SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1996   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 I.D. 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

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.   [X] Yes   No

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

The Aggregate Market Value of the Voting Stock Held by Nonaffiliates of the Registrant was $83,126,033 as of February 28, 1997.

As of February 28, 1997, Union Bankshares Corporation had 3,564,915 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 1996 are incorporated into Part II, Items 6 through 8 of this Form 10-K, and (2) portions of the Proxy Statement for the 1997 annual meeting are incorporated into Part III, Items 10 through 13 of this Form 10-K.

UNION BANKSHARES CORPORATION
FORM 10-K
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PART I

Item 1. - Business

GENERAL

Union Bankshares Corporation (the "Company") is a bank holding company organized under Virginia law which conducts a financial services business through its wholly-owned subsidiaries, Union Bank & Trust Company ("Union Bank"), Northern Neck State Bank ("Northern Neck"), King George State Bank ("King George") and Union Investment Services, Inc. ("Union Investment").

The Company was formed in connection with the July 12, 1993 merger of Northern Neck Bankshares Corporation with and into Union Bancorp, Inc. to form Union Bankshares Corporation. On September 1, 1996, King George State Bank also became a wholly-owned subsidiary of the Company. Under the terms of the agreement, the Company exchanged 5.5 shares of its common stock for each outstanding share of King George State Bank, Inc. stock. The transaction qualified as a tax-free exchange and was accounted for as a pooling-of-interests.

Each of the subsidiary banks is a full service retail commercial bank offering a wide range of banking and related financial services, including checking, savings, certificates of deposit and other depository services, commercial, industrial, residential mortgage and consumer loans.

Union Bank & Trust Company had assets of $358 million, deposits of $285 million and shareholders' equity of $34 million on December 31, 1996. The Bank was organized and chartered under the laws of Virginia in 1902. Union Bank's primary trade area is Caroline County, Hanover County, King William County, Spotsylvania County, Stafford County and the City of Fredericksburg, Virginia. In addition to its main office located in Bowling Green, Virginia, Union Bank operates twelve other branches in its primary trade area.

Northern Neck State Bank was organized and chartered under the laws of Virginia in 1909. As of December 31, 1996, Northern Neck State Bank had assets of $133 million, deposits of $113 million, and shareholders' equity of $17 million. Northern Neck State Bank primarily serves the Northern Neck area of the State of Virginia, in a trade area which encompasses the counties of Richmond, Westmoreland, Essex and Northumberland. In addition to its main office, the Bank

operates four branches in its primary trade area, including a branch in the Tappahannock Wal*Mart Superstore which opened in October 1996.

King George State Bank had assets of $48 million, deposits of $42 million and shareholders' equity of $5 million on December 31, 1996. The Bank was organized and chartered under the laws of Virginia in 1973 and operates from a single location in King George County. King George State Bank's primary trade area is King George County and extends into Fredericksburg, Virginia.

Union Investment began providing securities brokerage and investment advisory services in February, 1993. It 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 began operations on January 1, 1997, providing a wide array of mortgage products to customers in the service areas of the subsidiary banks.

COMPETITION

The banking business in Virginia and nationally is very competitive. In its market area the Company competes with large regional financial institutions, savings and loans and other independent community banks, as well as credit unions, mutual funds and life insurance companies. Competition for deposits and loans is affected by factors such as interest rates offered, the number and location of branches and types of products offered, as well as the reputation of the institution.

SUPERVISION AND REGULATION

Bank holding companies and banks are extensively regulated under both federal and state law. The following description briefly discusses certain provisions of federal and state laws and certain regulations and proposed regulations and the potential impact of such provisions on the Company and its subsidiary banks, Union Bank, Northern Neck Bank and King George Bank (collectively, the "Subsidiary Banks").

Bank Holding Companies

As a bank holding company registered under the Bank Holding Company Act of 1956 (the "BHCA"), the Company is subject to regulation

by the Federal Reserve Board. The Federal Reserve Board has jurisdiction under the BHCA to approve any bank or nonbank acquisition, merger or consolidation proposed by a bank holding company. The BHCA generally limits the activities of a bank holding company and its subsidiaries to that of banking, managing or controlling banks, or any other activity which is so closely related to banking or to managing or controlling banks as to be a proper incident thereto.

The BHCA currently prohibits the Federal Reserve Board from approving an application from a bank holding company to acquire shares of a bank located outside the state in which the operations of the holding company's banking subsidiaries are principally conducted, unless such an acquisition is specifically authorized by statute of the state in which the bank whose shares are to be acquired is located. However, under recently enacted federal legislation, the restriction on interstate acquisitions will be abolished effective one year from enactment of such legislation, and thereafter, bank holding companies from any state will be able to acquire banks and bank holding companies located in any other state, subject to certain conditions, including nationwide and state concentration limits. Banks also will be able to branch across state lines effective June 1, 1997 (unless state law would permit such interstate branching at an earlier date), provided certain conditions are met, including that applicable state law must expressly permit such interstate branching. Virginia has adopted legislation that will permit branching across state lines effective July 1, 1995, provided there is reciprocity with the state in which the out-of-state bank is based.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the Federal Deposit Insurance Corporation (the "FDIC") insurance fund in the event the depository institution becomes in danger of default or in default. For example, under a policy of the Federal Reserve Board with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the "cross-guarantee" provisions of federal law, require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated by either the Savings Association Insurance Fund ("SAIF") or the Bank Insurance Fund ("BIF") as a result of the default of a commonly controlled insured depository institution in danger of default.

The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the SAIF or the BIF or both. The FDIC's

claim for damages is superior to claims of stockholders of the insured depository institution or its holding company but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institutions.

The Federal Deposit Insurance Act ("FDIA") also provides that amounts received from the liquidation or other resolution of any insured depository institution by any receiver must be distributed (after payment of secured claims) to pay the deposit liabilities of the institution prior to payment of any other general creditor or stockholder. This provision would give depositors a preference over general and subordinated creditors and stockholders in the event a receiver is appointed to distribute the assets of the bank.

The Company is registered under the bank holding company laws of Virginia. Accordingly, the Company and the Subsidiary Banks are subject to regulation and supervision by the State Corporation Commission of Virginia (the "SCC").

Capital Requirements

The Federal Reserve Board, the Office of the Comptroller of the Currency (the "OCC") and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, those regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels because of its financial condition or actual or anticipated growth. Under the risk-based capital requirements of these federal bank regulatory agencies, the Company and each of the Subsidiary Banks are required to maintain a minimum ratio of total capital to risk-weighted assets of at least 8%. At least half of the total capital is required to be "Tier 1 capital", which consists principally of common and certain qualifying preferred shareholders' equity, less certain intangibles and other adjustments. The remainder ("Tier 2 capital") consists of a limited amount of subordinated and other qualifying debt (including certain hybrid capital instruments) and a limited amount of the general loan loss allowance. The Tier 1 and total capital to risk-weighted asset ratios of the Company as of December 31, 1996 were 15.15% and 16.29%, respectively, exceeding the minimum requirements.

In addition, each of the federal regulatory agencies has established a minimum leverage capital ratio (Tier 1 capital to average tangible assets). These guidelines provide for a minimum ratio of 3% for banks and bank holding companies that meet certain specified criteria, including requirements that they have the highest regulatory examination rating and are not contemplating significant growth or expansion. All other institutions are

expected to maintain a leverage ratio of at least 100 to 200 basis points above the minimum. The leverage ratio of the Company as of December 31, 1996, was 10.70%, which is above the minimum requirements. The guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

Limits on Dividends and Other Payments

The Company is a legal entity, separate and distinct from its subsidiary institutions. Substantially all of the revenues of the Company result from dividends paid to it by the Subsidiary Banks. There are various legal limitations applicable to the payment of dividends to the Company, as well as the payment of dividends by the Company to its respective shareholders.

Under federal law, the Subsidiary Banks may not, subject to certain limited exceptions, make loans or extensions of credit to, or investments in the securities of, the Company or take securities of the Company as collateral for loans to any borrower. The Subsidiary Banks are also subject to collateral security requirements for any loans or extensions of credit permitted by such exceptions.

The Subsidiary Banks are subject to various statutory restrictions on their ability to pay dividends to the Company. Under the current supervisory practices of the Subsidiary Banks' regulatory agencies, prior approval from those agencies is required if cash dividends declared in any given year exceed net income for that year plus retained earnings of the two proceeding years. The payment of dividends by the Subsidiary Banks or the Company may also be limited by other factors, such as requirements to maintain capital above regulatory guidelines. Bank regulatory agencies have the authority to prohibit the Subsidiary Banks or the Company from engaging in an unsafe or unsound practice in conducting their business. The payment of dividends, depending on the financial condition of the subsidiary banks, or the Company, could be deemed to constitute such an unsafe or unsound practice.

Under the FDIA, insured depository institutions such as the Subsidiary

Banks are prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized" (as such term is used in the statute). Based on the Subsidiary Banks' current financial condition,

the Company does not expect that this provision will have any impact on its ability to obtain dividends from the Subsidiary Banks.

The Subsidiary Banks

The Subsidiary Banks are supervised and regularly examined by the Federal Reserve Board and the SCC. The various laws and regulations administered by the regulatory agencies affect corporate practices, such as the payment of dividends, incurring debt and acquisition of financial institutions and other companies, and affect business practices, such as the payment of interest on deposits, the charging of interest on loans, types of business conducted and location of offices.

The Subsidiary Banks are also subject to the requirements of the Community Reinvestment Act (the "CRA"). The CRA imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of the local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. Each financial institution's efforts in meeting community credit needs currently are evaluated as part of the examination process pursuant to twelve assessment factors. These factors also are considered in evaluating mergers, acquisitions and applications to open a branch or facility.

As an institution with deposits insured by the BIF, the Bank also is subject to insurance assessments imposed by the FDIC. The FDIC has implemented a risk-based assessment schedule, imposing assessments ranging from 0.0% to 0.27% of an institution's average assessment base. The actual assessment to be paid by each BIF member is based on the institution's assessment risk classification, which is determined based on whether the institution is considered "well capitalized," "adequately capitalized" or "undercapitalized," as such terms have been defined in applicable federal regulations, and whether such institution is considered by its supervisory agency to be financially sound or to have supervisory concerns. Under this structure, the Subsidiary Banks will pay no deposit insurance premiums other than the $2,000 statutory minimum assessment.

Other Safety and Soundness Regulations

The federal banking agencies have broad powers under current federal law to make prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are "well capitalized,"

"adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." All such terms are defined under uniform regulations defining such capital levels issued by each of the federal banking agencies.

Item 2. - Properties

The Company, through its subsidiaries, owns or leases buildings that are used in the normal course of business. The main office is located at 212 N. Main Street, Bowling Green, Virginia, in a building owned by Union Bank. The Company's subsidiaries own or lease various other offices in the counties and cities in which they operate. Northern Neck State Bank has its main office in Warsaw, Virginia and operates four branches; Union Bank has its main office in Bowling Green, Virginia and operates 12 branches. Union Investment's office is located in Bowling Green, Virginia. See Notes to Consolidated Financial Statements for information with respect to the amounts at which bank premises and equipment are carried and commitments under long-term leases.

The properties on the following page are those owned or leased by the Company and its subsidiaries as of December 31, 1996.

Locations

Corporate Headquarters
212 North Main Street, Bowling Green, Virginia

Banking Offices - Union Bank & Trust Company
211 North Main Street, Bowling Green, Virginia
Route 1, Ladysmith, Virginia
Route 301, Port Royal, Virginia
4540 Lafayette Boulevard, Fredericksburg, Virginia
Route 1 & Ashcake Road, Ashland, Virginia
4210 Plank Road, Fredericksburg, Virginia
10415 Courthouse Road, Fredericksburg, Virginia
10374 Leadbetter Road, Ashland, Virginia
700 Kenmore Avenue, Fredericksburg, Virginia
Route 360, Manquin, Virginia
Route 301, Hanover, Virginia
Cambridge & Layhill Road, Falmouth, Virginia
Massaponax Church Road & Route 1, Spotsylvania, Virginia

Banking Offices - Northern Neck State Bank
5839 Richmond Road, Warsaw, Virginia
4256 Richmond Road, Warsaw, Virginia
Route 3, Kings Highway, Montross, Virginia
Route 17 & Earl Street, Tappahannock, Virginia
1660 Tappahannock Blvd, Tappahannock, Virginia

Union Investment Services, Inc.
111 Davis Court, Bowling Green, Virginia

Union Mortgage Company, LLC.
111 Davis Court, Bowling Green, Virginia

Item 3. - Legal Proceedings

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

Item 4. - Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter.

