

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 June 30, 1997

Commission File No. 0-20293

UNION BANKSHARES CORPORATION  
(Exact name of registrant as specified in its charter)

Virginia 54-1598552  
(State of Incorporation) (I.R.S. Employer Identification No.)

211 North Main Street  
P.O. Box 446  
Bowling Green, Virginia 22427  
(Address of principal executive offices)

(804) 633-5031

(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE  
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: COMMON  
STOCK, \$4 PAR VALUE

Union Bankshares Corporation (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.

As of June 30, 1997, Union Bankshares Corporation had 3,571,475 shares of Common Stock outstanding.

UNION BANKSHARES CORPORATION  
FORM 10-Q  
June 30, 1997

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PART 1 - FINANCIAL INFORMATION  
Item 1. Financial Statements

UNION BANKSHARES CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets (Unaudited)  
(Dollars in thousands)

<TABLE>

<CAPTION>

	June 30,	December 31,
	1997	1996
ASSETS		
1996		
-----	----	----
<S> <C>		
Cash and cash equivalents:		
Cash and due from banks	\$ 20,504	\$19,33
\$ 17,036		
Interest-bearing deposits in other banks	645	1,016
420		
Federal funds sold	2,722	2,104
6,593		
-----	-----	-----
Total cash and cash equivalents	23,871	22,453
24,049		
-----	-----	-----
Securities available for sale, at fair value	138,158	129,268
125,589		
Investments securities,		
fair value of \$10,570 and \$11,689, respectively	10,803	11,423
12,066		
-----	-----	-----
Total securities	148,961	140,691
137,655		
-----	-----	-----
Loans, net of unearned income	370,636	352,277
346,327		
Less allowance for loan losses (note 2)	4,297	4,388
4,277		
-----	-----	-----
Net loans	366,339	347,889
342,050		
-----	-----	-----
Bank premises and equipment, net	15,891	14,221
12,020		
Other real estate owned	3,627	4,056
3,976		
Other assets	8,870	11,583
11,495		
-----	-----	-----
Total assets	\$ 567,559	\$ 540,893
\$ 531,245	=====	=====
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Non-interest-bearing demand deposits	\$ 56,056	\$ 55,005
\$ 53,355		
Interest-bearing deposits:		
Savings accounts	45,884	54,364
58,806		
NOW accounts	57,327	49,834
46,945		
Money market accounts	47,624	54,431
52,625		
Time deposits of \$100,000 and over	53,997	51,812
50,509		
Other time deposits	191,578	174,161
168,455		
-----	-----	-----
Total interest-bearing deposits	396,410	384,602
377,340	-----	-----
-----		

430,695	Total deposits	452,466	439,607
-----		-----	-----
29,927	Short-term borrowings	31,566	27,403
11,200	Long-term borrowings	17,850	11,125
3,645	Other liabilities	3,575	4,192
-----		-----	-----
475,467	Total liabilities	505,457	482,327
-----		-----	-----
Stockholders' equity:			
14,268	Common stock, \$4 par value. Authorized 12,000,000 shares; issued and outstanding, 3,571,475 and 3,566,915 shares, respectively	14,262	14,267
674	Surplus	127	160
41,171	Retained earnings	46,663	43,863
(335)	Unrealized gains on securities available for sale, net of taxes	1,050	276
-----		-----	-----
55,778	Total stockholders' equity	62,102	58,566
-----		-----	-----
Commitments and contingencies			
\$ 531,245	Total liabilities and stockholders' equity	\$ 567,559	\$ 540,893
=====		=====	=====

