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

FORM 10-K

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

For the Fiscal Year Ended December 31, 1997   Commission File No. 0-20293

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

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

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

(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 $151,977,323 as of February 27, 1998.

As of February 27, 1998, Union Bankshares Corporation had 3,575,937 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 1997 are incorporated into Part II of this Form 10-K and portions of the Proxy Statement for the 1998 annual meeting are incorporated into Part III.

UNION BANKSHARES CORPORATION
FORM 10-K
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PART 1

PART II

PART I

Item 1. - Business

GENERAL

Union Bankshares Corporation (the "Company") is a multi-bank holding company organized under Virginia law which is headquartered in Bowling Green Virginia. The Company is committed to the delivery of financial services through its affiliated community banks, Union Bank & Trust Company ("Union Bank"), Northern Neck State Bank ("Northern Neck Bank"), King George State Bank ("King George Bank") (Collectively, the "Subsidiary Banks") and two non-bank financial services affiliates, Union Investment Services, Inc. ("Union Investment") and Union Mortgage Company, LLC.

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.

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. The Subsidiary Banks also issue credit cards and can deliver automated teller machine services through the use of reciprocally shared ATMs in the MOST, CIRRUS and PLUS networks.

Union Bank & Trust Company had assets of $392 million, deposits of $306 million and shareholders' equity of $39 million at December 31, 1997. 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 operated thirteen other branches in its primary trade area at year end. Union Bank added a fourteenth branch at Brock Road and Route 3 in Fredericksburg in January 1998.

Northern Neck State Bank was organized and chartered under the laws of Virginia in 1909. As of December 31, 1997, Northern Neck State Bank had assets of $148 million, deposits of $122 million, and shareholders' equity of $19 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 operated four branches in its primary trade area at year end. In February 1998, Northern Neck Bank established four additional branch offices in its market area in connection with the purchase by the Company of former Signet Bank branches. See "Acquisition Program--Branch Purchase."

King George State Bank had assets of $51 million, deposits of $44 million and shareholders' equity of $35 million on December 31, 1997. The bank was organized and chartered under the laws of Virginia in 1973 and in 1997 operated 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. In February 1998, King George Bank established one new branch office in its market area in connection with the purchase by the Company of former Signet Bank branches. See "Acquisition Program--Branch Purchase."

Union Investment has provided securities brokerage and investment advisory services since 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, a mortgage loan brokerage company, began operations on January 1, 1997, and provides a wide array of mortgage products to customers in the service areas of the subsidiary banks.

ACQUISITION PROGRAM

The Company looks to expand its market area and increase its market share through both internal growth and strategic acquisitions. In early 1998, the Company engaged in the following acquisition transactions:

Branch Purchase On February 17, 1998, Northern Neck Bank and King George Bank acquired certain assets and assumed certain deposit and other liabilities relating to five former branch offices of First Union National Bank (successor by merger with Signet Bank) (the "Branch Transaction"). In the aggregate, the affiliate banks assumed total net deposit of $60.0 million. The Branch Transaction was consummated pursuant to a Purchase and Assumption Agreement, dated as of October 21, 1997, by and between Signet Bank and the Company (the "Agreement").

According to the Agreement, the Company's subsidiary banks were to acquire certain assets and assume certain deposit and other liabilities relating to seven (and not five) branch offices of Signet Bank. However, because of market concentration restrictions placed on the transaction by federal regulators, two of the branch offices (Warsaw and Montross, Virginia) that were to be acquired by Northern Neck State Bank were sold to Bank of Lancaster, Kilmarnock, Virginia, immediately following the closing of the Branch Transaction pursuant to a Purchase and Assumption Agreement, dated as of November 17, 1997, between Northern Neck and Bank of Lancaster.