PART II

Item 5. - Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded on the over-the-counter market and is quoted on the NASDAQ National Market System of (where under the symbol "UBSH".

The following table sets forth the high and low sale prices of the Company's common stock and the dividends paid:

	Sales Price		
	High	Low	Dividend
1996:			
First Quarter	$26.25	$24.50	----
Second Quarter	27.75	23.50	$.30
Third Quarter	27.00	24.50	----
Fourth Quarter	26.25	25.00	.34
1995:			
First Quarter	$27.00	$22.00	----
Second Quarter	26.50	22.00	$.28
Third Quarter	27.50	23.50	----
Fourth Quarter	28.00	24.25	.28

As of December 31, 1996, there were 1,875 shareholders of record of common

stock. The Company expects to continue its policy of paying regular dividends, although there is no assurance as to future dividends because they are dependent upon future earnings, capital requirements and financial condition, and certain regulatory restrictions.

Item 6. - Selected Financial Data

This information is incorporated herein by reference from the section captioned "Selected Financial Data" on page 1 in the Annual Report to Shareholders for the year ended December 31, 1996.

Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations

This information is incorporated herein by reference from the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 5 through 16 in the Annual Report to Shareholders for the year ended December 31, 1996.

Item 8. - Financial Statements and Supplementary Data

This information is incorporated herein by reference from the Consolidated Financial Statements on pages 17 through 33 and the Quarterly Earnings Summary on the inside front over of the Annual Report to Shareholders for the year ended December 31, 1996.

Item 9. - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements between the Company and its independent accountants, KPMG Peat Marwick LLP.

PART III

Item 10. - Directors and Executive Officers of the Registrant

This information, as applicable to directors, is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders to be held April 8, 1997 from the section entitled "Election of Directors" and "Executive Compensation". Executive officers of the Company as of December 31, 1996 are listed on the following page:

Name (Age)	Title and Principal Occupation During Past Five Years
G.William Beale (47)	President and Chief Executive Officer of the Company since its inception; President of Union Bank & Trust since 1991.
E.Peyton Motley (52)	Executive Vice President and Chief Operating Officer of the Company since its inception; President of Northern Neck State Bank.
Homer L. Hite (57)	Senior Vice President of the Company since 1996; President and Chief Executive Officer of King George State Bank since 1974.
D.Anthony Peay (37)	Vice President and Chief Financial Officer since December 1994; Certified Public Accountant, Senior Manager - Deloitte & Touche (1990-94).

Item 11 - Executive Compensation

This information is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders to be held April 8, 1997 from the section entitled "Executive Compensation".

Item 12 - Security Ownership of Certain Beneficial Owners and

Management

This information is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders to be held April 8, 1997 from section "Election of Directors".

Item 13 - Certain Relationships and Related Transactions

This information is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders to be held April 8, 1997 from the section entitled "Interest of Directors and officers in Certain Transactions".

PART IV

Item 14 - Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

The following consolidated financial statements of Union Bankshares Corporation and subsidiaries included in the 1996 Annual Report to Shareholders are incorporated herein by reference (see Exhibit 13):

Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Changes in Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Independent Auditors' Report

(2) Financial Statement Schedules

All schedules are omitted since they are not required, are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits

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

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated by reference to Form S-4 Registration Statement - 33-60458)
3.2	By-Laws (incorporated by reference to Form S-4 Registration Statement - 33-60458)
10.1	Form of Employment Agreement of G. William Beale and E. Peyton Motley, respectively.
13	1996 Annual Report to Shareholders
22	Subsidiaries of the Registrant
27	Financial Data Schedule

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the fourth quarter ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

Union Bankshares Corporation

By: /s/ G. William Beale   Date: March 28, 1997
G. William Beale   President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and

in such capacities named below on March 28, 1997.

Signature	Title
/s/ G. William Beale G. William Beale	President, Chief Executive Officer and Director
E. Peyton Motley	Executive Vice President, Chief Operating Officer and Director
/s/ D. Anthony Peay D. Anthony Peay	Vice President and Chief Financial Officer
Walton Mahon	Chairman of the Board of Directors
Charles H. Ryland	Vice Chairman of the Board of Directors
/s/ W. Tayloe Murphy, Jr. W. Tayloe Murphy, Jr.	Director
/s/ Ronald L. Hicks Ronald L. Hicks	Director
/s/ M. Raymond Piland, III M. Raymond Piland, III	Director
/s/ A.D. Whittaker A.D. Whittaker	Director

CHANGE IN CONTROL EMPLOYMENT AGREEMENT

This Agreement ("Agreement") is entered into as of the 17th day of October, 1996, by and between Union Bankshares Corporation, a Virginia corporation (the "Company"), and G. William Beale (the "Executive").

1. Purpose

The Company considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its shareholders. In this connection, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined herein) of the Company may arise and the uncertainty and questions which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. Accordingly, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of certain members of the management of the Company to their assigned duties without distraction in circumstances arising from the possibility of a Change in Control of the Company. In particular, the Board believes it important, should the Company or its shareholders receive a proposal for transfer of control of the Company, that the Executive be able to assess and advise the Board whether such proposal would be in the best interests of the Company and its shareholders and to take such other action regarding such proposal as the Board might determine to be appropriate, without being influenced by the uncertainties of the Executive's own situation. Nothing in this Agreement shall be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company prior to a Change in Control of the Company.

2. Term of Agreement

The term of this Agreement shall be deemed to have commenced on October 1, 1996 (the "Commencement Date") and shall continue in effect through December 31, 1999; provided, however, that commencing on January 1, 2000, and each January 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of such year, the Company shall have given notice that this Agreement shall not be extended. Notwithstanding the delivery of any notice of non-renewal, if a Change in Control of the Company occurs during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of 36 months beyond the month in which such Change in Control occurred. In no event shall the term of this Agreement extend beyond the end of the month in which the Executive's 65th birthday occurs.

3. Change in Control

No benefits shall be payable hereunder unless there shall have been a Change in Control of the Company as set forth below. For all purposes of this Agreement, a "Change in Control" shall mean:

(a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), (ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company, or (iii) any acquisition by any corporation pursuant to a transaction described in subsection (c) of this Section 3 if, upon consummation of the transaction, all of the conditions described in subsection (c) are satisfied;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of such Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or

threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Approval by the shareholders of the Company of either (1) a reorganization, merger, share exchange or consolidation of the Company by, with or into any other corporation or (2) the sale or disposition of all or substantially all of the assets of the Company (any of the foregoing transactions, a "Reorganization"); provided, however, that approval by the shareholders of a Reorganization shall not constitute a Change in Control if, upon consummation of the Reorganization, each of the following conditions is satisfied:

(i) more than 60% of the then outstanding shares of common stock of the corporation resulting from the Reorganization is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were beneficial owners of the Outstanding Company Common Stock immediately prior to the Reorganization in substantially the same proportions as their ownership, immediately prior to such transaction, of the Outstanding Company Common Stock;

(ii) no Person (excluding any employee benefit plan (or related trust) of the Company) beneficially owns, directly or indirectly, 20% or more of either (1) the then outstanding shares of common stock of the corporation resulting from the transaction or (2) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors; and

(iii) at least a majority of the members of the board of directors of the corporation resulting from the Reorganization were members of the Incumbent Board at the time of the execution of the initial agreement providing for the Reorganization.

4. Termination Following Change in Control

If any of the events described in Section 3 hereof constituting a Change in Control of the Company shall have occurred, the Executive shall be entitled to the benefits provided in Section 5 hereof upon the subsequent termination of the Executive's employment with the Company during the term of this Agreement, unless such termination is (i) because of death of the Executive, (ii) by the Company for Cause or Disability or (iii) by the Executive other than for Good Reason (all as such capitalized terms are hereinafter defined).

(a) Disability. Termination by the Company of the Executive's employment based on "Disability" shall mean termination because of the Executive's inability to perform his duties with the Company on a full time basis for 180 consecutive days or a total of at least 240 days in any twelve month period as a result of the Executive's incapacity due to physical or mental illness (as determined by an independent physician selected by the Board).

(b) Cause. Termination by the Company of the Executive's employment for "Cause" shall mean termination for (i) gross incompetence, gross negligence, willful misconduct in office or breach of a material fiduciary duty owed to the Company or any subsidiary or affiliate thereof; (ii) conviction of a felony, a crime of moral turpitude or commission of an act of embezzlement or fraud against the Company or any subsidiary or affiliate thereof; (iii) any material breach by the Executive of a material term of this Agreement, including, without limitation, material failure to perform a substantial portion of his duties and responsibilities hereunder; or (iv) deliberate dishonesty of the Executive with respect to the Company or any subsidiary or affiliate thereof.

(c) Good Reason; Window Period. The Executive shall be entitled to terminate his employment (i) for "Good Reason" as defined below or (ii) during the "Window Period" by the Executive without any reason. For purposes of this Agreement, the "Window Period" shall mean the 45-day period immediately following the first anniversary of the date on which a Change in Control occurred. For purposes of this Agreement, termination for "Good Reason" shall mean termination based on:

(i) a determination by the Executive, in his reasonable judgment, that there has been an adverse change in the Executive's status or position(s) as an executive officer of the Company as in effect immediately prior to the Change in Control, including without limitation, any adverse change in his status or position as a result of a diminution in his duties or responsibilities (other than, if applicable, any such change directly attributable to the fact that the Company is no longer publicly owned) or the assignment to the Executive of any duties or responsibilities that are inconsistent with such status or position(s).

(ii) a reduction by the Company in the Executive's base salary as in effect immediately prior to the Change in Control or a

reduction in the Executive's Recent Average Bonus (defined as the bonus paid or payable, including by reason of deferral, to the Executive by the Company in respect of the two calendar years immediately preceding the year in which the Change in Control occurs);

(iii) the failure by the Company to pay to the Executive any portion of his compensation or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company within 10 days of the date such compensation is due (it being understood and agreed that each annual bonus shall be paid no later than the end of the third month of the year next following the year for which the annual bonus is awarded, unless the Executive shall elect to defer the receipt of such annual bonus);

(iv) the Company's requiring the Executive to be based at any office that is greater than thirty-five (35) miles from where the Executive's office is located immediately prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with the business travel obligations which the Executive undertook on behalf of the Company prior to the Change in Control;

(v) the failure by the Company to obtain an agreement reasonably satisfactory to the Executive from any successor to assume and agree to perform this Agreement; or

(vi) the failure by the Company to continue in effect any Plan (as hereinafter defined) in which the Executive is participating at the time of the Change in Control of the Company (or Plans providing the Executive with at least substantially similar benefits) other than as a result of the normal expiration of any such Plan in accordance with its terms as in effect at the time of the Change in Control, or the taking of any action, or the failure to act, by the Company which would adversely affect the Executive's continued participation in any of such Plans on at least as favorable a basis to the Executive as is the case on the date of the Change in Control, or which would materially reduce the Executive's benefits in the future under any of such Plans or deprive the Executive of any material benefit enjoyed by the Executive at the time of the Change in Control.

For purposes of this Section 4(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

For purposes of this Agreement, "Plan" shall mean any compensation plan or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan or a relocation plan or policy or any other plan, program or policy of the Company intended to benefit employees.

(d) Notice of Termination. Any termination by the Company on the one hand or by the Executive following a Change in Control for Good Reason or during the Window Period shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive during the Window Period or for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date specified in the Notice of Termination (which shall not be less than 30 nor more than 60 days from the date such Notice of Termination is given), and (iii) if the Executive's employment is terminated for Disability, 30 days after Notice of Termination is given, provided that the Executive shall not have returned to the full-time performance of his duties during such 30-day period.

