 30, 2017 compared to 11.25% for the nine months ended September 30, 2016. Operating ROTCE(1) for the nine months ended September 30, 2017 was 11.47%.
- Loans held for investment grew $591.7 million, or 12.5% (annualized), from December 31, 2016. Quarterly average loans held for investment increased $788.8 million, or 13.1%, compared to the quarter ended September 30, 2016.
- Deposits grew $502.3 million, or 10.5% (annualized), from December 31, 2016. Quarterly average deposits increased $592.9 million, or 9.6%, compared to the quarter ended September 30, 2016.

(1)*For a reconciliation of the non-GAAP operating measures that exclude merger-related costs unrelated to the Company’s normal operations, refer to “Non-GAAP Measures” section within this Item 2 of this Form 10-Q. Such costs were only incurred during the second and third quarter of 2017; thus each of these operating measures is equivalent to the corresponding GAAP financial measure for the three and nine months ended September 30, 2016.*

Net Interest Income

	For the Three Months Ended September 30,			
	2017	2016	Change	
	(Dollars in thousands)			
Average interest-earning assets	$ 8,167,919	$ 7,354,684	$ 813,235	
Interest income	$ 84,850	$ 74,433	$ 10,417	
Interest income (FTE) (1)	$ 87,498	$ 76,860	$ 10,638	
Yield on interest-earning assets	4.12 %	4.03 %	9	bps
Yield on interest-earning assets (FTE) (1)	4.25 %	4.16 %	9	bps
Average interest-bearing liabilities	$ 6,382,452	$ 5,681,102	$ 701,350	
Interest expense	$ 13,652	$ 7,405	$ 6,247	
Cost of interest-bearing liabilities	0.85 %	0.52 %	33	bps
Cost of funds	0.66 %	0.40 %	26	bps
Net interest income	$ 71,198	$ 67,028	$ 4,170	
Net interest income (FTE) (1)	$ 73,846	$ 69,455	$ 4,391	
Net interest margin	3.46 %	3.63 %	(17)	bps
Net interest margin (FTE) (1)	3.59 %	3.76 %	(17)	bps

(1) *Refer to the "Non-GAAP Measures" section within this Item 2 of this Form 10-Q for more information about this non-GAAP financial measure.*

For the third quarter of 2017, net interest income was $71.2 million, an increase of $4.2 million from the third quarter of 2016. For the third quarter of 2017, tax-equivalent net interest income was $73.8 million, an increase of $4.4 million from the third quarter of 2016. The increases in both net interest income and tax-equivalent net interest income were primarily driven by higher average loan balances. Net accretion related to acquisition accounting increased $190,000 from the third quarter of 2016 to $1.7 million in the third quarter of 2017. In the third quarter of 2017, both net interest margin and tax-equivalent net interest margin decreased 17 basis points compared to the third quarter of 2016. The net decreases in net interest margin and tax-equivalent net interest margin measures were primarily driven by the 26 basis point increase in cost of funds, offset by the 9 basis point increase in interest-earning asset yields. The increase in the cost of funds was primarily attributable to subordinated debt that the Company issued in the fourth quarter of 2016 as well as increased interest-bearing deposit and short-term borrowing rates.

	For the Nine Months Ended September 30,			
	2017	2016	Change	
	(Dollars in thousands)			
Average interest-earning assets	$ 7,922,944	$ 7,159,813	$ 763,131	
Interest income	$ 242,712	$ 217,964	$ 24,748	
Interest income (FTE) (1)	$ 250,548	$ 225,331	$ 25,217	
Yield on interest-earning assets	4.10 %	4.07 %	3	bps
Yield on interest-earning assets (FTE) (1)	4.23 %	4.20 %	3	bps
Average interest-bearing liabilities	$ 6,196,663	$ 5,528,833	$ 667,830	
Interest expense	$ 35,947	$ 21,429	$ 14,518	
Cost of interest-bearing liabilities	0.78 %	0.52 %	26	bps
Cost of funds	0.61 %	0.40 %	21	bps
Net interest income	$ 206,765	$ 196,535	$ 10,230	
Net interest income (FTE) (1)	$ 214,601	$ 203,902	$ 10,699	
Net interest margin	3.49 %	3.67 %	(18)	bps
Net interest margin (FTE) (1)	3.62 %	3.80 %	(18)	bps

(1) *Refer to the "Non-GAAP Measures" section within this Item 2 of this Form 10-Q for more information about this non-GAAP financial measure.*

For the first nine months of 2017, net interest income was $206.8 million, an increase of $10.2 million from the first nine months of 2016. For the first nine months of 2017, tax-equivalent net interest income was $214.6 million, an increase of $10.7 million from the first nine months of 2016. The increases in both net interest income and tax-equivalent net interest income were primarily driven by higher average loan balances. Net accretion related to acquisition accounting increased $752,000 from the first nine months of 2016 to $4.8 million in the first nine months of 2017. In the first nine months of 2017, both net interest margin and tax-equivalent net interest margin decreased 18 basis points compared the first nine months of 2016. The net decreases in net interest margin and tax-equivalent net interest margin measures were driven by the 21 basis point increase in cost of funds, offset by the 3 basis point increase in interest-earning asset yields. The increase in the cost of funds was primarily attributable to subordinated debt that the Company issued in the fourth quarter of 2016 as well as increased interest-bearing deposit and short-term borrowing rates.

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:

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

	For the Three Months Ended September 30,					
	2017			2016		
	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)
	(Dollars in thousands)					
Assets:						
Securities:						
Taxable	**$ 774,513**	**$ 5,175**	**2.65%**	$ 768,608	$ 4,732	2.45%
Tax-exempt	**469,391**	**5,455**	**4.61%**	449,944	5,302	4.69%
Total securities	**1,243,904**	**10,630**	**3.39%**	1,218,552	10,034	3.28%
Loans, net (3) (4)	**6,822,498**	**76,333**	**4.44%**	6,033,723	66,397	4.38%
Other earning assets	**101,517**	**535**	**2.09%**	102,409	429	1.67%
Total earning assets	**8,167,919**	**$ 87,498**	**4.25%**	7,354,684	$ 76,860	4.16%
Allowance for loan losses	**(38,138)**			(35,995)		
Total non-earning assets	**844,183**			835,262		
Total assets	**$ 8,973,964**			$ 8,153,951		
Liabilities and Stockholders' Equity:						
Interest-bearing deposits:						
Transaction and money market accounts	**$ 3,457,279**	**$ 3,491**	**0.40%**	$ 3,016,337	$ 1,682	0.22%
Regular savings	**555,153**	**151**	**0.11%**	598,232	207	0.14%
Time deposits	**1,289,794**	**3,592**	**1.10%**	1,181,936	2,663	0.90%
Total interest-bearing deposits	**5,302,226**	**7,234**	**0.54%**	4,796,505	4,552	0.38%
Other borrowings (5)	**1,080,226**	**6,418**	**2.36%**	884,597	2,853	1.28%
Total interest-bearing liabilities	**6,382,452**	**$ 13,652**	**0.85%**	5,681,102	$ 7,405	0.52%
Noninterest-bearing liabilities:						
Demand deposits	**1,495,614**			1,408,453		
Other liabilities	**58,106**			67,728		
Total liabilities	**7,936,172**			7,157,283		
Stockholders' equity	**1,037,792**			996,668		
Total liabilities and stockholders' equity	**$ 8,973,964**			$ 8,153,951		
Net interest income		**$ 73,846**			$ 69,455	
Interest rate spread			**3.40%**			3.64%
Cost of funds			**0.66%**			0.40%
Net interest margin			**3.59%**			3.76%

(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 $1.7 million and $1.3 million for the three months ended September 30, 2017 and 2016, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(5) *Interest expense on borrowings includes $47,000 and $181,000 for the three months ended September 30, 2017 and 2016, respectively, in accretion of the fair market value adjustments related to acquisitions.*