Acquisition of Rappahannock Bankshares. On February 25, 1998, the Company entered into an Agreement and Plan of Reorganization with Rappahannock Bankshares, Inc (Rappahannock) and (the "Agreement"). According to the Agreement, Rappahannock will merge with and into the Company and Rappahannock National Bank will operate as a subsidiary bank of the Company. The Company presently contemplates consummating the transaction on July 1, 1998, subject to applicable shareholder and regulatory approvals. At December 31, 1997, Rappahannock had $20 million in total assets.

COMPETITION

The Company experiences competition in all aspects of its business. 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 has also increasingly come from out-of-state banks through their acquisitions of Virginia-based banks. 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.

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 Board of Governors of the Federal Reserve System (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.

Since September 1995, the BHCA has permitted bank holding companies from any state to acquire banks and bank holding companies located in any other state, subject to certain condition, including nationwide and state imposed concentration limits. Banks are also able to branch across state lines, provided certain conditions are met, including that applicable state law must expressly permit such interstate branching. Virginia has adopted legislation that permits branching across state lines, 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 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, 1997 were 15.56% and 16.68%, 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 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, 1997, was 11.27%, 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. In 1997, the Subsidiary Banks paid $67,000 in deposit insurance premiums.

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 the Company. 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 13 branches at 1997 year end. At year end, King George Bank operated out of a single location in King George, Virginia. 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.

On February 17, 1998, the Company acquired five former branch offices of Signet Bank, four of which were allocated to Northern Neck Bank and the remaining branch to King George Bank. See "Item 1--Business--Acquisition Program."

The properties on the following page are those owned or leased by the Company and its subsidiaries as of December 31, 1997.

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
- 10469 Atlee Station Road, Ashland, Virginia
- 700 Kenmore Avenue, Fredericksburg, Virginia
- Route 360, Manquin, Virginia
- 9534 Chamberlayne Road, Mechanicsville, Virginia
- Cambridge & Layhill Road, Falmouth, Virginia
- Massaponax Church Road & Route 1, Spotsylvania, Virginia
- Brock Road and Route 3, Fredericksburg, 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

Banking Offices - King George State Bank
- 10045 Kings Highway, King George, Virginia

Union Investment Services, Inc.
- 111 Davis Court, Bowling Green, Virginia
- 10469 Atlee Station Road, Ashland, Virginia

Union Mortgage Company, LLC.
- 211 North Main Street, 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 Common Equity and Related Shareholder Matters

This information is incorporated herein by reference from the inside back cover of Annual Report to Shareholders for the year ended December 31, 1997.

Item 6. - Selected Financial Data

This information is incorporated herein by reference from the section captioned "Selected Financial Data" on page 2 in the Annual Report to Shareholders for the year ended December 31, 1997.

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 9 through 21 in the Annual Report to Shareholders for the year ended December 31, 1997.

Item 7a. - Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's primary market risk is interest rate risk. The main objective of interest rate risk management is to avoid large fluctuations in net interest income from changes in interest rates on interest-sensitive assets and interest-sensitive liabilities. The Asset/Liability Management Committee of the Company ("ALCO") is responsible for monitoring and limiting exposure to interest rate risk. Management uses balance sheet repositioning as a tool to manage interest rate risk. This is accomplished through pricing of asset and liability accounts. The expected result of pricing is the development of appropriate maturity and repricing opportunities in those accounts to produce consistent net interest income during changing interest rate environments. The ALCO also sets policy guidelines and establishes strategies with respect to interest rate exposures. The ALCO meets quarterly to review the Company's interest rate exposure in relation to present and prospective market and business conditions, and reviews balance sheet management strategies intended to ensure the potential impact of changes in interest rates on earnings is within acceptable standards.

The Company uses three methods to measure interest rate risk; static gap analysis, earnings simulation analysis and market value simulation analysis.

Static Gap Analysis

Gap analysis measures the amount of repricing risk in the balance sheet. It does this by taking the difference between the amount of rate sensitive assets and rate sensitive liabilities which reprice within a specified time period. This is the least reliable measurement of interest rate risk because it only measures rate sensitive assets minus rate sensitive liabilities at one point in time. It does not reflect the different degrees of rate sensitivity each asset and liability account have. An example of this: If prime rate changes by 100 bps, the interest rate change on a money market account might be 25 bps and that of a certificate of deposit might be 75 bps. The best information obtained from a gap report is the amount of assets or liabilities which can be repriced at any one point in the future, not the degree of rate sensitivity.