5. Compensation Upon Termination.

(a) If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate his employment either for Good Reason or during the Window Period, then the Company shall pay to and provide for the Executive, without regard to any contrary provisions of any Plan, the following:

(i) the sum of: (1) the Executive's base salary through the Date of Termination at the rate in effect just prior to the time a Notice of Termination is given; (2) the amount, if any, of any incentive or bonus compensation theretofore earned which has not yet been paid; (3) the product of the annual bonus paid or payable, including by reason of

deferral, for the most recently completed year and a fraction, the numerator of which is the number of days in the current year through the Date of Termination and the denominator of which is 365; and (4) any benefits or awards (including both the cash and stock components) which pursuant to the terms of any Plans have been earned or become payable, but which have not yet been paid to the Executive (including amounts which previously had been deferred at the Executive's request) (the sum of the amounts described in clauses (1), (2), (3) and (4) are referred to as the "Accrued Obligations");

(ii) in lieu of any further salary payments subsequent to the Date of Termination, an amount equal to 2.9 times the Executive's Earnings (as defined below) (the "Severance Allowance"); and

(iii) the Company shall maintain in full force and effect, at the sole cost of the Company (except for the regular contributions of the Executive as described below, if any), for the continued benefit of the Executive and his dependents for a period terminating on the earliest of (a) 24 months after the Date of Termination, or (b) the commencement date of equivalent benefits from a new employer, all insured and self-insured employee welfare benefit Plans in which the Executive was entitled to participate immediately prior to the Date of Termination, provided that the Executive's continued participation is possible under the general terms and provisions of such Plans (and any applicable funding media) and the Executive continues to pay an amount equal to his regular contribution under such Plans prior to the Change in Control for such participation. In the event that the Executive's participation in any such Plan is barred, the Company, at its sole cost and expense, shall arrange to have issued for the benefit of the Executive and his dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those which the Executive otherwise would have been entitled to receive under such Plans pursuant to this Section 5(a)(iii) or, if such insurance is not available at a reasonable cost to the Company, the Company shall otherwise provide the Executive and his dependents with equivalent benefits (on an after-tax basis). The Executive shall not be required to pay any premiums or other charges in an amount greater than that which the Executive would have paid in order to participate in such Plans.

(b) For purposes of Section 5(a)(ii), "Earnings" means the annual base salary in effect on the Date of Termination, plus the average of the bonuses received by the Executive for each of the two years prior to the Date of Termination.

(c) The Severance Allowance (as defined in Section 5(a)(ii)) shall be paid to the Executive not later than the thirtieth day following the Date of Termination; provided, however, that if the amounts of such payment cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company, of the Severance Allowance owed and shall pay the remainder of such payments (together with interest thereon at the rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), as soon as the amount thereof can be determined, but in no event later than the sixtieth day after the Date of Termination. The Executive may elect to receive, in lieu of a lump-sum payment, the Severance Allowance in consecutive, equal monthly installments over a period not to exceed 24 months, beginning on the first day of month following the Date of Termination. The Accrued Obligations (as defined in Section 5(a)(i)) shall be paid to the Executive within 10 days after the Date of Termination.

(d) Except as specifically provided in Section 5(a)(iii) above, the amount of any payment provided for in this Section 5 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

(e) In the event any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 5(e)) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties are incurred by the Executive with respect to such excise tax (collectively, the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any income taxes and interest or penalties imposed with respect to such taxes) and the Excise Tax imposed on the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Payments. All determinations required to be made under

this Section 5(e), including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by KPMG Peat Marwick LLP (the "Accounting Firm"), or such other accounting firm as may be mutually agreed to between the Executive and the Company. All fees and expenses of such accounting firm shall be borne solely by the Company, and any determination by the Accounting Firm shall be binding upon the Company and the Executive. Any Gross-Up Payment, as determined pursuant to this Section 5(e), shall be paid by the Company to the Executive within ten days of the receipt of the Accounting Firm's determination.

6. Binding Agreement

(a) This Agreement shall be binding upon and inure to the benefit of the Executive (and his personal representative), the Company and any successor organization or organizations which shall succeed to substantially all of the business and property of the Company, whether by means of merger, consolidation, acquisition of all or substantially of all of the assets of the Company or otherwise, including by operation of law.

(b) For purposes of this Agreement, the term "Company" shall include any subsidiaries of the Company and any corporation or other entity which is the surviving or continuing entity in respect of any merger, consolidation or form of business combination in which the Company ceases to exist; provided, however, that for purposes of determining whether a Change in Control has occurred herein, the term "Company" shall refer to Union Bankshares Corporation or its successors.

7. Fees and Expenses; Mitigation

(a) The Company shall pay or reimburse the Executive, on a current basis, for all costs and expenses, including without limitation court costs and reasonable attorneys' fees, incurred by the Executive (i) in contesting or disputing any termination of the Executive's employment or (ii) in seeking to obtain or enforce any right or benefit provided by this Agreement, in each case regardless of whether or not the Executive's claim is upheld by a court of competent jurisdiction; provided, however, the Executive shall be required to repay any such amounts to the Company to the extent that a court issues a final and non-appealable order setting forth the determination that the position taken by the Executive was frivolous or advanced by him or her in bad faith.

(b) The Executive shall not be required to mitigate the amount of any payment the Company becomes obligated to make to the Executive in connection with this Agreement, by seeking other employment or otherwise.

8. Notice

Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid (in which case notice shall be deemed to have been given on the third day after mailing), or by overnight delivery by a reliable overnight courier service (in which case notice shall be deemed to have been given on the day after delivery to such courier service) to the Executive at the last address the Executive has filed in writing with the Company, attention of the Chairman of the Board.

9. Miscellaneous

No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in a writing signed by the Executive and the Chairman of the Board or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

10. Governing Law

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Virginia.

11. Validity

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by Union Bankshares Corporation by its duly authorized officer, and by the Executive, as of the date first above written.

UNION BANKSHARES CORPORATION

By: /s/ Walton Mahon

Walton Mahon
Chairman of the Board

EXECUTIVE:

/s/ G. William Beale

G. William Beale

Union Bankshares Corporation and Subsidiaries

Selected Financial Data
<TABLE>
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<S> <C>

	1996	1995	1994	1993	1992
Results of Operations	(dollars in thousands, except per share amounts)				
Interest income	$ 40,996	$ 38,083	$ 31,927	$ 30,397	$ 31,434
Interest expense	19,330	17,855	13,089	13,009	15,086
Net interest income	21,666	20,228	18,838	17,388	16,348
Provision for loan losses	895	977	1,102	1,571	2,054
Net interest income after provision for loan losses	20,771	19,251	17,736	15,817	14,294
Other income	3,459	2,618	2,949	2,061	2,105
Other expenses	14,502	13,037	12,073	10,834	9,738
Income before income taxes	9,728	8,832	8,612	7,044	6,661
Income tax expense	2,272	2,079	1,899	1,529	1,565
Net income	$ 7,456	$ 6,753	$ 6,713	$ 5,515	$ 5,096
Key Performance Ratios					
Return on average assets (ROA)	1.41%	1.41%	1.55%	1.35%	1.33%
Return on average equity (ROE)	13.79%	13.56%	15.03%	13.51%	13.58%
Efficiency ratio	54.06%	53.56%	51.96%	52.14%	49.43%
Per Share Data					
Net income per share	$ 2.09	$ 1.91	$ 1.90	$ 1.56	$ 1.44
Cash dividends declared	0.64	0.56	0.51	0.45	0.40
Book value at year-end	16.42	15.07	13.37	12.13	11.01
Financial Condition					
Total assets	$ 540,893	$ 505,374	$ 462,880	$ 424,582	$ 395,678
Total deposits	439,607	415,755	390,232	367,933	344,134
Total loans, net of unearned income	352,277	327,132	295,389	258,063	247,421
Stockholders' equity	58,566	53,683	47,232	42,814	38,873
Asset Quality					
Allowance for loan losses	$ 4,388	$ 4,060	$ 4,110	$ 3,822	$ 3,704
Allowance as % of total loans	1.25%	1.24%	1.39%	1.48%	1.50%
Other Data					
Market value per share at year-end (1)	$ 25.00	$ 26.00	$ 24.00	$ 23.25	n/a
Price to earnings ratio	12.0	13.6	12.6	14.9	n/a
Price to book value ratio	152%	173%	180%	192%	n/a
Dividend payout ratio	30.62%	28.80%	26.84%	28.84%	27.77%
Weighted shares outstanding	3,564,417	3,543,033	3,533,035	3,530,630	3,530,630

</TABLE>

(1) Stock was not traded on an active market until October 1993

[photo]
[caption: The new 17,000 sq. ft. Union Bankshares Operations Center opened in the summer of 1996]

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides information about the major components of the results of operations and financial condition, liquidity and capital resources of Union Bankshares Corporation and subsidiaries (the "Company" or "Union Bankshares"). This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements presented elsewhere in this Annual Report. Operating results include those of King George State Bank for all periods presented.

Overview

Union Bankshares Corporation's mission statement is to:

- enhance shareholder value,
- remain a strong independent banking organization,
- be a leading provider of financial services,
- provide exemplary customer service,
- provide a rewarding work environment for its employees, and
- provide a growing return for its shareholders.

In 1996 Union Bankshares Corporation continued to strive to achieve these

objectives. The Company's focus of providing high quality financial services to its customers through enhanced products and improved delivery channels was evident in 1996. King George State Bank became a member of the Union Bankshares family in September, expanding the Company's presence to that market and enhancing its existing markets. The Company continued cost effective expansion opportunities through the addition of three in-store branches, including a Wal*Mart Superstore location.

1996 was also a year of planning and preparation. Plans were announced to convert all subsidiaries to an in-house data processing system, providing management the opportunity to improve the quality and availability of management information while sharing the associated costs among the consolidated group. Northern Neck State Bank converted its data files in November and the remaining banks will be converted by mid-year 1997. This and other consolidation efforts represent management's commitment to establishing the infrastructure necessary to continue to operate efficiently as the Company grows.

Despite the costs associated with the above efforts, 1996 was another year of record earnings for Union Bankshares Corporation. The Company reported net income of $7.5 million or $2.09 per share, up 10.4% from $6.7 million in 1995. Core profitability from primary lines of business continued to improve as net interest income increased by 7.1% and service fees by 19.1% from 1995 levels.

[photo]
[caption: King George State Bank]

Profitability as measured by the Company's return on average assets (ROA) was 1.41% in 1996, while its return on average equity (ROE) was 13.79%. These ratios were in line with 1.41% and 13.56%, respectively, reported in 1995, and remain strong relative to the Company's peer group averages. These returns have consistently exceeded 1.30% (ROA) and 13.30% (ROE) over the last five years and have been achieved despite the strong asset and capital growth which the Company has experienced over this time.

Continued increases in earning assets combined with a stable interest rate spread in 1996 to contribute significantly to the strong earnings performance in 1996. The Company's net interest margin on a taxable equivalent basis was

virtually unchanged from 4.80% in 1995 to 4.79% in 1996, however changes in volume exceeded changes in rates, generating an additional $1.6 million in net interest income.

Loans, net of unearned income, totaled $352.3 million at December 31, 1996 an increase of 7.7% from December 31, 1995. Despite serving as a source of funds for loans, securities growth was stable as the Company utilized certain leveraging strategies to purchase securities funded by short-term borrowings. Though the spread on such transactions is reduced from the more typical scenario whereby loans are funded by deposits, the effect on net income and ROE was favorable.

Deposits grew from $415.8 million at December 31, 1995, to $439.6 million at December 31, 1996, an increase of 5.7%. Average deposits increased from $402.8 million in 1995 to $429.8 million in 1996, but competition for deposits among financial service providers continues to force the Company to fund a portion of its loan demand with other borrowings such as Federal funds purchased, securities sold under agreements to repurchase and Federal Home Loan Bank advances.

Capital remains a double-edged sword for the Company as financial stability is weighed against ROE. Capital growth at 9.1% continued to outpace asset growth at 7.0%, but at a slower pace due to the use of wholesale leverage strategies and increased shareholder dividends. The closing price of the Company's stock at December 31, 1996 was $25.00 per share, resulting in a market to book value ratio of 152%. Management has worked with the investment community to share the performance record of the Company and improve the efficiency of the market. As a result, the spread between the bid (buy) and ask (sell) price quote has been reduced from approximately $4.00 two years ago to $.75 in February 1997.

The Company's performance in 1995 was strong with net income of $6.8 million, up slightly from 1994 which included an after-tax gain on the sale of other real estate owned (OREO) of $388,000. Excluding this gain, net income increased by 6.8%. The increased earnings were due primarily to increased levels of earning assets. Return on average equity decreased in 1995 to 13.56% from 15.03% in 1994 (14.13% in 1994 excluding the OREO gain). Return on average assets in 1995 was 1.41% compared to 1.55% in 1994 (1.46% in 1994 excluding the OREO gain).

Net Interest Income

Net interest income represents the principal source of earnings for the Company. Net interest income equals the amount by which interest income exceeds interest

expense. The net interest margin is net interest income expressed as a percentage of interest-earning assets. Changes in the volume and mix of earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income and the net interest margin.

