United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 20, 2007

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

Virginia	0-20293	54-1598552
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)

☐ Pre-commencement communications pursuant to Rule 13c-4(c) under the Exchange Act (17 CFR 240.13c-4(c))

Item 2.02. Results of Operations and Financial Condition.

On April 20, 2007, Union Bankshares Corporation issued a press release announcing its financial results for the three months ended March 31, 2007. A copy of the Company's press release is attached as Exhibit 99.1 hereto and is hereby incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

99.1 Union Bankshares Corporation press release dated April 20, 2007.

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

Date: April 20, 2007

By: /s/ D. Anthony Peay
D. Anthony Peay
Executive Vice President and
Chief Financial Officer

Exhibit 99.1

Contact: D. Anthony Peay - (804) 632-2112
Executive Vice President/ Chief Financial Officer

Distribute to: Virginia State/Local News lines, NY Times, AP, Reuters, S&P, Moody’s, Dow Jones, Investor Relations Service

April 20, 2007 3:15p.m. **Traded: NASDAQ** **Symbol: UBSH**

UNION BANKSHARES CORPORATION NET INCOME DECLINES

FOR IMMEDIATE RELEASE (Bowling Green, Virginia) — Union Bankshares Corporation (the “Company”) (NASDAQ: UBSH—News) reports net income for the three months ended March 31, 2007 of $5.1 million, down 18.4% from $6.3 million the same quarter in 2006. Earnings per share, on a diluted basis decreased $.09, or 19.1%, from $.47 to $.38 over the same time period a year ago. Return on average equity for the quarter ended March 31, 2007 was 10.38%, while return on average assets for the same period was 1.00%, compared to 14.05% and 1.41%, respectively, from the prior year’s same quarter.

“As anticipated, our first quarter results have been marked by continued compression of our net interest margin,” said G. William Beale, the Company’s President and Chief Executive Officer. *“The current interest rate environment with its inverted yield curve coupled with intense competition for deposits has led to increases in our costs of funds. We are focused on growing our lower cost deposit products as we continue to operate in this rate environment. Recent increases in loan demand suggest improving earning asset growth in the second quarter. The slowing housing market will continue to impact the mortgage sector.”*

On a linked quarter basis (current quarter to most recent quarter) net income decreased $1.3 million, or 20.1%, to $5.1 million for the quarter ended March 31, 2007. This represents a decline in earnings per share, on a diluted basis of 20.8%, or $.10, over the prior quarter. This decline was largely due to heavier reliance on purchased funds and higher cost deposits coupled with maturities of higher yielding earning assets.

As a supplement to U.S. generally accepted accounting principles (“GAAP”), the Company also uses certain alternate financial measures to review its operating performance. Earnings per share on a cash basis for the quarter ended March 31, 2007 were $.41 as compared to $.49 in the prior year’s quarter and $.50 for the quarter ended December 31, 2006. Additionally, cash basis return on average tangible equity for the quarter ended March 31, 2007 was 15.90% as compared to 18.52% in the prior year’s first quarter and 19.95% for the quarter ended December 31, 2006.

SEGMENT INFORMATION

Community Banking Segment

For the three months ended March 31, 2007, net income for the community banking segment decreased 15.4% or $959 thousand to $5.2 million from the same period last year. As noted above, this decline was largely attributable to compression in the margin which resulted in **net interest income** growth of only $192 thousand, or 1.1%. Additionally, Prosperity Bank & Trust Company ("Prosperity") was purchased on April 1, 2006 and operating results related to Prosperity are included in the first quarter of 2007 results but not in the first quarter of 2006 results. Additional costs related to two new branches opened since the first quarter of 2006 as well as the relocation of two existing branches to new sites, are reflected in the first quarter of 2007 results. Other increased costs are reflective of our continued investment in people and technology necessary to support our growth and service goals. Additionally, the Corporation was able to release $750 thousand in specific loan loss reserves due to a reduction in the estimated loss exposure on a large nonperforming credit relationship. See Asset Quality for additional information relating to this credit relationship.