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

	For the Nine Months Ended September 30,					
	2017			2016		
	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Interest Income / Expense (1)	Yield / Rate (1)(2)
	(Dollars in thousands)					
Assets:						
Securities:						
Taxable	$ 763,276	$ 15,081	2.64%	$ 756,042	$ 13,558	2.40%
Tax-exempt	463,944	16,338	4.71%	446,840	15,914	4.76%
Total securities	1,227,220	31,419	3.42%	1,202,882	29,472	3.27%
Loans, net (3) (4)	6,613,078	217,910	4.41%	5,869,511	194,839	4.43%
Other earning assets	82,646	1,219	1.97%	87,420	1,020	1.56%
Total earning assets	7,922,944	$ 250,548	4.23%	7,159,813	$ 225,331	4.20%
Allowance for loan losses	(38,205)			(35,439)		
Total non-earning assets	846,076			832,467		
Total assets	$ 8,730,815			$ 7,956,841		
Liabilities and Stockholders' Equity:						
Interest-bearing deposits:						
Transaction and money market accounts	$ 3,344,248	$ 8,189	0.33%	$ 2,903,336	$ 4,523	0.21%
Regular savings	571,735	493	0.12%	591,699	649	0.15%
Time deposits	1,250,180	9,728	1.04%	1,172,856	7,773	0.89%
Total interest-bearing deposits	5,166,163	18,410	0.48%	4,667,891	12,945	0.37%
Other borrowings (5)	1,030,500	17,537	2.28%	860,942	8,484	1.32%
Total interest-bearing liabilities	6,196,663	$ 35,947	0.78%	5,528,833	$ 21,429	0.52%
Noninterest-bearing liabilities:						
Demand deposits	1,449,555			1,376,001		
Other liabilities	59,744			60,910		
Total liabilities	7,705,962			6,965,744		
Stockholders' equity	1,024,853			991,097		
Total liabilities and stockholders' equity	$ 8,730,815			$ 7,956,841		
Net interest income		$ 214,601			$ 203,902	
Interest rate spread			3.45%			3.68%
Cost of funds			0.61%			0.40%
Net interest margin			3.62%			3.80%

(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 $4.7 million and $3.7 million for the nine months ended September 30, 2017 and 2016, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(5) *Interest expense on borrowings includes $142,000 and $386,000 for the nine months ended September 30, 2017 and 2016, respectively, in accretion of the fair market value adjustments related to acquisitions.*

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 (dollars in thousands):

	Three Months Ended September 30, 2017 vs. September 30, 2016 Increase (Decrease) Due to Change in:			Nine Months Ended September 30, 2017 vs. September 30, 2016 Increase (Decrease) Due to Change in:		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Earning Assets:						
Securities:						
Taxable	$ 37	$ 406	$ 443	$ 131	$ 1,392	$ 1,523
Tax-exempt	226	(73)	153	603	(179)	424
Total securities	263	333	596	734	1,213	1,947
Loans, net (1)	8,809	1,127	9,936	24,512	(1,441)	23,071
Other earning assets	(3)	109	106	(58)	257	199
Total earning assets	$ 9,069	$ 1,569	$ 10,638	$ 25,188	$ 29	$ 25,217
Interest-Bearing Liabilities:						
Interest-bearing deposits:						
Transaction and money market accounts	$ 276	$ 1,533	$ 1,809	$ 769	$ 2,897	$ 3,666
Regular savings	(14)	(42)	(56)	(21)	(135)	(156)
Time Deposits	259	670	929	537	1,418	1,955
Total interest-bearing deposits	521	2,161	2,682	1,285	4,180	5,465
Other borrowings (2)	742	2,823	3,565	1,930	7,123	9,053
Total interest-bearing liabilities	1,263	4,984	6,247	3,215	11,303	14,518
Change in net interest income	$ 7,806	$ (3,415)	$ 4,391	$ 21,973	$ (11,274)	$ 10,699

(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 $324,000 and $996,000 for the three- and nine-month change, respectively.*
(2) *The rate-related change in interest expense on other borrowings includes the impact of lower accretion of the acquisition-related fair market value adjustments of $134,000 and $244,000 for the three- and nine-month change, respectively.*

The Company's fully taxable equivalent net interest margin includes the impact of acquisition accounting fair value adjustments. The impact of net accretion for the first three quarters of 2017 as well as the remaining estimated net accretion are reflected in the following table (dollars in thousands):

	Loan Accretion	**Borrowings Accretion (Amortization)**	**Total**
For the quarter ended March 31, 2017	$ 1,445	$ 48	$ 1,493
For the quarter ended June 30, 2017	1,570	47	1,617
For the quarter ended September 30, 2017	1,662	47	1,709
For the remaining three months of 2017 (estimated)(1)	1,358	28	1,386
For the years ending (estimated)(1):			
2018	4,842	(143)	4,699
2019	3,483	(286)	3,197
2020	2,689	(301)	2,388
2021	2,187	(316)	1,871
2022	1,767	(332)	1,435
Thereafter	6,589	(4,974)	1,615

(1) *Estimated accretion only includes accretion for previously executed acquisitions. The effects of the Pending Merger are not included in the information above.*

Noninterest Income

	For the Three Months Ended September 30,		Change	
	2017	2016	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	$ 5,153	$ 4,965	$ 188	3.8 %
Other service charges and fees	4,529	4,397	132	3.0 %
Fiduciary and asset management fees	2,794	2,844	(50)	(1.8)%
Mortgage banking income, net	2,305	3,207	(902)	(28.1)%
Gains on securities transactions, net	184	—	184	NM
Bank owned life insurance income	1,377	1,389	(12)	(0.9)%
Loan-related interest rate swap fees	416	1,303	(887)	(68.1)%
Other operating income	778	845	(67)	(7.9)%
Total noninterest income	**$ 17,536**	**$ 18,950**	**$ (1,414)**	**(7.5)%**
Community bank segment	$ 15,121	$ 15,589	$ (468)	(3.0)%
Mortgage segment	2,527	3,501	(974)	(27.8)%
Intercompany eliminations	(112)	(140)	28	20.0 %
Total noninterest income	**$ 17,536**	**$ 18,950**	**$ (1,414)**	**(7.5)%**

NM - Not meaningful

Noninterest income declined $1.4 million, or 7.5%, to $17.5 million for the quarter endedSeptember 30, 2017 compared to the quarter ended September 30, 2016. The decline was primarily due to lower mortgage banking income of $902,000, driven by declines in mortgage loan originations compared to the third quarter of 2016 and unrealized losses on mortgage banking derivatives in the third quarter of 2017 compared to unrealized gains on mortgage banking derivatives in the third quarter of 2016. Loan-related swap fees also declined $887,000 in the third quarter of 2017 compared to the third quarter of 2016. Customer-related fee income increased $320,000 primarily related to increases in overdraft and debit card interchange fees, and gains on sales of securities were $184,000 higher, in each case as compared to the third quarter of 2016.

	For the Nine Months Ended September 30,		Change	
	2017	2016	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	$ 14,945	$ 14,454	$ 491	3.4 %
Other service charges and fees	13,575	12,971	604	4.7 %
Fiduciary and asset management fees	8,313	7,315	998	13.6 %
Mortgage banking income, net	7,123	8,324	(1,201)	(14.4)%
Gains on securities transactions, net	782	145	637	NM
Bank owned life insurance income	4,837	4,122	715	17.3 %
Loan-related interest rate swap fees	2,627	3,056	(429)	(14.0)%
Other operating income	2,228	2,470	(242)	(9.8)%
Total noninterest income	**$ 54,430**	**$ 52,857**	**$ 1,573**	**3.0 %**
Community bank segment	$ 47,080	$ 44,137	$ 2,943	6.7 %
Mortgage segment	7,743	9,185	(1,442)	(15.7)%
Intercompany eliminations	(393)	(465)	72	15.5 %
Total noninterest income	**$ 54,430**	**$ 52,857**	**$ 1,573**	**3.0 %**

NM - Not meaningful

Noninterest income increased $1.6 million, or 3.0%, to $54.4 million for thenine months ended September 30, 2017 compared to the nine months ended September 30, 2016. For the first nine months of 2017, customer-related fee income increased $1.1 million primarily related to increases in overdraft and debit card interchange fees; fiduciary and asset management fees were $998,000 higher due to the acquisition of ODCM in the second quarter of 2016; bank owned life insurance income increased $715,000 primarily related to death benefit proceeds received in 2017; and gains on sales of securities were $637,000 higher, in each case as compared to the first nine months of 2016. Mortgage banking income decreased $1.2 million primarily related to declines in mortgage loan originations and lower unrealized gains on mortgage banking derivatives in the first nine months of 2017 compared to the first nine months of 2016.