During 1996, net interest income, on a taxable-equivalent basis, totaled $23.3 million, an increase of 7.4% from $21.7 million in 1995. The Company's net interest margin was stable at 4.79% in 1996, as compared to 4.80% in 1995 and 5.01% in 1994. The yield on earning assets was unchanged at 8.75% while the cost of interest-bearing liabilities declined slightly from 4.69% in 1995 to 4.64%. Average interest-bearing liabilities increased by $35.5 million, or 9.3% while average earning assets grew by $35.9 million, or 7.9%. As a result, the Company was able to realize an increase of $1.6 million in net interest income compared to 1996 (see Volume and Rate Analysis table).

During 1995, net interest income, on a taxable-equivalent basis, increased 7.3% to $21.7 million from $20.3 million in 1994. The Company's net interest margin declined slightly to 4.80% from 5.01% in 1994. The yield on earning assets increased to 8.75% in 1995 from 8.24% in 1994 while the cost of interest-bearing liabilities grew more rapidly to 4.69% from 3.83% in 1994. Average interest-bearing liabilities increased by $39.2 million, or 11.1% but were outpaced by average earning assets which grew by $47.3 million, or 11.7%. As a result, the Company was able to realize an increase of $1.4 million in net interest income compared to 1994 (see Volume and Rate Analysis table).

The following table depicts 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)
<TABLE>
<CAPTION>

	Years Ended December 31,								
	1996			1995			1994		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
<S> <C>	(dollars in thousands)								
Assets:									
Securities:									
Taxable	$ 72,482	$ 4,493	6.20%	$ 74,433	$ 4,755	6.39%	$ 73,159	$ 4,565	6.24%
Tax-exempt(1)	64,963	5,397	8.31%	60,966	4,903	8.04%	58,221	4,728	8.12%
Total securities	137,445	9,890		135,399	9,658	7.13%	131,380	9,293	7.07%
Loans, net.	343,856	32,444	9.43%	310,819	29,561	9.51%	267,753	23,835	8.90%
Federal funds sold	5,941	317	5.34%	5,515	327	5.93%	5,072	209	4.12%
Interest-bearing deposits in other banks.......................	813	44	5.41%	459	32	6.97%	689	39	5.66%
Total earning assets	488,055	42,695	8.75%	452,192	39,578	8.75%	404,894	33,376	8.24%
Allowance for loan losses	(4,305)			(4,289)			(3,893)		
Total non-earning assets	43,578			34,950			33,064		
Total assets	$ 527,328			$ 482,853			$ 434,065		
Liabilities & Stockholders' Equity:									
Interest-bearing deposits:									
Checking.............................	$ 47,685	$ 1,202	2.52%	$ 43,503	$ 1,187	2.73%	$ 42,335	$ 1,109	2.62%

Regular savings	56,108	1,945	3.47%	57,312	2,146	3.74%	68,002	2,301	3.38%
Money market savings	55,048	1,802	3.27%	58,265	1,978	3.39%	65,888	2,029	3.08%
Certificates of deposit:									
$100,000 and over....................	50,083	2,604	5.20%	42,289	2,317	5.48%	29,975	1,325	4.42%
Under $100,000........................	170,032	9,938	5.84%	154,016	8,737	5.67%	120,331	5,641	4.69%
Total interest-bearing deposits	378,956	17,491	4.62%	355,385	16,365	4.60%	326,531	12,405	3.80%
Other borrowings	37,528	1,839	4.90%	25,598	1,490	5.82%	15,227	684	4.49%
Total interest-bearing .... liabilities	416,484	19,330	4.64%	380,983	17,855	4.69%	341,758	13,089	3.83%
Non-interest bearing liabilities:									
Demand deposits......................	52,305			47,472			44,168		
Other liabilities....................	4,461			4,224			3,496		
Total liabilities................	473,250			432,679			389,422		
Stockholders' equity	54,078			50,174			44,643		
Total liabilities and stockholders' equity	$ 527,328			$ 482,853			$ 434,065		
Net interest income......................		$ 23,365			$ 21,723			$ 20,287	
Interest rate spread			4.11%			4.06%			4.41%
Interest expense as a percent of average earning assets............			3.96%			3.95%			3.23%
Net interest margin......................			4.79%			4.80%			5.01%

</TABLE>

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

The following table analyzes changes in net interest income attributable to changes in the volume of interest-bearing assets and liabilities compared to changes in interest rates. Nonaccrual loans are included in average loans outstanding.

Volume and Rate Analysis*
(Taxable Equivalent Basis)

<TABLE>
<CAPTION>

	Years ended December 31,					
	1996 vs. 1995 Increase (Decrease) Due to Changes in:			1995 VS. 1994 Increase (Decrease) Due to Changes in:		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)					
<S> <C>						
Earning Assets:						
Securities:						
Taxable..................................	$ (123)	$(139)	$ (262)	$ 80	$ 110	$ 190
Tax-exempt	329	165	494	221	(46)	175

Loans, net	3,118	(235)	2,883	4,016	1,708	5,724
Federal funds sold	24	(34)	(10)	19	96	117
Interest-bearing deposits in other banks	20	(8)	12	(14)	7	(7)
Total earning assets	3,368	(251)	3,117	4,322	1,877	6,199
Interest-Bearing Liabilities:						
Interest checking	108	(93)	15	31	46	77
Regular savings	(44)	(157)	(201)	(385)	229	(156)
Money market savings	(107)	(69)	(176)	(247)	196	(51)
CDs $100,000 and over	409	(122)	287	626	364	990
CDs < $100,000	930	271	1,201	1,766	1,330	3,098
Total interest-bearing deposits	1,296	(170)	1,126	1,793	2,165	3,958
Other borrowings	611	(262)	349	562	243	805
Total interest-bearing liabilities	1,907	(432)	1,475	2,355	2,408	4,763
Change in net interest income	$1,461	$ 181	$1,642	$1,967	$ (531)	$1,436

</TABLE>

* The change in interest, due to both rate and volume, has been allocated to change due to volume and change due to rate in proportion to the relationship of the absolute dollar amounts of the change in each.

Interest Sensitivity

An important element of earnings performance and the maintenance of sufficient liquidity is proper management of the interest sensitivity gap. The interest sensitivity gap is the difference between interest sensitive assets and interest sensitive liabilities in a specific time interval. This gap can be managed by repricing assets or liabilities, which can be effected by replacing an asset or liability at maturity or by adjusting the interest rate during the life of the asset or liability. Matching the amounts of assets and liabilities maturing in the same time interval helps to hedge interest rate risk and to minimize the impact on net interest income in periods of rising or falling interest rates.

The Company determines the overall magnitude of interest sensitivity risk and then formulates policies 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 state of the national and regional economy, and other financial and business risk factors. The Company uses computer simulations to measure the effect of various interest rate scenarios on net interest income. This modeling reflects interest rate changes and the related impact on net income over specified time horizons.

At December 31, 1996, the Company had $ 81.5 million more liabilities than assets subject to repricing within one year and was, therefore, in a liability-sensitive position. A liability-sensitive Company's net interest margin and net interest income generally will be impacted favorably by declining interest rates, while that of an asset-sensitive Company generally will be impacted favorably by increasing interest rates.

The following table presents the Company's interest sensitivity position at December 31, 1996. This one-day position, which is continually changing, is not necessarily indicative of the Company's position at any other time.

Interest Sensitivity Analysis

<TABLE>
<CAPTION>

	December 31, 1996 (1)				
	Within 90 Days	90-365 Days	1-5 Years	Over 5 Years	Total
	(in thousands)				
<S> <C>					
Earning Assets:					
Loans, net of unearned income (3)	$ 75,692	$ 64,885	$ 138,499	$ 72,781	$351,857

Investment securities	880	1,241	8,265	1,037	11,423
Securities available for sale	5,399	6,040	36,165	81,664	129,268
Federal funds sold	2,104	-	-	-	2,104
Other short-term investments	917	-	99	-	1,016
Total earning assets	84,992	72,166	183,028	155,482	495,668
Interest-Bearing Liabilities:					
Interest checking (2)	5,453	454	43,927	-	49,834
Regular savings (2)	9,376	1,710	43,278	-	54,364
Money market savings	47,419	202	6,810	-	54,431
Certificates of deposit:					
$100,000 and over	13,322	21,918	16,572	-	51,812
Under $100,000	35,370	75,877	62,914	-	174,161
Short-term borrowings	17,994	9,409	-	-	27,403
Long-term borrowings	75	75	10,600	375	11,125
Total interest-bearing liabilities	129,009	109,645	184,101	375	423,130
Period gap	(44,017)	(37,479)	(1,073)	155,107	
Cumulative gap	$(44,017)	$(81,496)	$ (82,569)	$ 72,538	$ 72,538
Ratio of cumulative gap to total earning assets	(8.88)%	(16.44)%	(16.66)%	14.63%	

</TABLE>

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

(2) The Company has determined 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

Other Income

Other income increased by 32.1% from $2.6 million in 1995 to $3.5 million in 1996. This increase is largely attributable to an increase of $150,000 in securities commissions recognized by Union Investment Services, Inc., $47,000 from the sale of a pool of loans and to $262,000 in non-taxable life insurance proceeds related to one of the Company's directors deferred compensation plans. The remaining 14.8% increase is reflective of management's efforts to maximize fee-based income and steady growth in its primary source of other income, service fees.

Other income decreased by 11.2% in 1995 from 1994 when the Company recognized a pre-tax gain on the sale of other real estate totaling $588,000. Excluding this 1994 gain, other income increased by 10.9% over this period.

Other Expenses

Other expenses totaled $14.5 million in 1996, up 11.2% over $13.0 million in 1995. Increases in personnel and operating costs are largely attributable to the growth of the Company and to its investment in technology and people. Management considers a portion of such costs to be an investment in the future as we establish the infrastructure necessary to provide new products and more convenient service to our customers, and to manage a much larger organization. The Company's efficiency ratio has been consistently below 60% which has allowed the Company to make the necessary investments in technology without significantly affecting earnings.

In 1995 other expenses totaled $13.0 million, an increase of $964,000, or 8.0% over 1994 totals. Excluding the $310,000 decline in FDIC premiums, the increase was 10.6% which was consistent with the asset growth of 9.2% experienced in 1995. Personnel costs increased by $922,000 or 15.7% over 1994 levels.

Loan Portfolio

Loans, net of unearned income, totaled $352.3 million at December 31, 1996, an increase of 7.7% over $327.1 million at December 31, 1995. Though loan demand slowed in 1996 from the levels attained in 1995 and 1994, the Company continues to experience strong loan demand. Union Bankshares has achieved a rate of growth consistent with the economies of the markets within which it operates and has maintained or increased its market share in each.

Loans, net of unearned income, totaled $327.1 million at December 31, 1995, an increase of 10.6% over the 1994 total of $295.8 million. The increase was principally due to continued loan demand during 1995, particularly in the real estate portfolio which grew by 15.4%.

Loan Portfolio

	1996	1995	1994	1993	1992
	(in thousands)				
Commercial	$ 37,263	$ 36,920	$ 40,276	$ 37,472	$ 40,773
Loans to finance agriculture production and other loans to farmers	3,080	2,878	3,083	3,344	1,183
Real estate:					
Real estate construction	6,435	7,849	5,453	7,432	9,332
Real estate mortgage:					
Residential (1 - 4 family)..........	117,125	102,419	92,007	86,348	92,329
Home equity lines....................	21,964	22,561	22,503	21,905	21,752
Multi-family.........................	1,353	1,274	1,406	1,179	924
Commercial(1)........................	83,118	76,652	60,653	53,165	33,492
Agricultural.........................	2,262	2,776	2,943	3,123	3,328
Total real estate....................	232,257	213,531	184,965	173,152	161,157
Loans to individuals:					
Consumer..................................	76,383	70,143	64,683	43,754	45,126
Credit card...............................	2,567	2,235	1,714	1,490	1,238
Total loans to individuals..........	78,950	72,378	66,397	45,244	46,364
All other loans...........................	2,125	2,619	2,024	509	651
Total loans..........................	353,675	328,326	296,745	259,721	250,128
Less unearned income............................	1,398	1,194	976	1,246	2,174
Total net loans............................	$ 352,277	$ 327,132	$ 295,769	$ 258,475	$ 247,954

(1) This category generally consists of commercial and industrial loans where real estate constitutes a secondary source of collateral

Maturity Schedule of Loans

	1 Year or Less		1 - 5 Years		After 5 Years		
	Fixed	Variable	Fixed	Variable	Fixed	Variable	TOTALS
	(in thousands)						
December 31, 1996....................	$ 62,910	$ 77,961	$ 113,912	$ 26,335	$ 66,857	$ 5,700	$ 353,675

December 31, 1995....................	79,003	64,475	109,998	15,962	54,055	4,833	328,326
December 31, 1994....................	55,842	97,026	95,084	9,559	39,234	-	296,745

</TABLE>

Loans secured by real estate comprised 65.7% of the total loan portfolio at December 31, 1996, up slightly from 65.0% in 1995. Of this total, single-family, residential loans comprised 33.1% of the total loan portfolio at December 31, 1996, up from 31.2% in 1995. Loans secured by commercial real estate comprised 23.5% of the total loan portfolio at December 31, 1996, as compared to 23.3% in 1995, and consist principally of commercial and industrial loans where real estate constitutes a secondary source of collateral. The Company attempts to reduce its exposure to the risk of the local real estate markets by limiting the aggregate size of its commercial real estate portfolio, and by making such loans primarily on owner-occupied properties. Real estate construction loans accounted for only 1.8% of total loans outstanding at December 31, 1995. The Company's charge-off rate for all loans secured by real estate has historically been low.