</TABLE>

See accompanying notes to consolidated financial statements

UNION BANKSHARES CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Income (Unaudited)  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Quarter Ended		Six Months Ended	
	1997	1996	1997	1996
	-----	-----	-----	-----
<S> <C>				
Interest income:				
Interest and fees on loans	\$ 8,305	\$ 7,993	\$ 16,524	\$15,830
Interest on securities:				
U.S. Government agencies and corporations	857	886	1,827	1,885
States and political subdivisions	986	956	1,949	1,838
Other securities	374	113	559	289
Interest on Federal funds sold	46	68	104	144
Interest on interest-bearing deposits in other banks	10	2	25	4
	-----	-----	-----	-----
Total interest income	10,578	10,018	20,988	19,990
	-----	-----	-----	-----
Interest expense:				
Interest on deposits	4,493	4,307	8,901	8,652
Interest on other borrowings	591	484	1,117	867
	-----	-----	-----	-----
Total interest expense	5,084	4,791	10,018	9,519
	-----	-----	-----	-----
Net interest income	5,494	5,227	10,970	10,471

Provision for loan losses (note 2)	220	190	420	321
	-----	-----	-----	-----
Net interest income after provision for loan losses	5,274	5,037	10,550	10,150
	-----	-----	-----	-----
Other income:				
Service fees	660	708	1,402	1,276
Gains (losses) on sale of securities available for sale	(18)	3	13	(103)
Gains (losses) on sales of other real estate owned and bank premises, net	299	64	408	64
Other operating income	245	395	368	536
	-----	-----	-----	-----
Total other income	1,186	1,170	2,191	1,773
	-----	-----	-----	-----
Other expenses:				
Salaries and benefits	2,048	1,834	4,081	3,660
Occupancy expenses	290	242	536	440
Furniture and equipment expenses	442	224	746	461
FDIC assessments	15	--	27	2
Other operating expenses	1,219	1,115	2,398	2,191
	-----	-----	-----	-----
Total other expenses	4,014	3,415	7,788	6,754
	-----	-----	-----	-----
Income before income taxes	2,446	2,792	4,953	5,169
Income tax expense	444	586	1,014	1,116
	-----	-----	-----	-----
Net income	\$ 2,002	\$ 2,206	\$ 3,939	\$ 4,053
	=====	=====	=====	=====
Net income per share of common stock	\$ 0.56	\$ 0.62	\$ 1.10	\$ 1.14
	=====	=====	=====	=====
Cash dividends per share of common stock	\$ 0.36	\$ 0.30	\$ 0.36	\$ 0.30
	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Six Months Ended June 30, 1997 and 1996  
(Dollars in thousands)

<TABLE>

<CAPTION>

	1997	1996
	----	----
<S> <C>		
Operating activities:		
Net income	\$ 3,939	\$ 4,053
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation of bank premises and equipment	723	477
Provision for loan losses	420	321
(Gains) losses on sales of securities available for sale	27	66
Gain on sale of other real estate owned	(408)	1
(Increase) decrease in other assets	(227)	(2,309)
Increase in other liabilities	(1,105)	896
	-----	-----
Net cash and cash equivalents provided by operating activities	3,369	3,505
	-----	-----
Investing activities:		
Net increase in securities	(7,065)	1,863
Net increase in loans	(19,345)	(19,766)
Acquisition of bank premises and equipment	(2,393)	(2,297)
Proceeds from sales of other real estate owned	4,282	7
	-----	-----
Net cash and cash equivalents used in investing activities	(24,521)	(20,193)
	-----	-----
Financing activities:		
Net increase (decrease) in non-interest-bearing deposits	1,051	3,450
Net increase in interest-bearing deposits	11,808	11,491
Net increase in short-term borrowings	4,163	8,819

Purchase of common stock	(38)	-
Cash dividends paid	(1,139)	(976)
Proceeds from long-term borrowings	6,800	-
Repayment of long-term borrowings	(75)	(75)
	-----	-----
Net cash and cash equivalents provided by financing activities	22,570	22,709
	-----	-----
Increase (decrease) in cash and cash equivalents	1,418	6,021
Cash and cash equivalents at beginning of period	22,453	18,028
	-----	-----
Cash and cash equivalents at end of period	\$ 23,871	\$ 24,049
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 1997

1. ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Union Bankshares Corporation and its subsidiaries (the "Company"). Significant intercompany accounts and transactions have been eliminated in consolidation.