Noninterest income decreased $302 thousand, or 7.1%, in the first quarter of 2007 from the same period a year earlier. This decrease included gains on the sale of real estate of $856 thousand in the first quarter of 2006 and gains on securities called by the issuer during the first quarter of 2007 totaling $301 thousand. Excluding these gains, noninterest income increased approximately $252 thousand, or 7.4%, largely attributable to brokerage income and debit card transaction fee income. **Noninterest expense** increased $2.5 million or, 19.7%, mainly due to operating costs as a result of the Prosperity purchase and branch expansion. The increases were in salaries and benefits of $1.2 million, operating expenses of $961 thousand, occupancy expenses of $242 thousand and furniture and fixture expenses of $147 thousand.

On a linked quarter basis, community bank segment net income decreased $1.2 million, or 19%, for the period ended March 31, 2007. Lower net interest income of $783 thousand is primarily attributable to two factors; funding costs have continued to rise and loan growth has slowed as a result of decreased residential housing activity in markets we serve. As previously mentioned, $750 thousand in specific loan loss reserves were released during the first quarter of 2007. Total noninterest income declined $945 thousand, or 19.3%, mainly as a result of lower overdraft fee charges, fees from letters of credit and gains related to investment securities called by the issuer. Additionally, the fourth quarter of 2006 included proceeds from the receipt of a life insurance claim of approximately $328 thousand.

Mortgage Segment

For the three months ended March 31, 2007, net income for the mortgage segment declined from $62 thousand of net income in the first quarter of 2006 to a loss of $139 thousand. Although loan profitability had improved during the middle quarters of 2006 due to strong demand for loan products with greater profit margins, overall loan volume decreased 19.5% from the same period last year. Some of this decline is a result of the harsh weather experienced in our key markets during the first quarter of 2007. Additionally, inventories of existing and new homes have continued to rise within the Company's markets as the housing market has softened. Net interest income in this segment fell $79 thousand, or 77.5%, over the same period due to tightening interest margins and a reduction in origination volume. An increase in reserves for early payoffs and early payment defaults of approximately $42 thousand also contributed to the decline in net income.

On a linked quarter basis, mortgage segment net income declined $56 thousand, or 67%. Net interest income increased $11 thousand, or 91.7%, due to slightly more favorable interest margins. A 10.8% decrease in loan originations from the prior quarter coincided with a rise in reserves of approximately $31 thousand.

The mortgage segment continues to focus origination efforts on superior quality loans. While more stringent guidelines have been established by investors on many loan products, the Company does not anticipate that the deterioration of the sub-prime market will have significant adverse effect on its performance.

NET INTEREST INCOME

The net interest margin, on a tax-equivalent basis, decreased to 4.09% in the first quarter of 2007 from 4.54% in the first quarter of 2006. This 45 basis point margin (54 basis point interest rate spread) decline was driven by increased costs of interest-bearing liabilities which rose to 3.94%, or 94 basis points, compared to increased yields on earning assets which rose to 7.44%, or 41 basis points. Significant growth in certificates of deposits coupled with declines in low-cost deposits put pressure on the funding side of the balance sheet. Average interest-earning assets for the quarter ended March 31, 2007 increased approximately $208 million, or 12.5%, over the same period a year ago. Of this increase, approximately $76.5 million was acquired in the acquisition of Prosperity. The remaining growth was driven primarily by increases in the commercial real estate and consumer loan portfolios. Average interest-bearing liabilities for the period ended March 31, 2007 increased approximately $210 million, or 15.2%, over the same period a year ago. Of this increase, approximately $111.4 million was acquired in the acquisition of Prosperity. The remaining growth was driven primarily by increases in certificates of deposit.

On a linked quarter basis, the tax-equivalent net interest margin decreased to 4.09%, or 6 basis points, from 4.15% for the period ended December 31, 2006. Net interest income declined by $777 thousand to $18.9 million for the quarter ended March 31, 2007. Contributing to this decline and margin tightening was a continued shift of funds from demand deposits and lower cost interest-bearing liabilities (NOW, money market, savings accounts, etc) to higher cost interest-bearing liabilities (certificates of deposit, regular and greater than $100 thousand) during a flat to inverted yield curve environment amid increased competition for low-cost deposits.