Noninterest expense

	For the Three Months Ended September 30,		Change	
	2017	2016	$	%
		(Dollars in thousands)		
Noninterest expense:				
Salaries and benefits	$ 29,769	$ 30,493	$ (724)	(2.4)%
Occupancy expenses	4,939	4,841	98	2.0 %
Furniture and equipment expenses	2,559	2,635	(76)	(2.9)%
Printing, postage, and supplies	1,154	1,147	7	0.6 %
Communications expense	798	948	(150)	(15.8)%
Technology and data processing	4,232	3,917	315	8.0 %
Professional services	1,985	1,895	90	4.7 %
Marketing and advertising expense	1,944	1,975	(31)	(1.6)%
FDIC assessment premiums and other insurance	1,141	1,262	(121)	(9.6)%
Other taxes	2,022	639	1,383	216.4 %
Loan-related expenses	1,349	1,531	(182)	(11.9)%
OREO and credit-related expenses	1,139	503	636	126.4 %
Amortization of intangible assets	1,480	1,843	(363)	(19.7)%
Training and other personnel costs	887	863	24	2.8 %
Merger-related costs	732	—	732	NM
Other expenses	1,366	2,421	(1,055)	(43.6)%
Total noninterest expense	**$ 57,496**	**$ 56,913**	**$ 583**	**1.0 %**
Community bank segment	$ 55,133	$ 54,353	$ 780	1.4 %
Mortgage segment	2,475	2,700	(225)	(8.3)%
Intercompany eliminations	(112)	(140)	28	20.0 %
Total noninterest expense	**$ 57,496**	**$ 56,913**	**$ 583**	**1.0 %**

NM - Not meaningful

Noninterest expense increased $583,000, or 1.0%, to $57.5 million for the quarter ended September 30, 2017 compared to $56.9 million for the third quarter of 2016. Excluding merger-related costs of $732,000, noninterest expense for the quarter ended September 30, 2017 declined $149,000, or 0.3%, compared to the third quarter of 2016. Salaries and benefits expenses declined by $724,000 primarily related to decreases in benefits and incentive compensation, offset by increases related to annual merit adjustments. Declines in other expenses primarily related to lower fraud-related and other losses of $364,000 as well as $400,000 in nonrecurring branch closing costs recognized in the third quarter of 2016. These decreases were partially offset by a nonrecurring reduction in expenses of approximately $900,000 in other taxes related to historic tax credits realized in the third quarter of 2016 related to the Company's investment in a historic rehabilitation project that was completed in that quarter and increased OREO and credit-related expenses due to losses on sales of OREO property in the third quarter of 2017 compared to gains on sales of OREO property in the third quarter of 2016 as well as higher valuation adjustments compared to the third quarter of 2016.

	For the Nine Months Ended September 30,		Change	
	2017	2016	$	%
	(Dollars in thousands)			
Noninterest expense:				
Salaries and benefits	$ 92,499	$ 87,061	$ 5,438	6.2 %
Occupancy expenses	14,560	14,627	(67)	(0.5)%
Furniture and equipment expenses	7,882	7,867	15	0.2 %
Printing, postage, and supplies	3,710	3,566	144	4.0 %
Communications expense	2,580	2,964	(384)	(13.0)%
Technology and data processing	12,059	11,340	719	6.3 %
Professional services	5,734	6,432	(698)	(10.9)%
Marketing and advertising expense	5,963	5,838	125	2.1 %
FDIC assessment premiums and other insurance	2,793	4,003	(1,210)	(30.2)%
Other taxes	6,065	3,864	2,201	57.0 %
Loan-related expenses	3,959	3,638	321	8.8 %
OREO and credit-related expenses	2,023	1,965	58	3.0 %
Amortization of intangible assets	4,661	5,468	(807)	(14.8)%
Training and other personnel costs	2,900	2,512	388	15.4 %
Merger-related costs	3,476	—	3,476	NM
Other expenses	3,957	5,291	(1,334)	(25.2)%
Total noninterest expense	**$ 174,821**	**$ 166,436**	**$ 8,385**	**5.0 %**
Community bank segment	$ 167,643	$ 158,964	$ 8,679	5.5 %
Mortgage segment	7,571	7,937	(366)	(4.6)%
Intercompany eliminations	(393)	(465)	72	15.5 %
Total noninterest expense	**$ 174,821**	**$ 166,436**	**$ 8,385**	**5.0 %**

NM - Not meaningful

Noninterest expense increased $8.4 million, or 5.0%, to $174.8 million for the nine months ended September 30, 2017 compared to $166.4 million for the first nine month of 2016. Excluding merger-related costs of $3.5 million, noninterest expense for the nine months ended September 30, 2017 increased $4.9 million, or 2.9%, compared to the first nine months of 2016. Salaries and benefits expenses increased by $5.4 million primarily related to annual merit adjustments; increases in benefits and equity-based compensation; and increased expenses related to investments in the Company's growth, including the acquisition of ODCM. The increase in other taxes was partially offset by the decrease in FDIC expenses, including assessment premiums and other insurance, due to the impact of the issuance of subordinated debt in the fourth quarter of 2016. The remaining increase in other taxes was primarily related to a nonrecurring reduction in expenses of approximately $900,000 related to the Company's investment in a historic rehabilitation project that was completed, and the related historic tax credits realized, in the third quarter of 2016. Technology and data processing costs increased $719,000, mostly due to higher software maintenance and online banking costs due to increased customer activity compared to the nine months ended September 30, 2016. These increases were partially offset by lower intangible amortization expense of $807,000, declines in professional fees of $698,000 due to lower legal and consulting fees, and declines in fraud-related and other losses of $371,000 in each case as compared to the first nine months of 2016.

SEGMENT INFORMATION

Community Bank Segment

For the three months ended September 30, 2017, the community bank segment reported net income of$20.3 million, which was an increase of $695,000 compared to the third quarter of 2016. Excluding after-tax merger-related costs of $661,000, net operating earnings for the community bank segment for the quarter ended September 30, 2017 were $21.0 million, which was an increase of $1.4 million compared to the net income for the third quarter of 2016. Net interest income increased $4.1 million year-over-year to $70.7 million for the quarter ended September 30, 2017, primarily driven by higher average loan balances. The provision for credit losses for the quarter ended September 30, 2017 was $3.1 million, which was an increase of $601,000 compared to the provision for credit losses for the quarter ended September 30, 2016, driven by higher loan balances and higher levels of charge-offs in the third quarter of 2017.

Noninterest income decreased $468,000, or 3.0%, from $15.6 million in the third quarter of 2016 to $15.1 million in the third quarter of 2017. The decline was primarily due to lower loan-related swap fees of $887,000 compared to the third quarter of 2016. Customer-related fee income increased $320,000 primarily related to increases in overdraft and debit card interchange fees, and gains on sales of securities were $184,000 higher, in each case as compared to the third quarter of 2016.

Noninterest expense increased $780,000, or 1.4%, from $54.4 million for the third quarter of 2016 to $55.1 million for the quarter ended September 30, 2017. Excluding pre-tax merger-related costs of $732,000, noninterest expense for the quarter ended September 30, 2017 remained relatively flat compared to the third quarter of 2016. Salaries and benefits expenses declined by $623,000 primarily related to decreases in benefits and incentive compensation, offset by increases related to annual merit adjustments. Declines in other expenses primarily related to lower fraud-related and other losses of $364,000 as well as $400,000 in nonrecurring branch closing costs recognized in the third quarter of 2016. These decreases were partially offset by a nonrecurring reduction in expenses of approximately $900,000 related to the Company's investment in a historic rehabilitation project that was completed, and the related historic tax credits realized, in the third quarter of 2016 and increased OREO and credit-related expenses due to losses on sales of OREO property in the third quarter of 2017 compared to gains on sales of OREO property in the third quarter of 2016 as well as higher valuation adjustments compared to the third quarter of 2016.

For the nine months ended September 30, 2017, the community bank segment reported net income of $56.8 million, which was an increase of $1.5 million compared to the first nine months of 2016. Excluding after-tax merger-related costs of $3.0 million, net operating earnings for the community bank segment for the nine months ended September 30, 2017 were $59.9 million, which was an increase of $4.5 million compared to the net income for the first nine months of 2016. Net interest income increased $10.0 million year-over-year to $205.5 million for the nine months ended September 30, 2017, primarily driven by higher average loan balances. The provision for credit losses for the nine months ended September 30, 2017 was $7.3 million, which was an increase of $129,000 compared to the provision for credit losses for the nine months ended September 30, 2016, primarily driven by higher loan balances and higher levels of charge-offs during 2017 .