The following table shows the Company's Gap Report over the next five years. To reflect anticipated prepayments, mortgage backed securities are included in the table based on estimated rather than contractual maturity dates.

<TABLE>
<CAPTION>

INTEREST SENSITIVITY ANALYSIS
(in thousands)

December 31, 1997

<S> <C>

	Within 90 Days	90-365 Days	1-5 Years	Over 5 Years	Total
Earning Assets:					
Loans, net of unearned income (2)	$ 87,480	$48,468	$141,747	$115,503	$393,198
Investment securities	276	1,514	6,799	1,852	10,441
Securities available for					

sale	1,683	6,659	57,111	76,655	142,108
Federal funds sold	612	-	-	-	612
Other short-term investments	596	-	99	-	695
Total Earning Assets	90,647	56,641	205,756	194,010	547,054
Interest-Bearing Liabilities:					
Interest checking (1)	17,242	553	42,215	-	60,010
Regular savings (1)	18,514	1,714	26,465	-	46,693
Money market savings	49,481	181	725	-	50,387
Certificates of deposit:					
$100,000 and over	13,703	30,262	14,456	-	58,421
Under $100,000	44,709	93,919	57,042	-	195,670
Short-term borrowings	22,645	4,600	-	-	27,245
Long-term borrowings	-	-	21,975	1,740	23,715
Total Interest-Bearing Liabilities	166,294	131,229	162,878	1,740	462,141
Period Gap	(75,647)	(74,588)	42,878	192,270	
Cumulative Gap	$(75,647)	$(150,235)	$(107,357)	$84,913	$84,913
Ratio of cumulative gap to total earning assets	(13.83)%	(27.46)%	(19.62)%	15.52%	

</TABLE>

(1) 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 predominately in the "1-5 Years" column.

(2) Excludes non-accrual loans

Earnings Simulation Analysis

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

Assumptions used in the model include loan and deposit growth rates are derived from seasonal trends and management's outlook as are the assumptions used to project yields and rates for new loans and deposits. All maturities, calls and prepayments in the securities portfolio are assumed to be reinvested in like instruments. Mortgage loans and mortgage backed securities prepayment assumptions are based on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. Different interest rate scenarios and yield curves are used to measure the sensitivity of earnings to changing interest rates. Interest rates on different asset and liability accounts move differently when the prime rate changes and are accounted for in the different rate scenarios.

The following table represents the interest rate sensitivity on net interest income for the Company using different rate scenarios:

Change in Prime Rate	% Change in Net Interest Income
+200 basis points	+2.17%
Flat	0
-200 basis points	-3.17%

Market Value Simulation

Market value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Market values are calculated based on discounted cash flow analysis. The net market value is the market value of all assets minus the market value of all liabilities. The change in net market value over different rate environments is an indication of the larger term repricing risk in the balance sheet. The same assumptions are used in the market value simulation as in the earnings simulation.

The following chart reflects the change in net market value over different rate environments:

Change in Prime Rate	Change in Net Market Value (dollars in thousands)
+200 basis points	$-17,608
+100 basis points	-7,995
Flat	1,212
- -100 basis points	12,598
- -200 basis points	22,208

Item 8. - Financial Statements and Supplementary Data

This information is incorporated herein by reference from the Consolidated Financial Statements on pages 22 through 39 and the Quarterly Earnings Summary on the inside front cover of the Annual Report to Shareholders for the year ended December 31, 1997.