The Company's consumer loan portfolio, its second largest category, consists principally of installment loans. Total loans to individuals for household, family and other personal expenditures totaled 21.6% of total loans at December 31, 1996 up slightly from 21.4% in 1995. Commercial loans, secured by non-real estate business assets comprised 10.5% of total loans at the end of 1996, a slight decline from 11.2% at the end of 1995. Loans to the agricultural industry totaled less than 1.5% of the loan portfolio in each of the last five years.

The Company is focused on providing community-based financial services and discourages the origination of loans outside of its principal trade area. The Company maintains a policy not to originate or purchase loans to foreign entities or loans classified by regulators as highly leveraged transactions.

To slow the growth of the real estate loans in the loan portfolio, facilitate asset/liability management and generate additional fee income, the Company sells a portion of conforming first mortgage residential real estate loans to the secondary market as they are originated. Management expects this aspect of its operations to expand in 1997, with the formation of Union Mortgage Company, LLC ("Union Mortgage"). Union Mortgage will consolidate the mortgage origination process of the subsidiary banks, providing the banks' customers with enhanced mortgage products and the Company with improved efficiencies.

Asset Quality - Allowance/Provision for Loan Losses

The allowance for loan losses represents management's estimate of the amount adequate to provide for potential losses inherent in the loan portfolio. Among other factors, management considers the Company's historical loss experience, the size and composition of the loan portfolio, the value and adequacy of collateral and guarantors, non-performing credits and current and anticipated economic conditions. There are additional risks of future loan losses which cannot be precisely quantified nor attributed to particular loans or classes of loans. Because those risks include general economic trends as well as conditions affecting individual borrowers, the allowance for loan losses is an estimate. The allowance is also subject to regulatory examinations and determination as to adequacy, which may take into account such factors as the methodology used to calculate the allowance and the size of the allowance in comparison to peer companies identified by regulatory agencies.

Management maintains a list of loans which have a potential weakness that may need special attention. This list is used to monitor such loans and is used in the determination of the sufficiency of the Company's allowance for loan losses. As of December 31, 1996, the allowance for loan losses was $4.4 million, or 1.25% of total loans as compared to $4.1 million, or 1.24% in 1995. At December 31, 1996, the Company's allowance for loan losses exceeded the sum of net loan charge-offs over the last four years.

Allowance for Loan Losses

<TABLE>
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	December 31,				
	1996	1995	1994	1993	1992
	(dollars in thousands)				
Balance, beginning of year................................	$4,060	$4,110	$3,822	$3,704	$3,004
Loans charged-off:					
Commercial..	114	645	442	841	635

Real estate	59	185	273	242	50
Consumer	795	422	355	585	890
Total loans charged-off	968	1,252	1,070	1,668	1,575
Recoveries:					
Commercial	275	114	18	57	123
Real estate	10	16	92	29	11
Consumer	116	95	146	129	87
Total recoveries	401	225	256	215	221
Net loans charged-off	567	1,027	814	1,453	1,354
Provision for loan losses	895	977	1,102	1,571	2,054
Balance, end of year	$4,388	$4,060	$4,110	$3,822	$3,704
Ratio of allowance for loan losses to total loans outstanding at end of year	1.25%	1.24%	1.39%	1.48%	1.50%
Ratio of net charge-offs to average loans outstanding during year	.16%	.33%	.30%	.66%	.64%

</TABLE>

Provisions for loan losses are made based on management's periodic evaluation of the adequacy of the Company's allowance for loan losses. The provision for loan losses in 1996 totaled $895,000 as compared to $977,000 in 1995. This decrease is reflective of management's assessment of the risk in the loan portfolio.

The allowance for loan losses as of December 31, 1995 was $4.1 million, or 1.24% of total loans as compared to $4.1 million and 1.39%, respectively in 1994. The provision for loan losses in 1995 was $977,000 as compared to $1.1 million in 1994.

Nonperforming Assets

Nonaccrual loans and foreclosed properties, were $4.5 million at December 31, 1996, up from $4.3 million at December 31, 1995. Non-accrual loans decreased by $249,000 in 1996 while other real estate owned increased from $3.6 million to $4.1 million. Foreclosed properties includes $1.9 million representing a single property foreclosed on in 1995 and comprising over 1,800 acres in King George County. This property was sold in February 1997 at no loss to the company.

Nonperforming assets also includes approximately $2.9 million representing an investment in income-producing property and included in other assets. This property consists of 30 single family homes which are either rented or listed for sale and are located near Fredericksburg, Virginia. The Company had previously acquired a limited interest in this property through settlement of a loan and, in 1996, acquired the remaining ownership and control from the general partner. During 1996 the Company paid off approximately $2.4 million in existing third-party mortgages on the houses. The carrying value of this investment in real estate is supported by residential appraisals of the homes which are being sold in an orderly manner, and management expects no loss on this investment.

Nonperforming Assets
<TABLE>
<CAPTION>

	December 31,				
	1996	1995	1994	1993	1992
	(dollars in thousands)				
Nonaccrual loans	$ 420	$ 669	$ 1,731	$ 2,920	$ 3,233
Foreclosed properties	4,056	3,620	1,842	1,533	1,694
Real estate investment	2,970	-	-	-	-
Total nonperforming assets	$ 7,446	$ 4,289	$ 3,573	$ 4,453	$ 4,927
Loans past due 90 days and accruing interest	$ 3,163	$ 3,126	$ 1,671	$ 3,193	

					$ 2,950
Nonperforming assets to year-end loans, foreclosed properties and real estate investment	2.07%	1.30%	1.20%	1.72%	1.98%
Allowance for loan losses to nonaccrual loans	1044.76%	606.88%	237.44%	130.89%	114.57%

</TABLE>

Most of the nonperforming assets are secured by real estate within the Company's trade area. Based on the estimated fair values of the related real estate, management considers these amounts to be recoverable, with any individual deficiency considered in the allowances for loan or real estate losses.

Nonperforming assets were $4.3 million at December 31, 1995, a net increase of $716,000 from December 31, 1994. This increase was principally due to the foreclosure on the aforementioned King George property in 1995.

Securities

During 1994, the Company adopted Statement of Financial Accounting Standards No.115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No.115). As a result, the securities portfolio consists of two components, investment securities and securities available for sale. Securities are classified as investment securities based on management's intent and the Company's ability, at the time of purchase, to hold such securities to maturity. Securities which may be sold in response to changes in market interest rates, changes in the security's prepayment risk, increases in loan demand, general liquidity needs, and other similar factors are classified as available for sale and are carried at estimated fair value.

In 1995, the Financial Accounting Standards Board issued a special report on the implementation of SFAS No. 115 which permitted a one-time transfer of securities between portfolios. As a result, in December 1995, the Company reclassified approximately $71.9 million of its investment securities to securities available for sale. In doing so, management believes it has positioned the Company to be better able to respond to changes in financial markets and maximize liquidity and profitability.

At December 31, 1996 $129.3 million, or over 91%, of the Company's securities were classified as available for sale, as compared to $126.4 million at December 31, 1995. Investment securities totaled $11.4 million at December 31, 1996 and consists of securities which management intends to hold to maturity.

At December 31, 1995 $126.4 million, or over 89%, of the Company's securities were classified as available for sale, as compared to $28.1 million at December 31, 1994. This change reflects the aforementioned transfer of approximately $71.9 million, as well as management's philosophy of designating the majority of its post-SFAS 115 purchases as securities available for sale. Investment securities totaled $15.1 million at December 31, 1995.

The Company seeks to diversify its portfolio to minimize risk and to maintain a large amount of securities issued by states and political subdivisions due to the tax benefits such securities provide.

Maturities of Investment Securities and Securities Available for Sale
<TABLE>
<CAPTION>

	December 31, 1996				
	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years & Equity Securities	Total
	(dollars in thousands)				
<S> <C>					
U.S. agency securities:					
Amortized cost	$ 4,122	$ 33,345	$ 7,281	$ 10,950	$ 55,698
Fair value	4,107	32,949	7,219	10,851	55,126
Weighted average yield(1)	6.55%	6.56%	7.06%		

				6.85%	6.68%
U.S. Treasury securities:					
Amortized cost..	$ 1,242	$ 3,120	$ -	$ -	$ 4,362
Fair value..	1,243	3,095	-	-	4,338
Weighted average yield(1)............................	5.61%	5.45%	-	-	5.49%
Municipal bonds:					
Amortized cost..	$ 5,611	$ 17,953	$ 29,611	$ 16,981	$ 70,156
Fair value.	5,658	18,503	30,008	17,234	71,403
Weighted average yield(1)............................	9.08%	8.14%	7.86%	7.89%	8.04%
Other securities:					
Amortized cost..	$ 330	$ 3,909	$ -	$ 5,811	$ 10,050
Fair value.	330	3,941	-	5,819	10,090
Weighted average yield(1)............................	5.48%	6.63%	-	7.20%	6.92%
Total securities:					
Amortized cost..	$ 11,305	$ 58,327	$ 36,892	$ 33,742	$ 140,266
Fair value..	11,338	58,488	37,227	33,904	140,957
Weighted average yield(1)............................	7.67%	6.99%	7.71%	7.43%	7.34%

</TABLE>

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

Deposits

Increased competition for customer deposits continues to be a challenge for the Company, as reflected by continued increases in other borrowings in 1996 to fund growth in earning assets. In 1996 growth in the loan portfolio exceeded 7.5% and securities growth was flat while deposit growth was 5.7%. Although average demand deposits and interest-bearing checking accounts experienced moderate growth in 1996, the increasing competition for deposits and the current interest rate environment have resulted in declines in lower cost savings and money market accounts.

Total deposits grew from $415.8 million at December 31, 1995 to $439.6 million at December 31, 1996. Over this same period, average interest-bearing deposits were $379.0 million, or 6.6% over the 1995 average of $355.4 million. The majority of this increase is represented by a $23.8 million increase in certificates of deposit. Average balances for lower cost money market and regular savings decreased by a total of $4.4 million. The Company's lowest cost source of funds, non-interest-bearing and interest-bearing demand deposits both increased, by a total of $9.0 million, providing the Company with lower cost funds. The Company has no brokered deposits.

Further development of core deposits remains a primary objective, as they represent a stable, lower cost source of funds for asset growth. The Company's introduction of in-store branches in 1996 has provided opportunities to attract deposits at a much lower initial investment than traditional branches. Union Bank opened two branches in high-scale convenience stores in 1996, and Northern Neck State Bank opened a branch in a Wal*Mart Superstore in 1996.

In 1995, most deposit categories showed increases as total deposits grew from $390.2 million at December 31, 1994 to $415.8 million at December 31, 1995. Over this same period, average interest-bearing deposits were $355.4 million, or 8.8% over the 1994 average of $326.5 million.