Noninterest income increased $3.0 million, or 6.7%, from $44.1 million in the first nine months of2016 to $47.1 million in the first nine months of2017. For the first nine months of 2017, customer-related fee income increased $1.1 million primarily related to increases in overdraft and debit card interchange fees; fiduciary and asset management fees were $998,000 higher due to the acquisition of ODCM in the second quarter of 2016; bank owned life insurance income increased $715,000 primarily related to death benefit proceeds received in 2017; and gains on sales of securities were $637,000 higher, in each case as compared to the first nine months of 2016.

Noninterest expense increased $8.6 million, or 5.5%, from $159.0 million for the first nine months of2016 to $167.6 million for the nine months ended September 30, 2017. Excluding merger-related costs of $3.5 million, noninterest expense for the nine months ended September 30, 2017 increased $5.2 million, or 3.3%, compared to the first nine months of 2016. Salaries and benefits expenses increased by $5.6 million primarily related to annual merit adjustments; increases in benefits and equity-based compensation; and increased expenses related to investments in the Company's growth, including the acquisition of ODCM. The net increase in FDIC and other insurance expenses and other taxes was primarily related to a nonrecurring reduction in expenses of approximately $900,000 related to the Company's investment in a historic rehabilitation project that was completed, and the related historic tax credits realized, in the third quarter of 2016. Technology and data processing costs increased $708,000, mostly due to higher software maintenance and online banking costs due to increased customer activity compared to the nine months ended September 30, 2016. These increases were partially offset by lower intangible amortization expense of $807,000, declines in professional fees of $792,000 due to lower legal and consulting fees, and declines in fraud-related and other losses of $371,000 in each case as compared to the first nine months of 2016.

Mortgage Segment

The mortgage segment reported net income of$347,000 for the third quarter of 2017, compared to net income of$785,000 in the third quarter of 2016. Mortgage banking income, net of commissions, decreased $902,000, primarily related to declines in mortgage loan originations and unrealized losses on mortgage banking derivatives in the third quarter of 2017 compared to unrealized gains on mortgage banking derivatives in the third quarter of 2016. Mortgage loan originations decreased $29.4 million, or 18.7%, from $156.7 million for the quarter ended September 30, 2016 to $127.3 million for the quarter ended

September 30, 2017. Noninterest expense decreased $225,000, or 8.3%, when comparing the third quarter of 2017 to the third quarter of 2016, largely a result of declines in personnel-related costs and equipment-related expenses.

The mortgage segment reported net income of $901,000 for the first nine months of 2017, compared to net income of $1.4 million for the first nine months of 2016. Mortgage banking income, net of commissions, decreased $1.2 million, primarily related to declines in mortgage loan originations and lower unrealized gains on mortgage banking derivatives in the first nine months of 2017 compared to the first nine months of 2016. Mortgage loan originations decreased $30.8 million, or 7.8%, from $394.9 million for the nine months ended September 30, 2016 to $364.1 million for the nine months ended September 30, 2017. Noninterest expense decreased $366,000, largely a result of declines in personnel-related costs and equipment-related expenses.

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 on a consolidated basis 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 three months ended September 30, 2017 and 2016 was 26.7% and 23.3%, respectively; the effective tax rate for the nine months ended September 30, 2017 and 2016 was 26.9% and 25.0%, respectively. The increase in the effective tax rate is primarily related to tax-exempt interest and bank owned life insurance income being a smaller percentage of pre-tax income in 2017 compared to 2016 as well as the impact of nondeductible acquisition-related expenses recognized in 2017. Additionally, the Company's effective tax rate in 2016 was lower due to historic tax credits realized in the third quarter of 2016 related to the Company's investment in a historic rehabilitation project that was completed in such quarter.

BALANCE SHEET

Assets

At September 30, 2017, total assets were $9.0 billion, an increase of $602.6 million, or 9.6% (annualized), from $8.4 billion at December 31, 2016. The increase in assets was mostly related to loan growth.

Loans held for investment, net of deferred fees and costs, were $6.9 billion at September 30, 2017, an increase of $591.7 million, or 12.5% (annualized), from December 31, 2016. Loan growth occurred across all categories. Quarterly average loans increased $788.8 million, or 13.1%, for the quarter ended September 30, 2017 compared to the quarter ended September 30, 2016. For additional information on the Company's loan activity, please refer to "Loan Portfolio" within this Item 2 or Note 3 "Loans and Allowance for Loan Losses" in Part I, Item 1 "Financial Statements" of this report.

Liabilities and Stockholders' Equity

At September 30, 2017, total liabilities were $8.0 billion, an increase of $562.3 million from December 31, 2016.

Total deposits were $6.9 billion at September 30, 2017, an increase of $502.3 million, or 10.5% (annualized), from December 31, 2016. Deposits increased in all categories with the exception of savings accounts when compared to year-end 2016, but was primarily driven by increases in demand and interest-bearing deposits consisting of NOW and money market accounts. Quarterly average deposits increased $592.9 million, or 9.6%, for the quarter ended September 30, 2017 compared to the quarter ended September 30, 2016. For further discussion on this topic, see "Deposits" within this Item 2.

At September 30, 2017, stockholders' equity was $1.0 billion, an increase of $40.3 million from December 31, 2016. The Company's capital ratios continue to exceed the minimum capital requirements for regulatory purposes but have decreased from prior periods primarily due to asset growth. The total risk-based capital ratios at September 30, 2017 and December 31, 2016 were 12.94% and 13.56%, respectively. The Tier 1 risk-based capital ratios were 10.56% and 10.97% at September 30, 2017 and December 31, 2016, respectively. The common equity Tier 1 risk-based capital ratios were 9.40% and 9.72% at September 30, 2017 and December 31, 2016, respectively. The Company's common equity to total asset ratios at September 30, 2017 and December 31, 2016 were 11.53% and 11.88%, respectively, while its tangible common equity to tangible assets ratios were 8.34% and 8.41%, respectively, at the same dates.

Also, the Company declared and paid a cash dividend of $0.20 per share during the third quarter of 2017, an increase of $0.01 per share, or 5.3%, compared to the dividend paid during the same quarter in the prior year. Dividends for the nine months ended September 30, 2017 were $0.60 compared to $0.57 for the nine months ended September 30, 2016.

Securities

At September 30, 2017, the Company had total investments in the amount of $1.2 billion, or 13.8 % of total assets, as compared to $1.2 billion, or 14.3% of total assets, at December 31, 2016. 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. The majority of the Company's mortgage-backed securities are investment grade. The investment portfolio has a high percentage of municipals and mortgage-backed securities; therefore the Company earns a higher taxable equivalent yield on its portfolio as compared to many of its peers. The Company does not engage in structured derivative or hedging activities within the investment portfolio.

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

	September 30, 2017	December 31, 2016
Available for Sale:		
Obligations of states and political subdivisions	**$ 292,199**	$ 275,890
Corporate and other bonds	**115,422**	121,780
Mortgage-backed securities	**546,904**	535,286
Other securities	**13,836**	13,808
Total securities available for sale, at fair value	**968,361**	946,764
Held to Maturity:		
Obligations of states and political subdivisions, at carrying value	**204,801**	201,526
Federal Reserve Bank stock	**27,559**	23,808
Federal Home Loan Bank stock	**40,882**	36,974
Total restricted stock, at cost	**68,441**	60,782
Total investments	**$ 1,241,603**	$ 1,209,072

During each quarter and at year end, the Company conducts an assessment of the securities portfolio for OTTI consideration. No OTTI was recognized during the three and nine months ended September 30, 2017. 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 quarter ended March 31, 2016, the municipal security was sold. As a result, the Company recognized an additional loss on sale of the previously written down security. 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 September 30, 2017 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
Mortgage backed securities:					
Amortized cost	$ 197	$ 82,828	$ 121,469	$ 341,544	$ 546,038
Fair value	202	83,072	121,515	342,115	546,904
Weighted average yield (1)	3.08%	2.16%	2.19%	2.43%	2.34%
Obligations of states and political subdivisions:					
Amortized cost	11,795	44,929	82,296	146,901	285,921
Fair value	11,968	46,531	85,491	148,209	292,199
Weighted average yield (1)	5.69%	4.92%	4.34%	3.80%	4.21%
Corporate bonds and other securities:					
Amortized cost	11,395	504	63,727	53,261	128,887
Fair value	11,340	504	64,824	52,590	129,258
Weighted average yield (1)	0.93%	1.04%	4.46%	2.31%	3.24%
Total securities available for sale:					
Amortized cost	23,387	128,261	267,492	541,706	960,846
Fair value	23,510	130,107	271,830	542,914	968,361
Weighted average yield (1)	3.35%	3.12%	3.39%	2.79%	3.01%

(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 September 30, 2017 (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	$ 5,879	$ 41,196	$ 65,893	$ 91,833	$ 204,801
Fair value	5,902	41,959	67,444	94,530	209,835
Weighted average yield (1)	2.96%	2.78%	3.21%	3.78%	3.37%

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

As of September 30, 2017, the Company maintained a diversified municipal bond portfolio with approximately 75% of its holdings in general obligation issues and the majority of the remainder backed by revenue bonds. Issuances within the State of Texas represented 12% and issuances within the State of Washington and the Commonwealth of Virginia both 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.