During the first quarter of 2007, approximately $6.2 million of investment securities were called by the issuers resulting in a gain of $301 thousand. The proceeds from these sales plus additional funds were used to payoff approximately $9.0 million of higher cost (6.3%) Federal Home Loan Bank advances. A penalty of $316 thousand associated with the early payoff of these advances has been reflected as an interest expense adjustment in the net interest margin for the first quarter of 2007. The anticipated interest expense saving from this early payoff is $175 thousand for the remainder of 2007.

ASSET QUALITY

The Company's asset quality remains good. The provision for loan losses declined $1.3 million from $538 thousand at March 31, 2006 to a negative $735 thousand at March 31, 2007. This decline is largely attributable to a reduction of estimated loss exposure to a continued nonperforming credit relationship that was partially reduced from $10.6 million December 31, 2006 to $7.9 million at March 31, 2007. On a linked quarter basis, the provision for loan losses declined $889 thousand. This net decrease was primarily due to the release of loan loss reserves related to the aforementioned credit relationship, partially offset by an increase in loans that management has identified through its risk rating system as having potential weaknesses.

Management maintains a list of loans that have potential weaknesses which may need special attention. This nonperforming loan list is used to monitor such loans and is used in the determination of the adequacy of the Company's allowance for loan losses. At March 31, 2007, nonperforming assets totaled $8.8 million, including a single credit relationship totaling $7.9 million. This reflects a reduction of $2.7 million in related loans within this relationship from the prior quarter. A prior management decision to extend further credit secured by additional property with significant equity was successful as such equity was extracted from this relationship, reducing the estimated loss exposure and the related specific reserves. The loans to this relationship continue to be secured by real estate (two assisted living facilities).

The Company entered into a workout agreement with the borrower in the aforementioned credit relationship in March 2004. Under the terms of the agreement, the Company extended further credit secured by additional property with significant equity. Bankruptcy filings in 2005 by some affiliates of the borrower delayed the accomplishment of targeted actions; however, during the first quarter of 2006, a comprehensive Loan Modification Agreement was signed and the Company believes it thereby improved its overall collateral position. The Company continues to have constructive dialogue with the borrower toward a resolution of the affiliated loans and anticipates that this workout will result in further reductions of the Company's overall exposure to the borrower. Based on the specific impairment analysis, $750 thousand in specific reserves were released, leaving approximately $500 thousand in allocated reserves in light of continued uncertainty with respect to the performance of the underlying collateral and borrower's ability to repay.

Net charge-offs were $162 thousand for the quarter compared to net charge-offs of $23 thousand in the same quarter last year. Net charge-offs were $97 thousand for the quarter ended December 31, 2006.

NONINTEREST INCOME

Noninterest income for the three months ended March 31, 2007 declined $766 thousand, or 11.0%, from $7.0 million to $6.2 million compared to last year's same period. This decline reflects gains on the sale of real estate of $856 thousand realized in the first quarter of 2006 and gains of $301 thousand related to investment securities called by the issuer in the first quarter of 2007. Additionally, mortgage segment income from the sale of loans declined $447 thousand, or 16%, from the same quarter a year ago. Notwithstanding the aforementioned gains and mortgage segment income, noninterest income for the period increased approximately $252 thousand, or 7.4%, and was principally attributable to increases in other service charges and deposit account charges of $288 thousand. These increases were mainly a result of increased brokerage commissions, overdraft fees and debit card transaction fee income.

On a linked quarter basis, noninterest income declined $1.1 million, or 15.5%, from $7.3 million to $6.2 million for the period ended December 31, 2006. This decline included gains of $401 thousand related to investment securities called by the issuer in the fourth quarter of 2006 compared with a lesser amount of $301 thousand in the first quarter of 2007. The fourth quarter of 2006 included $328 thousand of income from life insurance proceeds as well as the receipt of a $289 thousand commission due to the Company's purchase of bank-owned life insurance ("BOLI"). Notwithstanding the aforementioned gains, insurance proceeds and BOLI income, noninterest income declined approximately $418 thousand, or 6.6%, and was principally attributable to decreases in other service charges and deposit account charges of $264 thousand (primarily overdraft fees and letter of credit fees) as well as lower gains from the sale of loans of $177 thousand from the mortgage segment.