Average Deposits and Rates Paid

<TABLE>
<CAPTION>

	Years Ended December 31,					
	1996		1995		1994	
	Amount	Rate	Amount	Rate	Amount	Rate

(dollars in thousands)

<S> <C>

Non-interest-bearing accounts	$ 52,305	-	$ 47,472	-	$ 44,168	-
Interest-bearing accounts:						
Interest checking	47,685	2.52%	43,503	2.73%	42,335	2.64%
Money market	55,048	3.27%	58,265	3.39%	65,888	3.08%
Regular savings	56,108	3.47%	57,312	3.74%	68,002	3.38%
Certificates of deposit:						
Less than $100,000	170,032	5.84%	154,016	5.67%	120,331	4.69%
$100,000 and over	50,083	5.20%	42,289	5.48%	29,975	4.42%
Total interest-bearing	378,956	4.62%	355,385	4.60%	326,531	3.80%
Total average deposits	$ 431,261		$ 402,857		$ 370,699	

</TABLE>

Maturities of Certificates of Deposit of $100,000 and Over

<TABLE>
<CAPTION>

	Within 3 Months	3 - 6 Months	6 - 12 Months	Over 12 Months	Total	Percent of Total Deposits
	(dollars in thousands)					
<S> <C>						
At December 31, 1996	$ 13,444	$ 11,663	$ 12,346	$ 14,359	$ 51,812	11.79%
At December 31, 1995	10,513	9,514	8,172	18,307	46,506	11.19%
At December 31, 1994	7,351	4,561	9,125	13,880	34,917	8.95%

</TABLE>

Capital Resources

Capital resources represents 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 to absorb potential losses, yet allow management to effectively leverage its capital to maximize return to shareholders.

Analysis of Capital

<TABLE>
<CAPTION>

	December 31,	
	1996	1995
	(dollars in thousands)	
<S> <C>		
Tier 1 capital:		
Common stock	$ 14,267	$ 14,248
Additional paid-in capital	160	66
Retained earnings	43,863	38,722
Less: core deposit intangible	(263)	(284)
Total Tier 1 capital	58,027	52,752
Tier 2 capital:		
Allowance for loan losses	4,388	4,060

Allowable long-term debt.........................	-	-
Total Tier 2 capital	4,388	4,060
Total risk-based capital.........................	$ 62,415	$ 56,812
Risk-weighted assets	$ 383,046	$ 357,130
Capital ratios:		
Tier 1 risk-based capital ratio..................	15.15%	14.77%
Total risk-based capital ratio...................	16.29%	15.91%
Tier 1 capital to average adjusted total assets...	10.70%	10.87%
Equity to total assets	10.83%	10.62%

</TABLE>

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, retained earnings and a limited amount of perpetual preferred stock, less certain goodwill items. The Company had a ratio of risk-weighted assets to total capital of 16.29% and 15.91% on December 31, 1996 and 1995, respectively. The Company's ratio of risk-weighted assets to Tier 1 capital was 15.15% and 14.77% at December 31, 1996 and 1995, respectively. Both of these ratios exceeded the fully phased-in capital requirements in 1996 and 1995.

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. As a result of the Company's management of liquid assets and the ability to generate liquidity through liability funding, management believes that the Company maintains overall liquidity which is sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

At December 31, 1996, cash and cash equivalents and securities classified as available for sale were 28.1% of total assets, compared to 28.6% at December 31, 1995. Asset liquidity is also provided by managing loan and securities maturities and cash flows.

Additional resources of liquidity available to the Company include its capacity to borrow additional funds when necessary. The subsidiary banks maintain Federal funds lines with several regional banks totaling in excess of $35.0 million at December 31, 1996. At year end 1996, the Banks had outstanding $11.7 million of borrowings pursuant to securities sold under agreements to repurchase transactions with a maturity of one day. The Company also had a line of credit with the Federal Home Loan Bank of Atlanta for $50.0 million at December 31, 1996.

Recent Accounting Pronouncements

In 1996, the Financial Accounting Standards Board issued Statement of Financial Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which requires recognition of financial assets and liabilities using a financial-components approach which focuses on control of the assets transferred. Management believes the adoption of this new standard in 1997 will not have a material impact on the financial conditions, or results of operations of the Company.

Forward-Looking Statements

Certain statement in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its expectations with respect to certain forward-looking statements are based upon reasonable assumptions within the bounds of its 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.

[Logo]

The Board of Directors
Union Bankshares Corporation

We have audited the accompanying consolidated balance sheets of Union Bankshares Corporation and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of King George State Bank, Incorporated, a wholly-owned subsidiary, as of and for the years ended December 31, 1995 and 1994, which statements reflect total assets constituting 9% as of December 31, 1995 and total interest income constituting 9% and 10% in 1995 and 1994, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for King George State Bank, Incorporated, is based solely on the report of other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Union Bankshares Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Richmond, Virginia
January 20, 1997

Consolidated Balance Sheets

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
December 31, 1996 and 1995
(dollars in thousands)

<TABLE>
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ASSETS	1996	1995
Cash and cash equivalents (note 11):		
Cash and due from banks	$ 19,333	$ 15,253
Interest-bearing deposits in other banks	1,016	124
Federal funds sold	2,104	2,650
Total cash and cash equivalents	22,453	18,027
Securities available for sale, at fair value (note 2)	129,268	126,401
Investment securities, at amortized cost (note 2)	11,423	15,132
Total securities	140,691	

	1996	1995
		141,533
Loans, net of unearned income (notes 3 and 10)	352,277	327,132
Less allowance for loan losses (note 4)	4,388	4,060
Net loans	347,889	323,072
Bank premises and equipment, net (note 5)	14,221	10,203
Other real estate owned	4,056	3,620
Other assets (note 7)	11,583	8,919
Total assets	$ 540,893	$ 505,374
LIABILITIES AND STOCKHOLDERS' EQUITY		
Non-interest-bearing demand deposits	$ 55,005	$ 49,905
Interest-bearing deposits:		
Savings accounts	54,364	55,889
NOW accounts	49,834	43,046
Money market accounts	54,431	56,147
Time deposits of $100,000 and over	51,812	46,506
Other time deposits	174,161	164,262
Total interest-bearing deposis	384,602	365,850
Total deposits	439,607	415,755
Short-term borrowings (note 6)	27,403	31,108
Long-term borrowings (note 6)	11,125	1,275
Other liabilities (note 8)	4,192	3,553
Total liabilities	482,327	451,691
Stockholders' equity (notes 8 and 11):		
Common stock, $4 par value. Authorized 12,000,000 shares; issued and outstanding, 3,566,915 shares in 1996 and 3,561,970 in 1995	14,267	14,248
Surplus	160	66
Retained earnings	43,863	38,722
Unrealized gains on securities available for sale, net of taxes	276	647
Total stockholders' equity	58,566	53,683
Commitments and contingencies (notes 5 and 9)		
Total liabilities and stockholders' equity	$ 540,893	$ 505,374

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Years ended December 31, 1996, 1995 and 1994
(dollars in thousands, except per share amounts)

<TABLE>
<CAPTION>

<S> <C>

	1996	1995	1994
Interest income:			
Interest and fees on loans (note 3)	$32,444	$29,561	$23,835
Interest on securities:			
U.S. government and agency securities	4,079	4,306	4,159
Obligations of states and political subdivisions	3,757	3,194	2,962
Other securities	355	663	723
Interest on Federal funds sold	317	327	209
Interest on interest-bearing deposits in other banks	44	32	39
Total interest income	40,996	38,083	31,927
Interest expense:			
Interest on deposits	17,491	16,365	12,405
Interest on other borrowings	1,839	1,490	684
Total interest expense	19,330	17,855	13,089
Net interest income	21,666	20,228	18,838
Provision for loan losses (note 4)	895	977	1,102
Net interest income after provision for loan losses	20,771	19,251	17,736
Other income:			
Service fees	2,553	2,143	1,897
Losses on securities transactions, net (note 2)	(33)	(16)	(14)
Gains on sales of loans	47	-	-
Gains (losses) on sales of other real estate owned and bank premises, net	(11)	(11)	558
Other operating income	903	502	508
Total other income	3,459	2,618	2,949
Other expenses:			
Salaries and benefits	7,587	6,794	5,872
Occupancy expenses	917	739	686
Furniture and equipment expenses	1,184	1,030	867
FDIC assessments	13	467	837
Other operating expenses	4,801	4,007	3,811
Total other expenses	14,502	13,037	12,073
Income before income taxes	9,728	8,832	8,612
Income tax expense (note 7)	2,272	2,079	1,899
Net income	$7,456	$ 6,753	$ 6,713
Net income per share of common stock	$2.09	1.91	$ 1.90
Cash dividends per share of common stock	$0.64	0.55	$ 0.51

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

UNION BANKSHARES CORPORATION AND SUBSIDIARIES

Years ended December 31, 1996, 1995 and 1994
(dollars in thousands)

<TABLE>
<CAPTION>

	Common stock					
	Shares	Amount	Surplus	Retained Earnings	Unrealized gains (losses) on securities available for sale	Total
<S> <C>						
Balance - December 31, 1993, as previously reported	3,255,630	$ 13,023	$ 181	$ 25,942	-	$ 39,146
Pooling of interests with King George(note 13)	275,000	1,100	(500)	3,068	-	3,668
Cumulative effect of change in accounting for securities available for sale, net of taxes of $25	-	-	-	-	(48)	(48)
Cash dividends declared	-	-	-	(1,806)	-	(1,806)
Issuance of common stock under Dividend Reinvestment Plan	8,488	34	166	-	-	200
Change in net unrealized losses on securities available for sale, net of taxed of $330	-	-	-	-	(640)	(640)
Net income - 1994	-	-	-	6,713	-	6,713
Balance - December 31, 1994	3,539,118	14,157	(153)	33,917	(688)	47,233
Cash dividends declared	-	-	-	(1,948)	-	(1,948)
Issuance of common stock under Dividend Reinvestment Plan	9,412	37	193	-	-	230
Issuance of common stock under incentive stock option plan	13,440	54	26	-	-	80
Change in net unrealized losses on securities available for sale, net of taxes of $688	-	-	-	-	1,335	1,335
Net income - 1995	-	-	-	6,753	-	6,753
Balance - December 31, 1995	3,561,970	14,248	66	38,722	647	53,683
Cash dividends declared				(2,315)		(2,315)
Issuance of common stock under Dividend Reinvestment Plan	11,145	45	227			272
Stock purchased under Stock Repurchase Plan	(6,200)	(26)	(133)			(159)
Change in net unrealized gains on securities available for sale, net of taxes of $185					(371)	(371)
Net income - 1996				7,456		7,456
Balance - December 31, 1996	3,566,915	$14,267	$ 160	$43,863	$ 276	$ 58,566

</TABLE>

See accompanying notes to consolidated financial statements

Consolidated Statements of
Cash Flows

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Years ended December 31, 1996, 1995 and 1994
(in thousands)

	1996	1995	1994
Operating activities:			
Net income	$ 7,456	$ 6,753	$ 6,713
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Depreciation of bank premises and equipment	1,120	906	826
Provision for loan losses	895	977	1,102
Provision for losses on other real estate owned	-	-	200
Losses on securities transactions, net	33	16	14
Gains on sale of loans	(47)	-	-
Losses on sales of bank premises, net	-	-	72
(Gains) losses on sales of other real estate owned, net	(11)	11	(830)
Deferred income tax expense (benefit)	(176)	20	62
Decrease (increase) in accrued interest receivable	88	(463)	(307)
Other, net	(1,791)	480	(414)
Net cash and cash equivalents provided by operating activities	7,765	8,700	7,438
Investing activities:			
Purchases of investment securities	(357)	(4,731)	(30,792)
Proceeds from maturities of investment securities	4,072	18,032	15,570
Purchases of securities available for sale	(47,286)	(31,466)	(9,579)
Proceeds from sales of securities available for sale	18,677	4,892	12,675
Proceeds from maturities of securities available for sale	24,989	5,621	8,884
Net increase in loans	(26,300)	(34,539)	(39,926)
Purchases of bank premises and equipment	(5,143)	(2,552)	(1,877)
Proceeds from sales of bank premises and equipment	2	-	7
Proceeds from sales of other real estate owned	212	355	1,665
Net cash and cash equivalents used in investing activities	(31,134)	(44,388)	(43,373)
Financing activities:			
Net increase in non-interest-bearing deposits	5,100	690	6,119
Net increase in interest-bearing deposits	18,752	24,833	16,173
Net increase (decrease) in short-term borrowings	(3,705)	10,564	9,640
Proceeds from long-term borrowings	10,000	-	1,500
Repayment of long-term borrowings	(150)	(150)	(75)
Cash dividends paid	(2,315)	(1,948)	(1,806)
Issuance of common stock under plans	272	310	200
Purchases of common stock	(159)	-	-

Net cash and cash equivalents provided by financing activities	27,795	34,299	31,751
Increase (decrease) in cash and cash equivalents	4,426	(1,389)	(4,184)
Cash and cash equivalents at beginning of year	18,027	19,416	23,600
Cash and cash equivalents at end of year	$ 22,453	$ 18,027	$ 19,416
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest	$ 19,399	$ 17,535	$ 12,960
Income taxes	$ 1,971	$ 1,903	$ 2,028

</TABLE>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Years ended December 31, 1996, 1995 and 1994

1. Summary of Significant Accounting Policies

The accounting policies and practices of Union Bankshares Corporation and subsidiaries (the "Company") conform to generally accepted accounting principles and to general practice within the banking industry. Certain major policies and practices are described below:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Union Bankshares Corporation and its wholly-owned subsidiaries. Union Bankshares Corporation is a bank holding company that owns all of the outstanding common stock of its banking subsidiaries, Union Bank and Trust Company ("Union Bank"), Northern Neck State Bank ("Northern Neck") and King George State Bank ("King George") and its non-banking subsidiary, Union Investment Services, Inc. All significant intercompany balances and transactions have been eliminated. King George was merged with and into the Company on September 1, 1996. The merger was accounted for as a pooling-of-interests and, accordingly, the amounts in the consolidated financial statements include the accounts and results of King George for all periods presented.