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, loans held for sale, and securities 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.

As of September 30, 2017, liquid assets totaled $2.6 billion, or 29.2%, of total assets, and liquid earning assets totaled $2.5 billion, or 30.6% of total earning assets. Asset liquidity is also provided by managing loan and securities maturities and cash flows. As of September 30, 2017, approximately $2.3 billion, or 32.9% of total loans, are scheduled to mature within one year based on contractual maturity, adjusted for expected prepayments, and approximately $156.3 million, or 12.6% of total securities, are scheduled to mature within one year.

Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary. For additional information and the available balances on various lines of credit, please refer to Note 5 "Borrowings" in Part I, Item 1 "Financial Statements" of this report. In addition to lines of credit, the Bank may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions. For additional information and outstanding balances on purchased certificates of deposits, please refer to "Deposits" within this Item 2.

Loan Portfolio

Loans held for investment, net of deferred fees and costs, were $6.9 billion at September 30, 2017, $6.3 billion at December 31, 2016, and $6.1 billion at September 30, 2016, respectively. Commercial real estate - non-owner occupied loans continue to represent the Company's largest category, comprising 25.3% of the total loan portfolio at September 30, 2017.

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 the quarter ended (dollars in thousands):

	September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016	
Construction and Land Development	**$ 841,738**	**12.2%**	$ 799,938	11.8%	$ 770,287	11.8%	$ 751,131	11.9%	$ 776,430	12.6%
Commercial Real Estate - Owner Occupied	**903,523**	**13.1%**	888,285	13.1%	870,559	13.3%	857,805	13.6%	857,142	13.9%
Commercial Real Estate - Non-Owner Occupied	**1,748,039**	**25.3%**	1,698,329	25.1%	1,631,767	24.9%	1,564,295	24.8%	1,454,828	23.7%
Multifamily Real Estate	**368,686**	**5.4%**	367,257	5.4%	353,769	5.4%	334,276	5.3%	339,313	5.5%
Commercial & Industrial	**554,522**	**8.0%**	568,602	8.4%	576,567	8.8%	551,526	8.7%	509,857	8.3%
Residential 1-4 Family	**1,083,112**	**15.7%**	1,066,519	15.8%	1,057,439	16.1%	1,029,547	16.3%	999,361	16.3%
Auto	**276,572**	**4.0%**	274,162	4.0%	271,466	4.1%	262,071	4.2%	255,188	4.2%
HELOC	**535,446**	**7.8%**	535,088	7.9%	527,863	8.1%	526,884	8.4%	524,097	8.5%
Consumer and all other	**587,091**	**8.5%**	573,310	8.5%	494,329	7.5%	429,525	6.8%	432,702	7.0%
Total loans held for investment	**$ 6,898,729**	**100.0%**	$ 6,771,490	100.0%	$ 6,554,046	100.0%	$ 6,307,060	100.0%	$ 6,148,918	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 September 30, 2017 (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	**$ 841,738**	$ 481,566	$ 220,078	$ 170,885	$ 49,193	$ 140,094	$ 102,639	$ 37,455
Commercial Real Estate - Owner Occupied	**903,523**	106,283	252,090	31,982	220,108	545,150	384,557	160,593
Commercial Real Estate - Non-Owner Occupied	**1,748,039**	173,965	601,345	198,386	402,959	972,729	693,236	279,493
Multifamily Real Estate	**368,686**	29,313	145,063	37,143	107,920	194,310	169,340	24,970
Commercial & Industrial	**554,522**	165,346	153,500	111,836	41,664	235,676	157,121	78,555
Residential 1-4 Family	**1,083,112**	76,215	337,860	11,569	326,291	669,037	370,497	298,540
Auto	**276,572**	2,188	—	—	—	274,384	135,387	138,997
HELOC	**535,446**	39,610	493,368	46,379	446,989	2,468	2,025	443
Consumer and all other	**587,091**	54,890	70,097	11,524	58,573	462,104	193,576	268,528
Total loans held for investment	**$ 6,898,729**	$ 1,129,376	$ 2,273,401	$ 619,704	$ 1,653,697	$ 3,495,952	$ 2,208,378	$ 1,287,574

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 September 30, 2017, the largest components 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

At September 30, 2017, the Company had higher levels of NPAs compared to December 31, 2016 andSeptember 30, 2016, due to the increase in nonaccrual loan levels, primarily related to three unrelated credit relationships that were classified as nonaccrual during the first and second quarters of 2017. Partially offsetting this increase, OREO balances declined compared to the same periods. The Company experienced increases in past due loan levels compared to December 31, 2016 and September 30, 2016 due to performing loans not being renewed prior to quarter end. As the Company's NPAs and past due loan levels have been at historic lows over the last several quarters, certain changes from quarter to quarter might stand out in comparison to one another but have an insignificant impact on the Company's overall asset quality position.

Net charge-offs increased for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, as some of the nonaccrual additions earlier in 2017 were charged off during the third quarter of 2017. The provision for loan losses also increased for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, as a result of the increased charge-offs and loan growth during 2017. The allowance for loan losses at September 30, 2017 was consistent with December 31, 2016.

All nonaccrual and past due loan metrics discussed below exclude PCI loans totaling $51.0 million (net of fair value mark of $11.7 million) at September 30, 2017.

Troubled Debt Restructurings
The total recorded investment in TDRs as of September 30, 2017 was $19.2 million, an increase of $3.8 million, or 24.9%, from $15.4 million at December 31, 2016 and an increase of $5.9 million, or 45.0%, from $13.3 million at September 30, 2016. Of the $19.2 million of TDRs at September 30, 2017, $16.5 million, or 85.8%, were considered performing while the remaining $2.7 million were considered nonperforming.

Loans removed from TDR status represent restructured loans with a market rate of interest at the time of the restructuring. These loans have performed in accordance with their modified terms for twelve consecutive months and were no longer considered impaired. 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 re-underwriting. The TDR activity during the quarter did not have a material impact on the Company’s allowance for loan losses, financial condition, or results of operations.

Nonperforming Assets
At September 30, 2017, NPAs totaled $28.9 million, an increase of $8.8 million, or 44.0%, from December 31, 2016 and an increase of $5.6 million, or 24.2%, from September 30, 2016. In addition, NPAs as a percentage of total outstanding loans increased 10 basis points to 0.42% at September 30, 2017 from 0.32% at December 31, 2016 and increased 4 basis points from 0.38% at September 30, 2016. These increases are due to the higher levels of nonaccrual loans at September 30, 2017 compared to the prior periods.