NONINTEREST EXPENSE

Noninterest expense for the three months ended March 31, 2007 increased $2.3 million, or 15.0%, to $18.0 million compared to last year's same period. The acquisition of Prosperity on April 1, 2006 is not included in first quarter 2006 figures. Excluding the noninterest expenses related to Prosperity from the first quarter of 2007, when compared to the first quarter of 2006, reduces the increase to $1.2 million, or 7.8%. Salaries and benefits increased $522 thousand, or 5.8%, and were mainly attributable to new hires, increased group insurance costs as well as normal compensation adjustments. Other operating expenses increased $456 thousand, or 10.3%, and principally related to the operation of two additional branches, the relocation of two other branches for closer proximity to and convenience of customers, as well as the necessary infrastructure enhancements needed to support the Company's continued growth. Some of the infrastructure enhancements include voice over internet protocol (VOIP) and the associated hardware and software to support this technology. Other initiatives include on-line check deposit technology, as well as enhancements to our internet banking delivery channel. Occupancy expenses increased $185 thousand, or 16.9%, and were principally attributable to increased facilities costs associated with the Company's continued expansion. Some of these increased costs included depreciation, property insurance, rental expenses and, to a lesser extent, utility costs. Furniture and equipment expenses increased $49 thousand, or 4.5%, and were attributable to the related depreciation and software costs of the additional branches.

On a linked quarter basis, noninterest expense increased by $662 thousand, or 3.8%, from $17.3 million to $18.0 million for the period ended March 31, 2007. Increases in salaries and benefits of $558 thousand, or 6.3%, are primarily attributable to normal compensation increases and incentive compensation adjustments. Increases in occupancy expenses of $45 thousand, or 3.3%, relate to a full quarter of operations for two branches opened in December 2006. Operating expenses increased $15 thousand, or .03%, principally driven by increases in underwriting costs from mortgage segment operations, enhanced bandwidth capacity for voice and data offset by lower marketing costs. Furniture and equipment expenses increased $14 thousand, or 1.2%, as a result of increased equipment maintenance offset by lower repairs.

BALANCE SHEET

For the three months ended March 31, 2007, total assets were approximately $2.11 billion compared to $2.09 billion and $1.89 billion as of December 31, 2006 and March 31, 2006, respectively. Loans increased $51.5 million, or 3.4%, and $188.5 million, or 13.5%, from December 31, 2006 and March 31, 2006, respectively. Loan growth was concentrated in the commercial real estate and consumer portfolios from the same quarter a year ago and construction and mortgage loans on a linked quarter basis. Total cash and cash equivalents decreased $19.3 million, or 23%, from March 31, 2006. A primary driver of this decrease was a result of the Company's issuance on March 30, 2006 of a Trust Preferred Capital Note totaling $37.1 million to fund the acquisition of Prosperity as well as to fund securities and loan growth throughout the year. Deposits grew $1.2 million, or .1%, and $182.4 million, or 12.3%, from December 31, 2006 and March 31, 2006, respectively. This growth was principally attributed to certificates of deposit. Total borrowings also increased by $26.1 million to $229.2 million, from March 31, 2006, in connection with the issuance of the aforementioned Trust Preferred Capital Note which bears interest at LIBOR plus 140 basis points. The Company's equity to assets ratio has declined slightly from 9.8% at March 31, 2006 and December 31, 2006, respectively, to 9.6% at March 31, 2007.

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ABOUT UNION BANKSHARES CORPORATION

Union Bankshares Corporation is one of the largest community banking organizations based in Virginia, providing full service banking to the Northern, Central, Rappahannock, Tidewater and Northern Neck regions of Virginia through its bank subsidiaries, Union Bank and Trust Company (33 locations in the counties of Albemarle, Caroline, Chesterfield, Fluvanna, Hanover, Henrico, King George, King William, Nelson, Spotsylvania, Stafford, Westmoreland and the Cities of Fredericksburg and Charlottesville), Northern Neck State Bank (9 locations in the counties of Richmond, Westmoreland, Essex, Northumberland and Lancaster), Rappahannock National Bank (2 locations in Washington and Front Royal, Virginia) and Bay Community Bank (4 locations in Williamsburg, Newport News and Grafton), and Prosperity Bank & Trust Company (3 locations in Springfield and Burke, Virginia). Union Bank and Trust Company also operates a loan production office in Manassas. In addition to banking services, Union Investment Services, Inc. provides full brokerage services; Union Mortgage Group, Inc. provides a full line of mortgage products; and Union Insurance Group, LLC offers various lines of insurance products. Bay Community Bank also owns a non-controlling interest in Johnson Mortgage Company, LLC.