The accompanying consolidated financial statements for prior periods reflect certain reclassifications in order to conform with the 1996 presentation.

(b) Investment Securities and Securities Available for Sale

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). In accordance with SFAS 115, when securities are purchased, they are classified as investment securities when management has the intent and the Company has the ability to hold them to maturity. Investment securities are carried at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using a method that approximates the interest method.

Securities available for sale are those that management intends to hold for an indefinite period of time, including securities used as part of the Company's asset/liability strategy, and that may be sold in response to changes in interest rates, liquidity needs or other similar factors. Securities available for sale are recorded at estimated fair

value with net unrealized gains or losses reported as a separate component of stockholders' equity, net of taxes. Gains and losses on the sale of securities are determined using the specific identification method.

(c) Loans

Interest on loans is calculated using the simple interest method on daily balances of principal amounts outstanding. The accrual of interest is discontinued when the collection of principal and/or interest is legally barred or considered by management to be highly unlikely. After a loan is classified as nonaccrual, interest income is generally recognized only when collected.

Loan origination fees and direct loan origination costs for completed loans are netted and then deferred and amortized into interest income as an adjustment of yield.

(d) Allowance for Loan Losses

The provision for loan losses charged to operations is an amount sufficient to bring the allowance for loan losses to an estimated balance that management considers adequate to absorb potential losses in the portfolio. Loans are charged against the allowance when management believes the collectibility of the principal is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Management's determination of the adequacy of the allowance is based on an evaluation of the composition of the loan portfolio, the value and adequacy of collateral, current economic conditions, historical loan loss experience, and other risk factors.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly those affecting real estate values. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114), as amended by SFAS 118. SFAS No. 114 requires the measurement of impaired loans based on the present value of the expected future cash flows discounted at the loan's effective rate, or the fair value of the loan's collateral. A loan is considered impaired, based on current information and events, if it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due under the contractual terms of the loan agreement. The effect of the adoption of SFAS No. 114 as amended was not material to the Company's financial statements.

(e) Bank Premises and Equipment

Bank premises and equipment is stated at cost less accumulated depreciation. Depreciation is computed using either the straight-line or accelerated depreciation method based on the type of asset involved. It is the policy of the Company to capitalize additions and improvements and to depreciate the cost thereof over their estimated useful lives. Maintenance, repairs and renewals are expensed as they are incurred.

(f) Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense is the tax payable or refundable for the period plus

or minus the change during the period in deferred tax assets and liabilities.

(g) Other Real Estate Owned

Foreclosed assets are carried at the lower of (a) fair value minus estimated costs to sell or (b) cost at the time of foreclosure. Such determination is made on an individual asset basis. If the fair value of the asset minus the estimated costs to sell the asset is less than the cost of the asset, the deficiency is recognized as a valuation allowance. If the fair value of the asset minus the estimated costs to sell the asset subsequently increases and is more than its carrying amount, the valuation allowance is reduced, but not below zero. Increases or decreases in the valuation allowance are charged or credited to income. Recovery of the carrying value of such real estate is dependent to a great extent on economic, operating, and other conditions that may be beyond the Company's control.

(h) Consolidated Statements of Cash Flows

For purposes of reporting cash flows, the Company defines cash and cash equivalents as cash, due from banks, interest-bearing deposits in other banks and Federal funds sold. Other real estate owned increased in the amount of $635,000, $2,375,000 and $1,139,000 during the years ended December 31, 1996, 1995 and 1994, respectively, as a result of loan foreclosures. The Company also transferred $71,872,000 in investment securities to securities available for sale during 1995. Other assets increased by $471,304 during the year ended December 31, 1994, also as a result of loan foreclosures. These represent non-cash investing activities for purposes of the consolidated statements of cash flows.

(i) Pension Plan

The Company computes the net periodic pension cost of its pension plan in accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." Costs of the plan are determined by independent actuaries.

(j) Per Share Data

Per share data has been computed on the basis of the weighted average number of shares outstanding. Weighted average shares used for the computation were 3,564,417 in 1996, 3,543,033 in 1995, 3,533,035 in 1994.

(k) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions of certain amounts in the financial statements. Actual results could differ from these estimates.

2. Investment Securities and Securities Available for Sale

The amortized cost, estimated fair values, and gross unrealized gains and losses of investment securities at December 31, 1996 and 1995 are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

<S> <C>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agency securities	$ 849	$ -	$ 10	$ 839
Obligations of states and political subdivisions	8,606	276	17	8,865
Corporate and other bonds	1,968	23	6	1,985
	$ 11,423	$ 299	$ 33	$ 11,689

	1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agency securities	$ 2,000	$ 14	$ 30	$ 1,984
Obligations of states and political subdivisions	10,471	407	12	10,866
Corporate and other bonds	2,653	59	4	2,708
Mortgage-backed securities	8	-	-	8
	$ 15,132	$ 480	$ 46	$ 15,566

</TABLE>

The amortized cost, estimated fair values, and gross unrealized gains and losses of securities available for sale at December 31, 1996 and 1995 are summarized as follows (in thousands):

<TABLE>
<CAPTION>

<S> <C>

	1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agency securities	$ 18,405	$ 45	$ 109	$ 18,340
Obligations of states and political subdivisions	61,553	1,233	247	62,539
Corporate and other bonds	1,498	21	7	1,512
Mortgage-backed securities	44,347	171	741	43,777
Federal Reserve Bank stock	361	-	-	361
Federal Home Loan Bank stock	2,402	-	-	2,402
Other securities	277	68	9	336
	$ 128,843	$ 1,538	$ 1,113	$

129,268

	1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agency securities	$ 21,988	$ 182	$ 83	$ 22,088
Obligations of states and political subdivisions	54,017	1,640	161	55,495
Corporate and other bonds	2,454	8	9	2,453
Mortgage-backed securities	44,552	237	844	43,945
Federal Reserve Bank stock	361	-	-	361
Federal Home Loan Bank stock	1,845	-	-	1,845
Other securities	204	10	-	214
	$ 125,421	$ 2,077	$ 1,097	$ 126,401

</TABLE>

The amortized cost and estimated fair value of investment securities and securities available for sale at December 31, 1996, by contractual maturity, are shown below. 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.

<TABLE>
<CAPTION>

	Investment Securities		Securities Available for Sale	
	Amortized Cost	Estimated Fair value	Amortized Cost	Estimated Fair value
<S> <C>				
Due in one year or less	$ 2,120	$ 2,135	$ 9,185	$ 9,203
Due after one year through five years	8,240	8,484	50,087	50,004
Due after five years through ten years	734	743	36,158	36,484
Due after ten years	329	327	30,373	30,478
	11,423	11,689	125,803	126,169
Federal Reserve Bank stock	-	-	361	361
Federal Home Loan Bank stock	-	-	2,402	2,402
Other securities	-	-	277	336
	$ 11,423	$ 11,689	$ 128,843	$ 129,268

</TABLE>

Investment securities with an amortized cost of approximately $48,123,000 at December 31, 1996 and $42,612,000 at December 31, 1995 were pledged to secure public deposits, repurchase agreements and for other purposes.

Sales of securities available for sale produced the following results for the years ended December 31, 1996, 1995 and 1994 (in thousands):

<TABLE>
<Captin>

<S>	<C> 1996	1995	1994
Proceeds	$ 18,677	$ 4,892	$ 12,675
Gross gains	$ 126	$ 37	$ 54
Gross losses	(159)	(53)	(68)
Net losses	$ (33)	$ (16)	$ (14)

</TABLE>

3. Loans

Loans are stated at their face amount, net of unearned income, and consist of the following at December 31, 1996 and 1995 (in thousands):

<TABLE>
<CAPTION>

<S>	<C> 1996	1995
Real estate loans	$ 232,257	$ 213,531
Commercial loans	37,263	36,920
Loans to individuals for household, family and other personal expenditures	78,950	72,378
All other loans	5,205	5,497
	353,675	328,326
Less unearned income on loans	1,398	1,194
	$ 352,277	$ 327,132

</TABLE>

On January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114), as amended by SFAS 118. This pronouncement requires that impaired loans within the scope of the statements be presented in the financial statements at the present value of expected future cash flows or at the fair value of the loan's collateral. A valuation allowance is required to the extent that the measure of the impaired loans is less than the recorded investment. SFAS 114 does not apply to larger groups of homogenous loans such as real estate mortgage, installment, home equity and bank card loans, which are collectively evaluated for impairment. The initial adoption of SFAS 114 did not require an increase to the Company's allowance for loan losses. At December 31, 1996 and 1995, the recorded investment in loans which have been identified as impaired loans, in accordance with SFAS 114, totaled $420,000 and $669,000, respectively.

Nonaccrual loans totaled approximately $420,000 at December 31, 1996 and approximately $669,000 at December 31, 1995. The gross interest income that would have been recorded during 1996, 1995 and 1994 had the Company's nonaccrual loans been current with their original terms, was approximately $58,000, $60,000 and $160,000, respectively. The amount

of interest income recorded by the Company during 1996, 1995 and 1994 on nonaccrual loans was $44,000, $8,014 and $0, respectively.

4. Allowance for Loan Losses

Changes in the allowance for loan losses for the years ended December 31, 1996, 1995 and 1994 are summarized below (in thousands):

	1996	1995	1994
Balance, beginning of year	$ 4,060	$ 4,110	$ 3,822
Provision charged to operations	895	977	1,102
Recoveries credited to allowance	401	225	256
Total	5,356	5,312	5,180
Loans charged off	968	1,252	1,070
Balance, end of year	$ 4,388	$ 4,060	$ 4,110

5. Bank Premises and Equipment

Bank premises and equipment as of December 31, 1996 and 1995 are as follows (in thousands):

	1996	1995
Land	$ 3,371	$ 3,107
Land improvements and buildings	9,827	7,183
Furniture and equipment	7,968	6,036
Leasehold improvements	273	-
Construction in progress	54	190
	21,493	16,516
Less accumulated depreciation	7,272	6,313
Bank premises and equipment, net	$ 14,221	$ 10,203

Depreciation and amortization expense for 1996, 1995 and 1994 was $1,120,000, $906,000 and $826,000, respectively. Future minimum rental payments required under non-cancelable operating leases that have initial or remaining terms in excess of one year as of December 31, 1996 are approximately $151,000 for 1997, $113,000 for 1998, and $71,000 for 1999.

6. Other Borrowings

Short-term borrowings consist of the following at December 31, 1996, 1995 and 1994 (dollars in thousands):

	1996	1995	1994
Federal funds purchased	$ 6,295	$ 6,590	$ 1,175
Securities sold under agreements to repurchase	11,698	10,368	12,342
Other short-term borrowings	9,410	14,150	7,027
Total	$ 27,403	$ 31,108	$ 20,544
Weighted interest rate	5.27%	5.43%	5.86%
Average for the year ended December 31:			
Outstanding	$ 26,344	$ 23,832	$ 13,863
Interest rate	4.58%	5.85%	4.37%
Maximum month-end outstanding	$ 31,023	$ 31,108	$ 22,095

Federal funds purchased and securities sold under agreements to repurchase are due within one year. The subsidiary banks maintain Federal funds lines with several regional banks totaling in excess of $35 million at December 31, 1996.