The information contained in the financial statements is unaudited and does not include all of the information and footnotes required by generally accepted accounting principles 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. Operating results for the three- and six-month periods ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1996 Annual Report to Stockholders. Certain previously reported amounts have been reclassified to conform to current period presentation.

2. ALLOWANCE FOR LOAN LOSSES

The following summarizes activity in the allowance for loan losses for the six months ended June 30, (in thousands):

	1997	1996
	----	----
Balance, January 1	\$ 4,388	\$ 4,060
Provisions charged to operations	420	321
Recoveries credited to allowance	99	294
Loans charged off	(610)	(399)
	-----	-----
Balance, June 30	\$ 4,297	\$ 4,276
	=====	=====

3. EARNINGS PER SHARE

Earnings per share outstanding has been computed by dividing net income by the weighted average number of shares outstanding for the period. Weighted average shares used for the computation were 3,567,258 and 3,562,807 for the three months ended June 30, 1997 and 1996 and 3,566,683 and 3,562,389 for the six months ended June 30, 1997 and 1996.

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

Union Bankshares Corporation (the "Company") is a multi-bank holding company organized under Virginia law which provides financial services through its wholly-owned subsidiaries, Union Bank & Trust Company, Northern Neck State

Bank, King George State Bank, Union Investment Services, Inc., and Union Mortgage Company, LLC. The three subsidiary banks, Unon Bank & Trust Company, Northern Neck State Bank and King George State Bank, are full service retail commercial banks offering a wide range of banking and related financial services, including demand and time deposits, as well as commercial, industrial, residential construction, residential mortgage and consumer loans. Union Investment Services, Inc., is a full service discount brokerage company which offers a full range of investment services, and sells mutual funds, bonds and stocks. Union Mortgage Company, LLC provides a wide array of mortgage products to customers in the Company's primary trade area.

The Company's primary trade area stretches from Fredericksburg, south to Hanover County and east to the Northern Neck area of Virginia. The Corporate Headquarters are located in Bowling Green, Virginia. Through its banking subsidiaries, the Company operates 19 branches in its primary trade area.

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 subsidiaries (the "Company"). The analysis focuses on the Consolidated Financial Statements, the footnotes thereto, and the other financial data herein. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends affecting the Company. Amounts are rounded for presentation purposes, while the percentages presented are computed based on unrounded amounts.

#### Results of Operations

Net income for the second quarter of 1997 was \$2.0 million, down from \$2.2 million for the same period in 1996. Earnings per share amounted to \$.56 in the second quarter of 1997 as compared to \$.62 in the second quarter of 1996. The Company's annualized return on assets for the second quarter of 1997 was 1.43% as compared to 1.69% a year ago. The Company's annualized return on equity totaled 13.13% and 16.03% for the three months ended June 30, 1997 and 1996, respectively.

Net income for the first six months of 1997 totaled \$3.9 million, down 2.8% from \$4.1 million for the same period in 1996. Earnings per share totaled \$1.10 in the first six months of 1997 as compared to \$1.14 in 1996. The Company's annualized return on assets for the first six months of 1997 was 1.43% as compared to 1.58% a year ago. The Company's annualized return on equity totaled 13.17% and 14.94% for the six months ended June 30, 1997 and 1996, respectively.

#### Net Interest Income

Net interest income on a tax-equivalent basis for the second quarter of 1997 increased by 7.9% to \$6.1 million from \$5.6 million for the same period a year ago. By managing its interest rate spread and increasing the volume of earning assets over interest-bearing liabilities,

the Company has been able to maintain a strong net interest margin. Average earning assets during the second quarter of 1997 increased by \$32.2 million to \$516.4 million from the second quarter of 1996, while average interest-bearing liabilities grew by \$26.9 million to \$440.5 million over this same period. The Company's yield on average earning assets was 8.66%, up slightly from 8.65% a year ago, while its cost of average interest-bearing liabilities decreased slightly from 4.66% to 4.63%.