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

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 21, 1997 from the section entitled "Election of Directors" and "Executive Compensation". Executive officers of the Company as of December 31, 1997 are listed on the following page:

Name (Age)	Title and Principal Occupation During Past Five Years
G.William Beale (48)	President and Chief Executive Officer of the Company since its inception; President of Union Bank & Trust since 1991.
E.Peyton Motley (53)	Executive Vice President and Chief Operating Officer of the Company since; President of Northern Neck State Bank since 1978.
Homer L. Hite (58)	Senior Vice President of the Company since 1996; President of King George State Bank since 1974.
D.Anthony Peay (38)	Vice President and Chief Financial Officer since December 1994; Certified Public Accountant, Senior Manager - Deloitte & Touche (1990-94).

Information on Section 16(a) beneficial ownership reporting compliance for the executive officers of the Company is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders to be held April 20, 1997 from the section entitled "Election of Directors--Compliance with Section 16(a) of the Securities Exchange Act of 1934".

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 21, 1998 from the section entitled "Executive Compensation" and "Election of Directors - Directors' Fees".

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 21, 1998 from sections entitled "Ownership of Company Common Stock".

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 21, 1998 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

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 1997 Annual Report to Shareholders are incorporated by reference in this report:

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

Exhibit No.	Description
2.0	Purchase and Assumption Agreement dated as of October 21, 1997, by and between Signet Bank and Union Bankshares Corporation (incorporated by reference to Form 8-K as filed by the Registrant on February 19, 1998).
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)
13	1997 Annual Report to Shareholders
22	Subsidiaries of the Registrant

(4) Reports on Form 8-K

No reports were filed on Form 8-K during the fourth quarter ended December 31, 1997.

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 31, 1998
- ---------------------------   President and Chief Executive Officer
G. William Beale

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on March 31, 1998.

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/ Homer L. Hite - --------------------------- Homer L. Hite	Senior Vice President
/s/ D. Anthony Peay - --------------------------- D. Anthony Peay	Vice President and Chief Financial Officer
/s/ Walton Mahon - --------------------------- Walton Mahon	Chairman of the Board of Directors
- --------------------------- Charles H. Ryland	Vice Chairman of the Board of Directors
- --------------------------- 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

UNION BANKSHARES CORPORATION
A union of Community Banks

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ANNUAL
REPORT
1997

UNION BANK & TRUST COMPANY

ASHLAND
U.S. Route 1 & Ashcake Road
Ashland, Virginia 23005
(804) 798-4488

ATLEE
10469 Atlee Station Road
Ashland, Virginia 23005
(804) 550-2300

BOWLING GREEN
211 North Main Street
Bowling Green, Virginia 22427
(804) 633-5031

BROCK ROAD
Brock Road and Route 3
Fredericksburg, Virginia 22553
(540) 972-2958

CHANCELLOR
4210 Plank Road
Fredericksburg, Virginia 22407
(540)786-2265

FALMOUTH
Cambridge & Layhill Road
Falmouth, Virginia 22405
(540) 374-1300

FOUR MILE FORK
4540 Lafayette Boulevard
Fredericksburg, Virginia 22408
(540) 898-5100

HANOVER COMMONS
9534 Chamberlayne Road
Mechanicsville, Virginia 23111
(804) 730-1700

KENMORE AVENUE
700 Kenmore Avenue
Fredericksburg, Virginia 22401
(540) 371-0108

LADYSMITH
U.S. Route 1
Ladysmith, Virginia 22501
(804) 448-3100

LEAVELLS
10415 Courthouse Road
Spotsylvania, Virginia 22553
(540) 898-2700

PORT ROYAL
U.S. Route 301
Port Royal, Virginia 22535
(804) 742-5546

MANQUIN
U.S. Route 360
Manquin, Virginia 23106
(804) 769-3031

MASSAPONAX
Massaponax Church Road &
U.S. Route 1
Spotsylvania, Virginia 22407
(540) 891-0300

NORTHERN NECKS STATE BANK

BURGESS*
15043 Northumberland Highway
Burgess, VA 22432
(804) 453-4181

KILMARNOCK*
284 North Main Street
Kilmarnock, VA 22842
(804) 435-2681

MONTROSS
Rt. 3, Kings Hwy.
Montross, VA 22520
(804) 493-9301

REEDVILLE*
876 Main Street

WAL*MART IN TAPPAHANNOCK
1660 Tappahannock Blvd.
Tappahannock, VA 22560
(804) 443-9433