Long-term borrowings at December 31, 1996 represent Federal Home Loan Bank Advances totalling $11,125,000. Interest on advances totaling $1,125,000 is payable monthly at 6.17%, with semiannual principal payments of $75,000 and the final payment due in 2004. Interest on the remaining advances of $10,000,000 is payable quarterly at 5.60% and matures on June 1, 2001, with a one year call provision at June 1, 1997. Outstanding long-term borrowings at December 31, 1995 totaled $1,275,000.

7. Income Taxes

The components of the 1996, 1995 and 1994 income tax expense (benefit) are as follows in thousands:

	1996	1995	1994
Current taxes - Federal	$ 2,448	$ 2,059	$ 1,837
Deferred taxes - Federal	(176)	20	62
Income tax expense	$ 2,272	$ 2,079	$ 1,899

The reasons for the difference between actual income tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes are shown below.

	1996	1995	1994
Computed "expected" tax expense	$ 3,308	$ 3,003	$

			2,928
Increase (reduction) in taxes resulting from:			
Tax-exempt interest	(1,128)	(976)	(999)
Other, net	92	52	(30)
Income tax expense	$ 2,272	$ 2,079	$ 1,899

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred liabilities at December 31, 1996 and 1995 are as follows (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1996	1995
Deferred tax assets:		
Loans, principally due to the allowance for loan losses	$ 999	$ 864
Benefit plans	633	596
Deferred loan fees and costs	43	70
Other	88	77
Total deferred tax assets	1,763	1,607
Deferred tax liabilities:		
Unrealized gains on securities available for sale	148	333
Bank premises and equipment, principally due to depreciation	309	336
Condemnation gains	52	52
Other real estate owned, principally due to sales treatment	158	157
Other	43	37
Total deferred tax liabilities	710	915
Net deferred tax asset (included in other assets)	$ 1,053	$ 692

</TABLE>

In assessing the realizability of deferred tax assets, management considers the scheduled reversal of temporary differences, projected future taxable income, and tax planning strategies. Management believes it is more likely than not the Company will realize its deferred tax assets and, accordingly, no valuation has been established.

8. Employee Benefits

The Company has a noncontributory, defined benefit pension plan covering all full-time employees. Contributions to the plan totaled $196,166 and $107,201 for 1996 and 1995, respectively.

Significant assumptions used in determining net periodic pension cost and projected benefit obligation for 1996 and 1995 were:

Expected long-term rate of return on assets	9%
Discount rate	7.5%
Salary increase rate	6%
Average remaining service	21 years

The following table sets forth the plan's funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 1996 and 1995 (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1996	1995
Vested benefit obligation	$ (1,385)	$ (1,409)
Nonvested accumulated plan benefits	(72)	(16)
Accumulated benefit obligation	$ (1,457)	$ (1,425)
Projected benefit obligation	$ (2,960)	$ (2,751)
Plan assets at fair value	2,483	2,277
Excess of projected benefit obligation over plan assets	(477)	(474)
Unrecognized net obligation	6	7
Unrecognized prior service cost	285	303
Unrecognized net gain	(655)	(659)
Accrued pension (included in other liabilities)	$ (841)	$ (823)

</TABLE>

Net periodic pension cost for 1996, 1995 and 1994 included the following components (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1996	1995	1994
Service cost	$ 265	$ 212	$ 203
Interest cost	205	178	163
Actual return on assets	(275)	(339)	(57)
Net amortization and deferral	71	165	(132)
Net periodic pension cost	$ 266	$ 216	$ 177

</TABLE>

The Company also contributes to an employees' profit-sharing plan which covers all full-time employees. Contributions are made annually at the discretion of the subsidiaries banks' Board of Directors. The payments to the plan for the years 1996, 1995 and 1994 were approximately $521,000, $580,000 and $422,000, respectively, which represents approximately 15% of the compensation of participants in each year.

The Company has an obligation to certain members of the subsidiary banks' Boards of Directors under deferred compensation plans in the amount of $1,034,000 and $979,000 at December 31, 1996 and 1995, respectively. A portion of the benefits will be funded by life insurance.

In 1993, the Company adopted an incentive stock plan which reserves up to 200,000 shares of common stock for issuance to certain employees. Approximately 45,000 shares had been granted under this plan as of December 31, 1996 at prevailing market prices including 6,500 and 10,000 shares granted in 1996 and 1995, respectively. Exercise prices range from $7.46 to $25.00 per share. No stock options were exercised during 1996. Stock options representing 13,440 shares were exercised in 1995.

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock option plan. Accordingly, no compensation cost has been recognized for the Company's stock options. Had compensation cost been determined based on the fair

value at the grant dates consistent with the alternative method of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net income and net income per share as reported in the accompanying Consolidated Statements of Income would not have been impacted by a material amount.

9. 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 in the 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 standby 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 financial instruments with credit risk.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. At December 31, 1996 and 1995, the Company had outstanding loan commitments approximating $36,592,000 and $20,361,000, respectively.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The amount of standby letters of credit whose contract amounts represent credit risk totaled approximately $6,772,000 and $3,206,000 at December 31, 1996 and 1995, respectively.

A geographic concentration exists within the Company's loan portfolio as most of the Bank's business activity is with customers located in areas from Fredericksburg to Hanover County, Virginia and in the Northern Neck area of Virginia.

10. Related Party Transactions

The Company has entered into transactions with its directors, principal officers and affiliated companies in which they are principal stockholders. Such transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties totaled $6,677,000 and $6,611,000 as of December 31, 1996 and 1995, respectively. During 1996 new advances to such related parties amounted to $5,295,000 and repayments amounted to $5,229,000.

11. Regulatory Matters

The bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items

as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1996, that the Company meets all capital adequacy requirements to which it is subject.

The most recent notification from the Federal Reserve Bank as of September 30, 1996, categorized the Company as well capitalized under the regulatory framework for prompt corrective action (PCA). To be categorized as adequately capitalized the Company must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Company's category.

The Company's actual capital amounts and ratios are also presented in the table.

	Actual		Required for capital adequacy purposes		Required in order to be well capitalized under PCA	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1996						
Total capital to risk weighted assets	$ 62,415	16.29%	$ 30,644	8.00%	$ 38,305	10.00%
Tier 1capital to risk weighted assets	58,027	15.15%	15,322	4.00%	22,983	6.00%
Tier 1capital to average assets	58,027	10.70%	21,692	4.00%	27,115	5.00%
As of December 31, 1995						
Total capital to risk weighted assets	$ 56,812	15.91%	$ 28,570	8.00%	$ 35,713	10.00%
Tier 1capital to risk weighted assets	52,752	14.77%	14,285	4.00%	21,428	6.00%
Tier 1capital to average assets	52,752	10.87%	19,412	4.00%	24,265	5.00%

12. Disclosure about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

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

Investment Securities and Securities Available for Sale

For investment securities and securities available for sale, fair value is determined by quoted market price. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans

The fair value of performing loans is estimated by discounting

the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Fair value for significant nonperforming loans is based on recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows.

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 fixed-maturity 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 short-term borrowings are reasonable estimates of fair value. The fair value of long-term borrowings is estimated based on interest rates currently available for debt with similar terms and remaining maturities.

Commitments to extend credit and standby letters of credit

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate

loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. At December 31, 1996 and 1995, the carrying amount and fair value of loan commitments and standby letters of credit were immaterial.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 1996 and 1995 are as follows:

<TABLE>
<CAPTION>

	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S> <C>				
Financial assets:				
Cash and cash equivalents	$ 22,453	$ 22,453	$ 18,027	$ 18,027
Investment securities	11,423	11,689	15,132	15,566
Securities available for sale	129,268	129,268	126,401	126,401
Net loans	352,277	350,717	327,132	319,150
Financial liabilities:				
Deposits	439,607	436,605	415,755	411,020
Borrowings	38,528	38,528	32,383	32,383

</TABLE>

13. Merger

On September 1, 1996 King George State Bank, Inc. merged with and into Union Bankshares in a transaction accounted for as a pooling-of-interests. Pursuant to the merger, each share of common stock of King George was exchanged for 5.5 shares of common stock of

the Company. A total of 275,000 shares of the Company's common stock was issued in connection with the merger. Previously reported information for the periods presented below for Union Bankshares and King George was as follows (in thousands):

<TABLE>
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	Six Months Ended June 30, 1996		Year Ended December 31, 1995		Year Ended December 31, 1994	
	Union Bankshares	King George	Union Bankshares	King George	Union Bankshares	King George
<S> <C>						
Net interest income	$ 9,435	$ 1,036	$ 18,188	$ 2,040	$ 16,903	$ 1,935
Provision for loan losses	231	90	574	403	597	505
Other income	1,425	348	2,442	176	2,774	176
Other expenses	6,170	584	11,899	1,138	11,031	1,042
Income tax expense	984	132	1,910	169	1,774	126
Net income	$ 3,475	$ 578	$ 6,247	$ 506	$ 6,275	$ 438
Net income per share	$ 1.06	$ 11.56	$ 1.91	$ 10.11	$ 1.93	$ 8.76
Cash dividends per share	$ .30	$ 2.35	$ .56	$ 2.30	$ .52	$ 2.25

</TABLE>

14. Parent Company Financial Information

The primary source of funds for the dividends paid by Union Bankshares Corporation (the "Parent Company") is dividends received from its subsidiary banks. The payment of such dividends by the subsidiary banks and the ability of the banks to loan or advance funds to the Parent Company are subject to certain statutory limitations which contemplate that the current year earnings and earnings retained for the two preceding years may be paid to the Parent Company without regulatory approval. Financial information for the Parent Company follows:

UNION BANKSHARES CORPORATION ("PARENT COMPANY ONLY")
Balance Sheets
December 31, 1996 and 1995
(dollars in thousands)

<TABLE>
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	1996	1995
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Assets		
Cash $	$ 84	$ 207
Certificates of deposit	472	450
Securities available for sale	211	1,108
Premises and equipment	1,058	-
Other assets	313	323
Due from subsidiaries	51	73
Investment in subsidiaries	56,581	51,525
Total assets	$ 58,770	$ 53,686

Liabilities and Stockholders' equity:		
Other liabilities	$ 204	$ 3
Common stock	14,267	14,248
Surplus	160	66
Retained earnings	43,863	38,722
Unrealized losses on securities available for sale	276	647
Total liabilities and stockholders' equity	$ 58,770	$ 53,686

</TABLE>

Condensed Statements of Income
Years Ended December 31, 1996, 1995 and 1994

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<S>	<C> 1996	1995	1994
Income:			
Interest income	$ 67	$ 93	$ 27
Dividends received from subsidiaries	2,315	1,948	3,524
Equity in undistributed net income of subsidiaries	5,453	4,886	3,209
Total income	7,835	6,927	6,760
Operating expenses	379	174	47
Net income	$ 7,456	$ 6,753	$ 6,713

</TABLE>

Condensed Statements of Cash Flows
Years Ended December 31, 1996, 1995 and 1994
<TABLE>
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<S>	<C> 1996	1995	1994
Operating activities:			
Net income	$ 7,456	$ 6,753	$ 6,713
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(5,453)	(4,886)	(3,209)
Decrease (increase) in other assets	34	(260)	(136)
Other (net)	197	(1)	45
Net cash provided by operating activities	2,234	1,606	3,413
Investing activities:			
Purchase of securities	(63)	(100)	(1,496)
Proceeds from maturity of securities	1,006	498	-
Purchase of equipment	(1,076)	-	-
Capital contributions to subsidiaries	-	(50)	-
Net cash provided (used) by investing activities	(133)	348	(1,496)

Financing activities:			
Cash dividends paid	(2,315)	(1,948)	(1,806)
Issuance of common stock under plans	272	310	200
Repurchase of common stock	(159)	-	-
Net cash used in financing activities	(2,202)	(1,638)	(1,606)
Increase (decrease) in cash and cash equivalents	(101)	316	311
Cash and cash equivalents at beginning of year	657	341	30
Cash and cash equivalents at end of year	$ 556	$ 657	$ 341

</TABLE>

Exhibit 22

Subsidiaries of Union Bankshares Corporation

	State of Incorporation
Union Bank & Trust Company	Virginia
Northern Neck State Bank	Virginia
King George State Bank	Virginia
Union Investment Services, Inc.	Virginia
Union Mortgage Company, LLC	Virginia

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