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

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Nonaccrual loans, excluding PCI loans	$ 20,122	$ 24,574	$ 22,338	$ 9,973	$ 12,677
Foreclosed properties	6,449	6,828	6,951	7,430	7,927
Former bank premises	2,315	2,654	2,654	2,654	2,654
Total nonperforming assets	28,886	34,056	31,943	20,057	23,258
Loans past due 90 days and accruing interest	4,532	3,625	2,323	3,005	3,529
Total nonperforming assets and loans past due 90 days and accruing interest	$ 33,418	$ 37,681	$ 34,266	$ 23,062	$ 26,787
Performing TDRs	$ 16,519	$ 14,947	$ 14,325	$ 13,967	$ 11,824
PCI loans	51,041	56,167	57,770	59,292	62,346
Balances					
Allowance for loan losses	$ 37,162	$ 38,214	$ 38,414	$ 37,192	$ 36,542
Average loans, net of deferred fees and costs	6,822,498	6,628,011	6,383,905	6,214,084	6,033,723
Loans, net of deferred fees and costs	6,898,729	6,771,490	6,554,046	6,307,060	6,148,918
Ratios					
NPAs to total loans	0.42 %	0.50 %	0.49 %	0.32 %	0.38 %
NPAs & loans 90 days past due to total loans	0.48 %	0.56 %	0.52 %	0.37 %	0.44 %
NPAs to total loans & OREO	0.42 %	0.50 %	0.49 %	0.32 %	0.38 %
NPAs & loans 90 days past due and accruing to total loans & OREO	0.48 %	0.56 %	0.52 %	0.37 %	0.43 %
ALL to nonaccrual loans	184.68 %	155.51 %	171.97 %	372.93 %	288.25 %
ALL to nonaccrual loans & loans 90 days past due and accruing	150.73 %	135.52 %	155.77 %	286.58 %	225.48 %

NPAs at September 30, 2017 included $20.1 million in nonaccrual loans, a net increase of $10.1 million, or 101.8%, fromDecember 31, 2016 and a net increase of $7.4 million, or 58.7%, from September 30, 2016. The following table shows the activity in nonaccrual loans for the quarter ended (dollars in thousands):

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Beginning Balance	$ 24,574	$ 22,338	$ 9,973	$ 12,677	$ 10,861
Net customer payments	(4,642)	(1,498)	(1,068)	(1,451)	(1,645)
Additions	4,114	5,979	13,557	1,094	4,359
Charge-offs	(3,376)	(2,004)	(97)	(1,216)	(660)
Loans returning to accruing status	—	(134)	(27)	(1,039)	(23)
Transfers to OREO	(548)	(107)	—	(92)	(215)
Ending Balance	$ 20,122	$ 24,574	$ 22,338	$ 9,973	$ 12,677

The majority of nonaccrual additions during 2017 relate to three unrelated credit relationships, comprised of commercial real estate - non-owner occupied loans, commercial & industrial loans, and constructions loans.

The following table presents the composition of nonaccrual loans at the quarters ended (dollars in thousands):

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Construction and Land Development	$ 5,671	$ 5,659	$ 6,545	$ 2,037	$ 2,301
Commercial Real Estate - Owner Occupied	2,205	1,279	1,298	794	1,609
Commercial Real Estate - Non-owner Occupied	2,701	4,765	2,798	—	—
Commercial & Industrial	1,252	4,281	3,245	124	1,344
Residential 1-4 Family	6,163	6,128	5,856	5,279	5,279
Auto	174	270	393	169	231
HELOC	1,791	2,059	1,902	1,279	1,464
Consumer and all other	165	133	301	291	449
Total	$ 20,122	$ 24,574	$ 22,338	$ 9,973	$ 12,677

NPAs at September 30, 2017 also included $8.8 million in OREO, a decline of $1.3 million, or 13.1%, from December 31, 2016 and a decline of $1.8 million, or 17.2%, from September 30, 2016. The following table shows the activity in OREO for the quarters ended (dollars in thousands):

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Beginning Balance	$ 9,482	$ 9,605	$ 10,084	$ 10,581	$ 13,381
Additions of foreclosed property	621	132	—	859	246
Valuation adjustments	(588)	(19)	(238)	(138)	(479)
Proceeds from sales	(648)	(272)	(277)	(1,282)	(2,844)
Gains (losses) from sales	(103)	36	36	64	277
Ending Balance	$ 8,764	$ 9,482	$ 9,605	$ 10,084	$ 10,581

The following table presents the composition of the OREO portfolio at the quarter ended (dollars in thousands):

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Land	$ 2,755	$ 3,205	$ 3,328	$ 3,328	$ 3,440
Land Development	1,993	2,050	2,111	2,379	2,320
Residential Real Estate	1,562	1,399	1,338	1,549	1,806
Commercial Real Estate	139	174	174	174	361
Former Bank Premises [1]	2,315	2,654	2,654	2,654	2,654
Total	$ 8,764	$ 9,482	$ 9,605	$ 10,084	$ 10,581

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

Past Due Loans
At September 30, 2017, total accruing past due loans were $34.3 million, or 0.50% of total loans, compared to $27.9 million, or 0.44% of total loans, at December 31, 2016 and $26.9 million, or 0.44% of total loans, at September 30, 2016. Of the total past due loans still accruing interest at September 30, 2017, $4.5 million, or 0.07% of total loans, were past due 90 days or more, compared to $3.0 million, or 0.05% of total loans, at December 31, 2016 and $3.5 million, or 0.06% of total loans, at September 30, 2016. As the Company's past due loan levels have been at historic lows over the last several quarters, certain changes from quarter to quarter might stand out in comparison to one another but have an insignificant impact on the Company's overall asset quality position.

Net Charge-offs
For the quarter ended September 30, 2017, net charge-offs were $4.1 million, or 0.24% of average loans on an annualized basis, compared to $929,000, or 0.06%, for the quarter ended September 30, 2016. Of the net charge-offs in the third quarter of 2017, the majority were previously considered impaired. For the nine months ended September 30, 2017, net charge-offs were $7.4 million, or 0.15% of total average loans on annualized basis, compared to $4.7 million, or 0.11%, for the same period in 2016. Of the net charge-offs during 2017, the majority were previously considered impaired.

Provision for Loan Losses
The provision for loan losses for the quarter ended September 30, 2017 was $3.1 million, an increase of $653,000 compared with the quarter ended September 30, 2016. The provision for loan losses for the nine months ended September 30, 2017 was $7.4 million compared to $7.2 million for the nine months ended September 30, 2016. The provision for loan losses increased in the first nine months of 2017 compared to the same period in 2016, primarily driven by higher loan balances and higher charge-off levels.

Allowance for Loan Losses
At both September 30, 2017 and December 31, 2016, the allowance for loan losses was $37.2 million. The current level of the allowance for loan losses 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 allowance for loan losses. The allowance for loan losses as a percentage of the total loan portfolio was 0.54% at September 30, 2017 compared to 0.59% at both December 31, 2016 and September 30, 2016. The decline is primarily related to lower specific reserves as well as declining historical loss factors.

The following table summarizes activity in the allowance for loan losses during the quarters ended (dollars in thousands):

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Balance, beginning of period	$ 38,214	$ 38,414	$ 37,192	$ 36,542	$ 35,074
Loans charged-off:					
Commercial	684	316	241	620	16
Real estate	3,049	1,595	374	469	929
Consumer	1,256	1,416	1,018	738	518
Total loans charged-off	4,989	3,327	1,633	1,827	1,463
Recoveries:					
Commercial	189	123	139	61	67
Real estate	272	306	273	806	303
Consumer	426	398	433	136	164
Total recoveries	887	827	845	1,003	534
Net charge-offs	4,102	2,500	788	824	929
Provision for loan losses	3,050	2,300	2,010	1,474	2,397
Balance, end of period	$ 37,162	$ 38,214	$ 38,414	$ 37,192	$ 36,542
ALL to loans	0.54%	0.56%	0.59%	0.59%	0.59%
Net charge-offs to average loans	0.24%	0.15%	0.05%	0.05%	0.06%
Provision to average loans	0.18%	0.14%	0.13%	0.09%	0.16%

The following table shows both an allocation of the allowance for loan losses among loan categories based upon the loan portfolio's composition and the ratio of the related outstanding loan balances to total loans as of the quarters ended (dollars in thousands):

	September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016	
	$	**%** [1]	**$**	**%** [1]	**$**	**%** [1]	**$**	**%** [1]	**$**	**%** [1]
Commercial	$ 5,363	8.0%	$ 5,614	8.4%	$ 5,279	8.8%	$ 4,627	8.7%	$ 5,403	8.3%
Real estate	27,518	79.5%	28,450	79.1%	29,356	79.6%	29,441	80.3%	28,064	81.0%
Consumer	4,281	12.5%	4,150	12.5%	3,779	11.6%	3,124	11.0%	3,075	10.7%
Total	$ 37,162	100.0%	$ 38,414	100.0%	$ 38,414	100.0%	$ 37,192	100.0%	$ 36,542	100.0%

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

Deposits
As of September 30, 2017, total deposits were $6.9 billion, an increase of $502.3 million, or 10.5% (annualized), from December 31, 2016. Total interest-bearing deposits consist of NOW, money market, savings, and time deposit account balances. Total time deposit balances of $1.3 billion accounted for 24.7% of total interest-bearing deposits at September 30, 2017.