<TABLE>  
<CAPTION>

Union Bankshares Corporation							
Average Balances, Income and Expenses, Yields and Rates (Taxable Equivalent Basis)							
-----							
Quarter Ended June 30,							
-----							
		1997		1996			
-----							
Interest		Interest		Interest			
Average	Yield/	Average	Income/	Average	Income/	Yield/	Average
Balance	Rate	Balance	Expense	Balance	Expense	Rate	Balance
Expense	Rate	-----					

(Dollars in thousands)

<S> <C>									
Assets:									
Securities:									
	Taxable . . . . .	\$ 81,682	\$ 1,371	6.73%	\$ 70,758	\$1,057	6.01%	\$ 71,305	\$
1,136	6.39%								
	Tax-exempt(1) . . . . .	66,392	1,424	8.60%	64,983	1,300	8.05%	59,072	
1,181	8.02%								
-----									
	Total securities . . . . .	148,074	2,795	7.57%	135,741	2,357	6.98%	130,377	
2,317	7.13%								
	Loans, net . . . . .	364,180	8,305	9.15%	342,680	7,993	9.38%	304,276	
7,263	9.57%								
	Federal funds sold . . . . .	3,598	46	5.13%	5,399	66	4.92%	7,880	
108	5.50%								
	Interest-bearing deposits	--	--						
	in other banks . . . . .	630	10	6.37%	433	4	3.72%	698	
9	5.17%								
-----									
	Total earning assets . . . . .	516,482	11,156	8.66%	484,253	10,420	8.65%	443,231	
9,697	8.78%								
	Allowance for loan losses . . . . .	(4,425)			(4,311)			(4,236)	
	Total non-earning assets . . . . .	43,461			42,205			34,398	
	Total assets . . . . .	\$ 555,518			\$522,147			\$473,393	
		=====			=====			=====	
Liabilities & Stockholders' Equity:									
Interest-bearing deposits:									
	Checking . . . . .	\$ 54,518	351	2.58%	\$ 45,763	289	2.54%	42,748	
293	2.75%								
	Regular savings . . . . .	47,315	356	3.02%	56,464	495	3.53%	57,419	
549	3.84%								
	Money market savings . . . . .	50,029	414	3.32%	55,062	448	3.27%	59,217	
509	3.45%								
	Certificates of deposit:								
	\$100,000 and over . . . . .	51,306	679	5.31%	49,232	647	5.29%	41,945	
566	5.41%								
	Under \$100,000 . . . . .	190,094	2,689	5.67%	169,548	2,428	5.76%	151,785	
2,157	5.70%								
-----									
	Total interest-bearing								
	deposits . . . . .	393,262	4,489	4.58%	376,069	4,307	4.61%	353,114	
4,074	4.63%								
	Other borrowings . . . . .	47,269	592	5.02%	37,594	484	5.18%	21,174	
319	6.04%								
-----									
	Total interest-bearing liabilities . . . . .	440,531	5,081	4.63%	413,663	4,791	4.66%	374,288	4,393
4,71%									
-----									
Non-interest bearing liabilities:									
	Demand deposits . . . . .	52,060			50,964			47,117	
	Other liabilities . . . . .	4,402			4,290			4,175	
	Total liabilities . . . . .	496,993			468,917			425,580	
	Stockholders' equity . . . . .	58,525			53,230			47,813	
	Total liabilities and								
	stockholders' equity . . . . .	\$ 555,518			\$522,147			\$473,393	
		=====			=====			=====	
	Net interest income . . . . .		\$6,075			\$5,629			
\$5,304			=====			=====			
=====									
	Interest rate spread . . . . .			4.04%			4.00%		
4.07%									
	Interest expense as a percent								
	of average earning assets . . . . .			3.95%			3.98%		
3.98%									
	Net interest margin . . . . .			4.72%			4.68%		
4.80%									

</TABLE>

(1) Income and yields are reported on a taxable equivalent basis.