Additional information is available on the Company's website at www.ubsh.com. The shares of the Company are traded on the NASDAQ Global Select Market under the symbol "UBSH".

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 and are not statements of historical fact. Such statements are often characterized by the use of qualified words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," "anticipate" 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 future results, performance or achievements expressed or implied by such forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of and changes in: general economic conditions, the interest rate environment, legislative and regulatory requirements, competitive pressures, new products and delivery systems, inflation, changes in the stock and bond markets, technology, and consumer spending and savings habits. The Company does not update any forward-looking statements that may be made from time to time by or on behalf of the Company.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
KEY FINANCIAL RESULTS
(in thousands, except share data)

	Three Months Ended 03/31/07	03/31/06	12/31/06
Results of Operations			
Interest and dividend income	$ 33,627	$ 28,290	$ 34,350
Interest expense	15,467	10,242	15,417
Net interest income	18,160	18,048	18,933
Provision for loan losses	(735)	538	154
Net interest income after provision for loan losses	18,895	17,510	18,779
Noninterest income	6,209	6,975	7,344
Noninterest expenses	17,959	15,620	17,297
Income before income taxes	7,145	8,865	8,826
Income tax expense	1,997	2,557	2,383
Net income	$ 5,148	$ 6,308	$ 6,443
Interest earned on loans (FTE)	$ 29,959	$ 25,167	$ 30,122
Interest earned on securities (FTE)	4,073	3,624	4,303
Interest earned on earning assets (FTE)	34,345	28,861	35,073
Net interest income (FTE)	18,879	18,618	19,656
Interest expense on certificates of deposit	10,399	6,762	10,138
Interest expense on interest-bearing deposits	11,859	8,214	11,693
Core deposit intangible amortization	457	305	457
Net income—community bank segment	$ 5,287	$ 6,246	$ 6,526
Net income—mortgage segment	(139)	62	(83)
Key Performance Ratios			
Return on average assets (ROA)	1.00%	1.41%	1.22%
Return on average equity (ROE)	10.38%	14.05%	13.00%
Efficiency ratio	73.70%	62.42%	65.83%
Efficiency ratio—community bank segment	69.90%	58.11%	61.73%
Net interest margin (FTE)	4.09%	4.54%	4.15%
Yields on earning assets (FTE)	7.44%	7.03%	7.40%
Cost of interest-bearing liabilities (FTE)	3.94%	3.00%	3.86%
Noninterest expense less noninterest income / average assets	2.28%	1.93%	1.89%
Per Share Data			
Earnings per share, basic	$ 0.39	$ 0.48	$ 0.49
Earnings per share, diluted	0.38	0.47	0.48
Cash basis earnings per share, diluted	0.41	0.49	0.50
Cash dividends paid	0.18	0.15	0.17
Market value per share	25.94	30.47	30.59
Book value per share	15.23	13.89	14.99
Tangible book value per share	10.44	10.90	10.30
Price to earnings ratio, diluted	16.83	15.87	16.06
Price to book value ratio	1.70	2.19	2.04
Weighted average shares outstanding, basic	13,306,504	13,195,928	13,266,699
Weighted average shares outstanding, diluted	13,413,303	13,338,116	13,397,264
Shares outstanding at end of period	13,344,971	13,229,786	13,303,520