The following table presents the deposit balances by major categories as of the quarters ended (dollars in thousands):

	September 30, 2017			December 31, 2016		
Deposits:		**Amount**	**% of total deposits**		**Amount**	**% of total deposits**
Non-interest bearing	**$**	**1,535,149**	**22.3%**	$	1,393,625	21.8%
NOW accounts		**1,851,327**	**26.9%**		1,765,956	27.7%
Money market accounts		**1,621,443**	**23.6%**		1,435,591	22.5%
Savings accounts		**553,082**	**8.0%**		591,742	9.3%
Time deposits of $100,000 and over		**621,070**	**9.0%**		530,275	8.3%
Other time deposits		**699,755**	**10.2%**		662,300	10.4%
Total Deposits	**$**	**6,881,826**	**100.0%**	$	6,379,489	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 September 30, 2017 and December 31, 2016, there were $19.4 million and $0, respectively, purchased certificates of deposit included in certificates of deposit on the Company's Consolidated Balance Sheets. Maturities of time deposits as of September 30, 2017 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	$	57,493	$	201,742	$	361,835	$	621,070
Maturities of other time deposits		62,724		273,340		363,691		699,755
Total time deposits	$	120,217	$	475,082	$	725,526	$	1,320,825

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 stockholders.

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 began to be 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. As of September 30, 2017, the capital conservation buffer was 1.25% of risk-weighted assets. 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 presented (dollars in thousands):

	September 30, 2017	December 31, 2016	September 30, 2016
Common equity Tier 1 capital	$ 734,892	$ 699,728	$ 685,329
Tier 1 capital	825,392	790,228	775,829
Tier 2 capital	186,012	185,917	37,032
Total risk-based capital	1,011,404	976,145	812,861
Risk-weighted assets	7,817,079	7,200,778	7,010,112
Capital ratios:			
Common equity Tier 1 capital ratio	9.40 %	9.72 %	9.78 %
Tier 1 capital ratio	10.56 %	10.97 %	11.07 %
Total capital ratio	12.94 %	13.56 %	11.60 %
Leverage ratio (Tier 1 capital to average assets)	9.52 %	9.87 %	9.89 %
Capital conservation buffer ratio (1)	4.56 %	4.97 %	3.60 %
Common equity to total assets	11.53 %	11.88 %	12.12 %
Tangible common equity to tangible assets	8.34 %	8.41 %	8.57 %

(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.*

NON-GAAP MEASURES

In reporting the results of September 30, 2017, the Company has provided supplemental performance measures on a tax-equivalent, tangible, and/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), provides valuable additional insight into the net interest margin by adjusting for differences in tax treatment of interest income sources.

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 merger-related costs unrelated to the Company's normal operations. Such costs were only incurred during the second and third quarters of 2017; thus each of these operating measures is equivalent to the corresponding GAAP financial measure for the three and nine months ended September 30, 2016. The Company believes these measures are useful to investors as they exclude certain costs resulting from acquisition activity and allow investors to more clearly see the combined economic results of the organization's operations.

The following table reconciles these non-GAAP measures from their respective U.S. GAAP basis measures for each of the periods presented (dollars in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Interest Income (FTE)				
Interest Income (GAAP)	**$ 84,850**	$ 74,433	**$ 242,712**	$ 217,964
FTE adjustment	**2,648**	2,427	**7,836**	7,367
Interest Income FTE (non-GAAP)	**$ 87,498**	$ 76,860	**$ 250,548**	$ 225,331
Average earning assets	**$ 8,167,919**	$ 7,354,684	**$ 7,922,944**	$ 7,159,813
Yield on interest-earning assets (GAAP)	**4.12%**	4.03%	**4.10%**	4.07%
Yield on interest-earning assets (FTE) (non-GAAP)	**4.25%**	4.16%	**4.23%**	4.20%
Net Interest Income (FTE)				
Net Interest Income (GAAP)	**$ 71,198**	$ 67,028	**$ 206,765**	$ 196,535
FTE adjustment	**2,648**	2,427	**7,836**	7,367
Net Interest Income FTE (non-GAAP)	**73,846**	69,455	**214,601**	203,902
Average earning assets	**$ 8,167,919**	$ 7,354,684	**$ 7,922,944**	$ 7,159,813
Net interest margin (GAAP)	**3.46%**	3.63%	**3.49%**	3.67%
Net interest margin (FTE) (non-GAAP)	**3.59%**	3.76%	**3.62%**	3.80%
Tangible Assets				
Ending Assets (GAAP)	**$ 9,029,436**	$ 8,258,230	**$ 9,029,436**	$ 8,258,230
Less: Ending goodwill	**298,191**	298,191	**298,191**	298,191
Less: Ending amortizable intangibles	**16,017**	22,343	**16,017**	22,343
Ending tangible assets (non-GAAP)	**$ 8,715,228**	$ 7,937,696	**$ 8,715,228**	$ 7,937,696
Tangible Common Equity				
Ending Equity (GAAP)	**$ 1,041,371**	$ 1,000,964	**$ 1,041,371**	$ 1,000,964
Less: Ending goodwill	**298,191**	298,191	**298,191**	298,191
Less: Ending amortizable intangibles	**16,017**	22,343	**16,017**	22,343
Ending tangible common equity (non-GAAP)	**$ 727,163**	$ 680,430	**$ 727,163**	$ 680,430
Average equity (GAAP)	**$ 1,037,792**	$ 996,668	**$ 1,024,853**	$ 991,097
Less: Average goodwill	**298,191**	297,707	**298,191**	295,380
Less: Average amortizable intangibles	**16,681**	22,653	**18,184**	22,249
Average tangible common equity (non-GAAP)	**$ 722,920**	$ 676,308	**$ 708,478**	$ 673,468
ROE (GAAP)	**7.90%**	8.14%	**7.53%**	7.64%
ROTCE (non-GAAP)	**11.34%**	12.00%	**10.90%**	11.25%
Common equity to assets (GAAP)	**11.53%**	12.12%	**11.53%**	12.12%
Tangible common equity to tangible assets (non-GAAP)	**8.34%**	8.57%	**8.34%**	8.57%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating Measures				
Net income (GAAP)	**$ 20,658**	$ 20,401	**$ 57,737**	$ 56,699
Merger-related costs, net of tax	**661**	—	**3,020**	—
Net operating earnings (non-GAAP)	**$ 21,319**	$ 20,401	**$ 60,757**	$ 56,699
Weighted average common shares outstanding, diluted	**43,792,058**	43,754,915	**43,767,502**	43,967,725
Earnings per common share, diluted (GAAP)	**$ 0.47**	$ 0.47	**$ 1.32**	$ 1.29
Operating earnings per common share, diluted (non-GAAP)	**$ 0.49**	$ 0.47	**$ 1.39**	$ 1.29
Average assets (GAAP)	**$ 8,973,964**	$ 8,153,951	**$ 8,730,815**	$ 7,956,841
ROA (GAAP)	**0.91%**	1.00%	**0.88%**	0.95%
Operating ROA (non-GAAP)	**0.94%**	1.00%	**0.93%**	0.95%
Average common equity (GAAP)	**$ 1,037,792**	$ 996,668	**$ 1,024,853**	$ 991,097
ROE (GAAP)	**7.90%**	8.14%	**7.53%**	7.64%
Operating ROE (non-GAAP)	**8.15%**	8.14%	**7.93%**	7.64%
Average tangible common equity (non-GAAP)	**$ 722,920**	$ 676,308	**$ 708,478**	$ 673,468
ROTCE (non-GAAP)	**11.34%**	12.00%	**10.90%**	11.25%
Operating ROTCE (non-GAAP)	**11.70%**	12.00%	**11.47%**	11.25%
Noninterest expense (GAAP)	**$ 57,496**	$ 56,913	**$ 174,821**	$ 166,436
Less: Merger-related costs	**732**	—	**3,476**	—
Operating noninterest expense (non-GAAP)	**$ 56,764**	$ 56,913	**$ 171,345**	$ 166,436
Net interest income (GAAP)	**$ 71,198**	$ 67,028	**$ 206,765**	$ 196,535
Net interest income (FTE) (non-GAAP)	**73,846**	69,455	**214,601**	203,902
Noninterest income (GAAP)	**17,536**	18,950	**54,430**	52,857
Efficiency ratio (GAAP)	**64.80%**	66.19%	**66.93%**	66.74%
Efficiency ratio (FTE) (non-GAAP)	**62.92%**	64.38%	**64.98%**	64.82%
Operating efficiency ratio (FTE) (non-GAAP)	**62.12%**	64.38%	**63.69%**	64.82%
Community Bank Segment Operating Measures				
Community bank segment net income (GAAP)	**$ 20,311**	$ 19,616	**$ 56,836**	$ 55,321
Merger-related costs, net of tax	**661**	—	**3,020**	—
Community bank segment net operating earnings (non-GAAP)	**$ 20,972**	$ 19,616	**$ 59,856**	$ 55,321
Weighted average common shares outstanding, diluted	**43,792,058**	43,754,915	**43,767,502**	43,967,725
Earnings per common share, diluted (GAAP)	**$ 0.46**	$ 0.45	**$ 1.30**	$ 1.26
Operating earnings per common share, diluted (non-GAAP)	**$ 0.48**	$ 0.45	**$ 1.37**	$ 1.26
Community bank segment noninterest expense (GAAP)	**$ 55,133**	$ 54,353	**$ 167,643**	$ 158,964
Less: Merger-related costs	**732**	—	**3,476**	—
Community bank segment operating noninterest expense (non-GAAP)	**$ 54,401**	$ 54,353	**$ 164,167**	$ 158,964