Non-interest bearing liabilities:			
Demand deposits . . . . .	52,463	49,983	45,985
Other liabilities . . . . .	4,530	4,066	4,151
Total liabilities . . . . .	491,566	463,499	420,788
Stockholders' equity . . . . .	57,956	52,722	46,757
Total liabilities and stockholders' equity . . . . .	\$549,522	\$516,221	\$467,544
Net interest income . . . . .	\$11,888	\$ 11,272	
\$ 10,679			
Interest rate spread . . . . .	4.01%	4.04%	
Interest expense as a percent of average earning assets . . . . .	3.96%	3.99%	
Net interest margin . . . . .	4.70%	4.72%	

</TABLE>

(1) Income and yields are reported on a taxable equivalent basis.

COMBINED

The following table presents the Company's interest sensitivity position at March 31, 1997. This one-day position, which is continually changing, is not necessarily indicative of the Company's position at any other time.

<TABLE>  
<CAPTION>

Interest Sensitivity Analysis June 30, 1997					
	Within 90 Days	90-365 Days	1-5 Years	Over 5 Years	Total
(In thousands)					
<b>Earning Assets:</b>					
Loans, net of unearned income (3)	\$ 99,835	\$ 45,154	\$ 128,163	\$ 97,418	\$370,570
Investment securities . . . . .	724	592	8,320	1,167	10,803
Securities available for sale . . . . .	1,747	4,016	36,662	95,733	138,158
Federal funds sold . . . . .	2,722	-	-	-	2,722
Other short-term investments . . . . .	645	-	-	-	645
Total earning assets . . . . .	105,673	49,762	173,145	194,318	522,898
<b>Interest-Bearing Liabilities:</b>					
Interest checking (2) . . . . .	-	499	56,828	-	57,327
Regular savings (2) . . . . .	-	1,675	44,209	-	45,884
Money market savings . . . . .	46,783	168	673	-	47,624
Certificates of deposit:					
\$100,000 and over . . . . .	12,104	25,804	16,089	-	53,997
Under \$100,000 . . . . .	34,952	96,573	60,053	-	191,578
Short-term borrowings . . . . .	19,566	12,000	-	-	31,566
Long-term borrowings . . . . .	105	195	16,080	1,470	17,850
Total interest-bearing liabilities . . . . .	113,510	136,914	193,932	1,470	445,826
Period gap . . . . .	(7,837)	(87,152)	(20,787)	192,848	
Cumulative gap . . . . .	\$ (7,837)	\$ (94,989)	\$ (115,776)	\$ 77,072	\$ 77,072
Ratio of cumulative gap to total earning assets . . . . .	-1.50%	-18.17%	-22.14%	14.74%	

</TABLE>

(1) The repricing dates may differ from maturity dates for certain assets due to

prepayment assumptions.

(2) The Company has found that interest-bearing checking deposits and regular savings deposits are not sensitive to changes in related market rates and therefore, it has placed them predominantly in the "1-5 Years" column.

(3) Excludes non-accrual loans

#### Provision for Possible Loan Losses

The provision for possible loan losses totaled \$220,000 for the second quarter of 1997, up from \$190,000 for the second quarter of 1996. The provision for the first six months of 1997 totaled \$420,000, up from \$321,000 a year ago. These provisions reflect increased charge-offs, principally in the consumer loan portfolio and management's assessment of the credit risk in the portfolio. (See Asset Quality)

#### Non-Interest Income

Non-interest income for 1997 totaled \$2.2 million, up from \$1.8 million a year ago. This figure reflects \$408,000 in gains on sales of real estate owned including \$299,000 in the second quarter. The second quarter of 1996 included approximately \$261,000 in proceeds from life insurance. This remaining increase in non-interest income is due to increases in service fees on deposit accounts, increases in other service fees and increased brokerage commissions. Management continues to seek additional sources of non-interest income, including increased emphasis on its credit card operations, mortgage banking activities and discount brokerage services.