Financial Condition			
Assets	$2,118,855	$1,885,682	$2,092,891
Loans, net of unearned income	1,600,059	1,410,945	1,549,445
Earning Assets	1,895,870	1,709,974	1,872,732
Goodwill	51,881	31,297	50,049
Core deposit intangibles, net	11,883	8,199	12,341
Deposits	1,667,171	1,484,760	1,665,908
Stockholders' equity	202,841	183,765	199,416
Tangible equity	139,077	144,269	137,026
Averages			
Assets	$2,086,263	$1,819,585	$2,088,244
Loans, net of unearned income	1,565,888	1,389,579	1,554,662
Loans held for sale	21,642	23,752	21,738
Securities	276,882	245,358	289,341
Earning assets	1,872,224	1,663,915	1,880,341
Deposits	1,646,819	1,448,933	1,652,901
Certificates of deposit	897,974	716,555	869,444
Interest-bearing deposits	1,371,428	1,207,984	1,360,544
Borrowings	221,461	175,118	222,441
Interest-bearing liabilities	1,592,889	1,383,102	1,582,985
Stockholders' equity	201,115	182,110	196,623
Tangible equity	138,918	142,460	134,006
Asset Quality			
Allowance for Loan Losses			
Beginning balance of allowance for loan losses	$ 19,148	$ 17,116	$ 19,091
Add: Allowance from acquired banks	—	—	—
Add: Recoveries	131	90	72
Less: Charge-offs	293	113	169
Add: Provision for loan losses	(735)	538	154
Ending balance of allowance for loan losses	$ 18,251	$ 17,631	$ 19,148
Allowance for loan losses / total outstanding loans	1.14%	1.25%	1.24%
Nonperforming Assets			
Nonaccrual loans	$ 8,558	$ 11,962	$ 10,873
Other real estate and foreclosed properties	217	—	—
Total nonperforming assets	8,775	11,962	10,873
Loans > 90 days and still accruing	1,064	371	208
Total nonperforming assets and loans > 90 days and still accruing	$ 9,839	$ 12,333	$ 11,081
Nonperforming assets / total outstanding loans	0.55%	0.85%	0.70%
Nonperforming assets / allowance for loan losses	48.08%	67.85%	56.78%
Other Data			
Mortgage loan originations	$ 97,236	$ 116,105	$ 107,672
% of originations that are refinances	46.26%	37.07%	42.83%
End of period full-time employees	660	575	646
Number of full-service branches	51	46	51
Number of community banks (subsidiaries)	5	4	5
Number of full automatic transaction machines (ATM's)	135	128	134
Alternative Performance Measures (1)			
Net income	$ 5,148	$ 6,308	$ 6,443
Plus: Core deposit intangible amortization, net of tax	297	198	297
Cash basis operating earnings	$ 5,445	$ 6,506	$ 6,740

Average assets	$2,086,263	$1,819,585	$2,088,244
Less: Average goodwill	50,089	31,297	50,049
Less: Average core deposit intangibles	12,108	8,353	12,568
Average tangible assets	$2,024,066	$1,779,935	$2,025,627
Average equity	$ 201,115	$ 182,110	$ 196,623
Less: Average goodwill	50,089	31,297	50,049
Less: Average core deposit intangibles	12,108	8,353	12,568
Average tangible equity	$ 138,918	$ 142,460	$ 134,006
Cash basis earnings per share, diluted	$ 0.41	$ 0.49	$ 0.50
Cash basis return on average tangible assets	1.09%	1.48%	1.32%
Cash basis return on average tangible equity	15.90%	18.52%	19.95%

(1) As a supplement to accounting principles generally accepted in the United States ("GAAP"), management also reviews operating performance based on its "cash basis earnings" to fully analyze its core business. Cash basis earnings exclude amortization expense attributable to intangibles (goodwill and core deposit intangibles) that do not qualify as regulatory capital. Financial ratios based on cash basis earnings exclude the amortization of nonqualifying intangible assets from earnings and the unamortized balance of nonqualifying intangibles from assets and equity.

In management's opinion, cash basis earnings are useful to investors because by excluding non-operating adjustments stemming from the consolidation of our organization, they allow investors to see clearly the combined economic results of our multi-bank company. These non-GAAP disclosures should not, however, be viewed in direct comparison with non-GAAP measures of other companies.