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 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 basis points up to 300 basis points. The shock down 200 or 300 basis points analysis is not as meaningful as interest rates across most of the yield curve are near historic lows and cannot decrease another 200 or 300 basis points. 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 as of September 30, 2017 and 2016 (dollars in thousands):

	Change In Net Interest Income September 30,			
	2017		2016	
	%	$	%	$
Change in Yield Curve:				
+300 basis points	**7.65**	**23,401**	**11.25**	**31,821**
+200 basis points	**5.24**	**16,034**	**7.65**	**21,636**
+100 basis points	**2.82**	**8,634**	**3.91**	**11,051**
Most likely rate scenario	—	—	—	—
-100 basis points	**(3.21)**	**(9,828)**	**(3.30)**	**(9,338)**
-200 basis points	**(6.69)**	**(20,459)**	**(4.66)**	**(13,197)**
-300 basis points	**(7.04)**	**(21,528)**	**(4.76)**	**(13,464)**

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.

As of September 30, 2017, the Company was less asset sensitive in a rising interest rate environment scenario when compared to September 30, 2016 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 the decreasing interest rate environments, 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 basis points interest rate environments, the Company does not believe the down 200 and 300 basis point scenarios are 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 quarterly periods ended September 30, 2017 and 2016 (dollars in thousands):

	Change In Economic Value of Equity September 30,			
	2017		2016	
	%	$	%	$
Change in Yield Curve:				
+300 basis points	**(1.11)**	**(16,200)**	**2.67**	**35,364**
+200 basis points	**(0.05)**	**(800)**	**2.65**	**35,109**
+100 basis points	**0.41**	**5,960**	**1.85**	**24,533**
Most likely rate scenario	**—**	**—**	**—**	**—**
-100 basis points	**(2.72)**	**(39,795)**	**(4.68)**	**(61,889)**
-200 basis points	**(8.27)**	**(120,822)**	**(8.92)**	**(117,988)**
-300 basis points	**(9.58)**	**(139,886)**	**(5.86)**	**(77,480)**

As of September 30, 2017, the Company was less sensitive to market interest rate fluctuations in the shock down 100, shock down 200 and shock up 100, 200, and 300 basis points scenarios when compared to September 30, 2016. The Company believes that the shock down 200 or 300 basis points analyses are not as meaningful since interest rates across most of the yield curve are near historic lows and are not likely to decrease another 200 or 300 basis points. While management considers this scenario highly unlikely, the natural floor increases the Company's sensitivity in rates down scenarios.

ITEM 4 – 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 the 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 quarterly report on Form 10-Q, 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.

There was no change in the internal control over financial reporting that occurred during the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

On September 7, 2017, Paul Parshall, a purported shareholder of Xenith, filed a putative class action lawsuit (the "Parshall Lawsuit") in the United States District Court for the Eastern District of Virginia against Xenith, its current directors, and the Company on behalf of all public shareholders of Xenith. The plaintiff in the action alleged that the Company's registration statement on Form S-4 filed with the SEC, as amended, relating to the Pending Merger omitted certain material information in violation of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and further that the individual defendants were liable for those omissions under Section 20(a) of the Exchange Act. The relief sought in the lawsuit included preliminary and permanent injunction to prevent the completion of the Pending Merger, rescission or rescissory damages if the

Pending Merger were completed, costs and attorneys' fees. On November 6, 2017, Mr. Parshall filed a notice of voluntary dismissal, terminating the Parshall Lawsuit without prejudice.

On September 19, 2017, Shannon Rowe, a purported shareholder of Xenith, filed a putative class action lawsuit (the "Rowe Lawsuit"), also in the United States District Court for the Eastern District of Virginia, against Xenith and its current directors. The Company is not named as a defendant in the Rowe Lawsuit. The allegations in the Rowe Lawsuit are similar to the allegations in the Parshall Lawsuit.

At this time, it is not possible to predict the outcome of the proceeding in the Rowe Lawsuit or its impact on Xenith, the Company, or the Pending Merger. The Company believes that the claims in the Rowe Lawsuit are without merit and has been advised that Xenith and the Xenith board of directors also believe that the claims in the Rowe Lawsuit are without merit and that Xenith and the Xenith board of directors intend to defend vigorously against them.

In addition to the Rowe Lawsuit, in the ordinary course of its operations, the Company and its subsidiaries are parties to various other legal proceedings. Based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome in such other legal proceedings, 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 1A – RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Sales of Unregistered Securities – None.

(b) Use of Proceeds – Not Applicable.

(c) Issuer Purchases of Securities - None.

ITEM 6 – EXHIBITS

The following exhibits are filed as part of this Form 10-Q and this list includes the Exhibit Index:

Exhibit No.	Description
2.01	Agreement and Plan of Reorganization, dated as of May 19, 2017, by and between Union Bankshares Corporation and Xenith Bankshares, Inc. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed on May 23, 2017).
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 (incorporated by reference to Exhibit 3.02 to Annual Report on Form 10-K filed on February 28, 2017).
10.24	Union Bankshares Corporation Executive Severance Plan (as amended and restated effective January 1, 2018) (incorporated by reference to Exhibit 10.24 to Current Report on Form 8-K filed September 26, 2017).
10.32	Severance Agreement and Release of Claims, dated October 24, 2017, by and between Union Bankshares Corporation, Union Bank & Trust and Elizabeth M. Bentley (incorporated by reference to Exhibit 10.32 to Current Report on Form 8-K filed October 24, 2017).
15.01	Letter regarding unaudited interim financial information.
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.00	Interactive data files formatted in eXtensible Business Reporting Language for the quarter ended September 30, 2017 pursuant to Rule 405 of Regulation S-T (1): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income (unaudited), (iii) the Consolidated Statements of Comprehensive Income (unaudited), (iv) the Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to the Consolidated Financial Statements (unaudited).

SIGNATURES

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

Union Bankshares Corporation

(Registrant)

Date: November 7, 2017	By:	/s/ John C. Asbury
		John C. Asbury, President and Chief Executive Officer (principal executive officer)
Date: November 7, 2017	By:	/s/ Robert M. Gorman
		Robert M. Gorman, Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

Exhibit 15.01

The Stockholders and Board of Directors of Union Bankshares Corporation

We are aware of the incorporation by reference in the Registration Statements (Form S-3 No. 333-198710, Form S-3 No. 333-156946, Form S-3 No. 333-102012, Form S-3 No. 333-81199, Form S-4 No. 333-220005, Form S-8 No. 333-203580, Form S-8 No. 333-193364, Form S-8 No. 333-175808, Form S-8 No. 333-113842 and Form S-8 No. 333-113839) of Union Bankshares Corporation of our report dated November 7, 2017 relating to the unaudited consolidated interim financial statements of Union Bankshares Corporation that are included in its Form 10-Q for the quarter ended September 30, 2017.

Under Rule 436(c) of the 1933 Act, our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the 1933 Act.

/s/ Ernst & Young LLP

Richmond, Virginia
November 7, 2017

Exhibit 31.01

CERTIFICATIONS
I, John C. Asbury, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 7, 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-OxleyAct 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 quarterly report on Form 10-Q 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: November 7, 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-OxleyAct 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-Q for the quarter ended September 30, 2017 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

November 7, 2017

/s/ Robert M. Gorman

Robert M. Gorman, Executive Vice President and Chief Financial Officer

November 7, 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.