#### Non-Interest Expense

Non-interest expense increased by 17.5% for the second quarter of 1997, totaling \$4.0 million as compared to \$3.4 million for the quarter ended June 30, 1996. Personnel costs comprised much of this change, increasing approximately 11.7% over the second quarter of 1996. In addition, occupancy and furniture and equipment expenses increased significantly over 1996 levels for the same period. Much of these costs are attributable to infrastructure associated with the consolidation of certain functions and the development and introduction of new products and delivery systems, which are expected to enhance future earnings through increased revenue and/or improved efficiencies. The Company expects to have consolidated data processing operations for all subsidiaries to a single in-house system by the end of the third quarter. Northern Neck State Bank and Union Bank and Trust Company were converted to this system in November 1996 and April 1997, respectively, with King George State Bank to convert in July 1997. The personnel, equipment and other costs associated with these conversions are reflected in 1997 results. Management expects to begin to realize increased operating efficiencies through improved access to information and economies of scale beginning in early 1998.

The Company continues to stress budgetary expense controls and operates at considerably more efficient levels than its peers, as measured by the efficiency ratio (ratio of non-interest expenses to net interest income plus non-interest income). For the first half of 1997 the Company's efficiency ratio was 57.0%.

#### Financial Condition

Total assets as of June 30, 1997 were \$567.6 million, an increase of 4.9% from \$540.9 million at December 31, 1996 and 6.8% from \$531.2 million at June 30, 1996. Asset growth

continued to be fueled by steady loan demand, as loans totaled \$370.6 million at June 30, 1997, an increase of 5.2% from \$352.3 million at December 31, 1996, and 7.0% from \$346.3 million at June 30, 1996. Stockholders' equity totaled \$62.1 million at June 30, 1997 which represents a book value of \$ 17.42 per share.

Deposit growth, though outpaced by loan growth, remained steady. Total deposits at June 30, 1997 were \$452.5 million, up 2.9% from \$439.6 million at December 31, 1996 and 5.1% from \$430.7 million a year earlier. Other borrowings totaled \$49.4 million a 28.2% increase over \$38.5 million at the end of 1996 and a 20.25% increase from \$41.1 million at June 30, 1996. The Company continues to utilize other borrowings to supplement deposit growth and, periodically, in wholesale leverage transactions. These wholesale leverage transactions are typically executed at spreads of approximately 150 to 200 basis points and, although they negatively impact the Company's net interest margin, they have a positive effect on earnings and return on equity.

Continued competition for deposits, particularly as it impacts certificate of deposit rates, is reflected in the deposit mix. Management continues to focus on increasing lower cost deposit products, including non-interest bearing demand deposits and savings accounts. Increased competition for funds, particularly by non-banks, continues to contribute to a narrowing of the net interest margin which has been largely offset by increases in the volume of earning assets.

## Asset Quality

The allowance for credit losses is an estimate of an amount adequate to provide for potential losses in the loan portfolio. The level of credit losses is affected by general economic trends as well as conditions affecting individual borrowers. The allowance is also subject to regulatory examinations and determination as to adequacy, which may take in to account such factors as the methodology used to calculate the allowance and comparison to peer groups.

The allowance for loan losses totaled \$4.3 million at June 30, 1997 or 1.16% of total loans, as compared to 1.25% at December 31, 1996 and 1.23% at June 30, 1996. At June 30, 1997, non-performing assets of \$4.0 million included foreclosed properties of \$1.7 million and a \$2.0 million investment in income-producing property. The decrease from December 31, 1996 is principally due to the sale of a single property comprising over 1800 acres in King George County and which had been carried at \$1.9 million.