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

	March 31, 2007 (Unaudited)	December 31, 2006 (Audited)	March 31, 2006 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	**$ 50,192**	$ 55,511	$ 49,666
Interest-bearing deposits in other banks	**1,700**	950	1,065
Money market investments	**335**	322	155
Other interest-bearing deposits	**2,598**	2,598	2,598
Federal funds sold	**69**	16,509	20,699
Total cash and cash equivalents	**54,894**	75,890	74,183
Securities available for sale, at fair value	**268,182**	282,824	246,523
Loans held for sale	**22,927**	20,084	27,989
Loans, net of unearned income	**1,600,059**	1,549,445	1,410,945
Less allowance for loan losses	**18,251**	19,148	17,631
Net loans	**1,581,808**	1,530,297	1,393,314
Bank premises and equipment, net	**68,711**	63,461	49,219
Other real estate owned	**217**	—	—
Core deposit intangibles, net	**11,883**	12,341	8,199
Goodwill	**51,881**	50,049	31,297
Other assets	**58,352**	57,945	54,958
Total assets	**$ 2,118,855**	$ 2,092,891	$ 1,885,682
LIABILITIES			
Noninterest-bearing demand deposits	**$ 292,110**	$ 292,262	$ 261,173
Interest-bearing deposits:			
NOW accounts	**211,276**	212,328	196,451
Money market accounts	**157,608**	165,202	182,433
Savings accounts	**107,722**	107,163	113,847
Time deposits of $100,000 and over	**443,752**	442,953	352,237
Other time deposits	**454,703**	446,000	378,619
Total interest-bearing deposits	**1,375,061**	1,373,646	1,223,587
Total deposits	**1,667,171**	1,665,908	1,484,760
Securities sold under agreements to repurchase	**57,078**	62,696	53,168
Other short-term borrowings	**25,500**	—	42,600
Trust preferred capital notes	**60,310**	60,310	60,310
Long-term borrowings	**86,300**	88,850	47,000
Other liabilities	**19,655**	15,711	14,079
Total liabilities	**1,916,014**	1,893,475	1,701,917
Commitments and contingencies			
STOCKHOLDERS' EQUITY			
Common stock, $1.33 par value, shares authorized 36,000,000; issued and outstanding, 13,344,971 shares at March 31, 2007, 13,303,520 shares at December 31, 2006, and 13,195,987 shares at March 31, 2006	**17,757**	17,716	17,640
Surplus	**38,715**	38,047	35,935
Retained earnings	**144,984**	142,168	128,901
Accumulated other comprehensive income	**1,385**	1,485	1,289
Total stockholders' equity	**202,841**	199,416	183,765
Total liabilities and stockholders' equity	**$ 2,118,855**	$ 2,092,891	$ 1,885,682

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31	
	2007	**2006**
Interest and dividend income:		
Interest and fees on loans	**$ 29,850**	$ 25,104
Interest on Federal funds sold	**263**	33
Interest on deposits in other banks	**15**	7
Interest on money market investments	**1**	2
Interest on other interest-bearing deposits	**34**	28
Interest and dividends on securities:		
Taxable	**2,332**	2,174
Nontaxable	**1,132**	942
Total interest and dividend income	**33,627**	28,290
Interest expense:		
Interest on deposits	**11,860**	8,214
Interest on Federal funds purchased	**306**	82
Interest on short-term borrowings	**756**	829
Interest on long-term borrowings	**2,545**	1,117
Total interest expense	**15,467**	10,242
Net interest income	**18,160**	18,048
Provision for loan losses	**(735)**	538
Net interest income after provision for loan losses	**18,895**	17,510
Noninterest income:		
Service charges on deposit accounts	**1,726**	1,615
Other service charges, commissions and fees	**1,444**	1,267
Gains on securities transactions, net	**301**	2
Gains on sales of loans	**2,344**	2,791
Gains (losses) on sales of other real estate	**(3)**	867
Other operating income	**397**	433
Total noninterest income	**6,209**	6,975
Noninterest expenses:		
Salaries and benefits	**9,939**	9,029
Occupancy expenses	**1,391**	1,094
Furniture and equipment expenses	**1,181**	1,077
Other operating expenses	**5,448**	4,420
Total noninterest expenses	**17,959**	15,620
Income before income taxes	**7,145**	8,865
Income tax expense	**1,997**	2,557
Net income	**$ 5,148**	$ 6,308
Earnings per share, basic	**$ 0.39**	$ 0.48
Earnings per share, diluted	**$ 0.38**	$ 0.47