	June 30, 1997	December 31, 1996	June 30, 1996
Non-accrual loans	\$ 284	\$ 420	\$ 954
Foreclosed properties	1,779	4,056	3,976
Real estate investment	2,017	2,970	--
Non-performing assets	\$4,080	\$7,446	\$4,930
Allowance for loan losses	\$4,297	\$4,388	\$4,276
Allowance as % of total loans	1.16%	1.25%	1.23%

## 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 the 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 absorb potential losses.

The Federal Reserve, along with the Comptroller of the Currency and the Federal Deposit Insurance Corporation, has adopted capital guidelines to supplement the existing definitions of capital for regulatory purposes and to establish minimum capital standards. Specifically, the guidelines categorize assets and off-balance sheet items into four risk-weighted categories. The minimum ratio of qualifying total assets is 8.0%, of which 4.0% must be Tier 1 capital, consisting of common equity and retained earnings, less certain goodwill items.

At June 30, 1997, the Company's ratio of total capital to risk-weighted assets was 15.59% and its ratio of Tier 1 capital to risk-weighted assets was 14.56%. Both ratios exceed the fully phased-in capital requirements. The following summarizes the Company's regulatory capital and related ratios at June 30, 1997:

Tier 1 capital	\$ 60,803
Tier 2 capital	\$ 4,296
Total risk-based capital	\$ 65,099
Total risk-weighted assets	\$417,668

### Capital Ratios:

Tier 1 risk-based capital ratio	14.56%
Total risk-based capital ratio	15.59%
Leverage ratio (Tier I capital to average adjusted total assets)	10.91%
Equity to assets ratio	10.95%

The Company's book value per share at June 30, 1997 was \$17.42. Dividends to stockholders are typically declared and paid semi-annually in June and December.

## 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, federal funds sold, investments and loans maturing within one year. The Company's ability to obtain deposits and purchase funds at favorable rates determines its liability liquidity. Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary through Federal funds lines

with several regional banks and a line of credit with the Federal Home Loan Bank. Management considers the Company's overall

liquidity to be sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

At June 30, 1997, cash, interest-bearing deposits in other banks, federal funds sold, securities available for sale and loans maturing or repricing in one year were 58.7% of total earning assets. At June 30, 1997 approximately \$145.0 million or 39.1% of total loans would mature or reprice within the next year. The Company utilizes federal funds purchased, FHLB advances, securities sold under agreements to repurchase and customer repurchase agreements, in addition to deposits, to fund the growth in its loan portfolio, and to fund securities purchases, periodically in wholesale leverage transactions.

## PART II - OTHER INFORMATION

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

(a) No Form 8-K was required to be filed during the most recently completed quarter.

#### 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)

August 14, 1996 ----- (Date)	s/ G. William Beale ----- G. William Beale, President, Chief Executive Officer and Director
August 14, 1996 ----- (Date)	s/ D. Anthony Peay ----- D. Anthony Peay, Vice President and Chief Financial Officer

## UNION BANKSHARES CORPORATION AND SUBSIDIARIES

### Index to Exhibits

Form 10-Q / June 30, 1997

Exhibit No.	Description	
2	Plan of acquisition, reorganization, arrangement, liquidation or succession -	Not Applicable
4	Instruments defining the rights of security holders, including indentures	Not Applicable
10	Material contracts	Not Applicable
11	Statement re: computation of per share earnings	Not Applicable
15	Letter re: unaudited interim financial information	Not Applicable
18	Letter re: change in accounting principles	Not Applicable
19	Previously unfiled documents	Not Applicable
20	Report furnished to security holders	Not Applicable
22	Published report re: matters submitted to vote of security holders	None
23	Consents of experts and counsel	Not Applicable
24	Power of Attorney	Not Applicable
99	Additional Exhibits	None



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