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

	For the Three Months Ended March 31,								
	2007			2006			2005		
	Average Balance	Interest Income / Expense	Yield / Rate (4)	Average Balance	Interest Income / Expense	Yield / Rate (4)	Average Balance	Interest Income / Expense	Yield / Rate (4)
				(Dollars in thousands)					
Assets:									
Securities:									
Taxable	**$ 181,356**	**$ 2,332**	**5.21%**	$ 167,463	$ 2,174	5.27%	$ 155,088	$ 1,918	5.02%
Tax-exempt	**95,526**	**1,741**	**7.39%**	77,895	1,450	7.55%	74,450	1,431	7.80%
Total securities	**276,882**	**4,073**	**5.97%**	245,358	3,624	5.99%	229,538	3,349	5.92%
Loans, net (2) (3)	**1,565,888**	**29,658**	**7.68%**	1,389,579	24,750	7.22%	1,275,242	20,076	6.38%
Loans held for sale	**21,642**	**301**	**5.65%**	23,752	417	7.12%	31,671	472	6.04%
Federal funds sold	**3,812**	**263**	**5.45%**	1,877	33	4.64%	1,066	2	0.76%
Money market investments	**266**	**1**	**2.10%**	90	2	3.62%	72	—	1.89%
Interest-bearing deposits in other banks	**1,136**	**15**	**5.31%**	661	7	4.17%	2,504	16	2.52%
Other interest-bearing deposits	**2,598**	**34**	**5.33%**	2,598	28	4.39%	2,598	16	2.42%
Total earning assets	**1,872,224**	**34,345**	**7.44%**	1,663,915	28,861	7.03%	1,542,691	23,931	6.29%
Allowance for loan losses	**(19,107)**			(17,328)			(16,499)		
Total non-earning assets	**233,146**			172,998			146,643		
Total assets	**$2,086,263**			$1,819,585			$1,672,835		
Liabilities and Stockholders' Equity:									
Interest-bearing deposits:									
Checking	**$ 206,196**	**317**	**0.62%**	$ 195,190	181	0.38%	$ 194,605	147	0.31%
Money market savings	**161,954**	**917**	**2.30%**	180,637	1,010	2.27%	191,780	637	1.35%
Regular savings	**105,304**	**226**	**0.87%**	115,602	261	0.91%	118,950	219	0.75%
Certificates of deposit:									
$100,000 and over	**445,286**	**5,407**	**4.92%**	340,906	3,463	4.12%	221,724	1,834	3.35%
Under $100,000	**452,688**	**4,992**	**4.47%**	375,649	3,299	3.56%	360,717	2,622	2.95%
Total interest-bearing deposits	**1,371,428**	**11,859**	**3.51%**	1,207,984	8,214	2.76%	1,087,776	5,459	2.04%
Other borrowings	**221,461**	**3,607**	**6.61%**	175,118	2,029	4.70%	182,864	1,683	3.73%
Total interest-bearing liabilities	**1,592,889**	**15,466**	**3.94%**	1,383,102	10,243	3.00%	1,270,640	7,142	2.28%
Noninterest-bearing liabilities:									
Demand deposits	**275,391**			240,949			224,335		
Other liabilities	**16,868**			13,424			12,310		
Total liabilities	**1,885,148**			1,637,475			1,507,285		
Stockholders' equity	**201,115**			182,110			165,550		
Total liabilities and stockholders' equity	**$2,086,263**			$1,819,585			$1,672,835		
Net interest income		**$18,879**			$18,618			$16,789	
Interest rate spread (1)			**3.50%**			4.03%			4.01%
Interest expense as a percent of average earning assets			**3.35%**			2.50%			1.88%
Net interest margin			**4.09%**			4.54%			4.41%

(1) Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 35%.
(2) Foregone interest on previously charged off credits of $38 thousand and $101 thousand has been excluded for 2006 and 2005, respectively.
(3) Nonaccrual loans are included in average loans outstanding.
(4) Rates and yields are annualized and calculated from actual, not rounded amounts in thousands, which appear above.