WARSAW - MAIN OFFICE
5839 Richmond Road
Warsaw, VA 22572
(804) 333-4066

WARSAW - TIME SQUARE
4256 Richmond Road
Warsaw, VA 22572
(804) 333-3019

WHITE STONE*
485 Chesapeake Drive

Reedville, VA 22539
(804) 453-4151

White Stone, VA 22578
(804) 435-1626

TAPPAHANNOCK
U.S. Rt. 17 & Earl Street
Tappahannock, VA 22560
(804) 443-4361

KING GEORGE
STATE BANK

COLONIAL BEACH*
840 McKinney Blvd.
Colonial Beach,VA 22443
(804) 224-0101

KING GEORGE
10045 Kings Highway
King George, VA 22485
(540) 775-9300

UNION INVESTMENT
SERVICES, INC.

111 Davis Court
Bowling Green, VA 22427
(804) 633-5031

UNION
MORTGAGE COMPANY
211 N. Main Street
Bowling Green, VA 22427
(804) 633-5031

*Effective 2/14/98

[UNION BANK & TRUST COMPANY LOGO] [NORTHERN NECK STATE BANK LOGO]

[UNION MORTGAGE COMPANY LOGO]

[UNION INVESTMENT SERVICES, INC. LOGO] [KING GEORGE STATE BANK LOGO]

<TABLE>
<CAPTION>

QUARTERLY EARNING SUMMARY

(in thousands, except per share data)

	1997					1996				
	FOURTH	THIRD	SECOND	FIRST	TOTAL	FOURTH	THIRD	SECOND	FIRST	TOTAL
<S> <C>										
Interest income	$ 11,348	$ 11,427	$ 10,578	$ 10,410	$ 43,763	$10,550	$10,456	$10,018	$ 9,972	$40,996
Interest expense	5,425	5,297	5,084	4,934	20,740	4,833	4,978	4,791	4,728	19,330
Net interest income	5,923	6,130	5,494	5,476	23,023	5,717	5,478	5,227	5,244	21,666
Provision for loan losses	452	310	220	200	1,182	332	242	190	131	895
Net interest income after provision for loan losses	5,471	5,820	5,274	5,276	21,841	5,385	5,236	5,037	5,113	20,771
Other income	1,228	959	1,186	1,005	4,378	935	751	1,170	603	3,459
Other expenses	4,131	4,221	4,014	3,774	16,140	4,053	3,696	3,414	3,339	14,502
Income before income taxes	2,568	2,558	2,446	2,507	10,079	2,267	2,291	2,793	2,377	9,728
Income tax expense	567	615	444	570	2,196	609	547	586	530	2,272
Net income	$ 2,001	$ 1,943	$ 2,002	$ 1,937	$ 7,883	$ 1,658	$ 1,744	$ 2,207	$ 1,847	$ 7,456
Net income per share - basic	$ 0.56	$ 0.55	$ 0.56	$ 0.54	$ 2.21	$ 0.46	$ 0.49	$ 0.62	$ 0.52	$ 2.09

</TABLE>

[PHOTO] UNION BANKSHARES CORPORATION

BUSINESS PROFILE

Union Bankshares Corporation is a multi-bank holding company committed to the delivery of financial services through affiliated independent community banks and other financial services companies. The Company serves the Central and Northern Neck regions of Virginia through its three banking subsidiaries, Union Bank & Trust Company, Northern Neck State Bank and King George State Bank and its non-bank companies, Union Investment Services, Inc. and Union Mortgage Company, LLC. The banking subsidiaries are state-chartered, Federal Reserve member banks whose deposits are insured by the Federal Deposit Insurance Corporation. Each is a full-service commercial bank offering commercial and consumer deposit accounts and loans, credit cards, automated teller machines and many other services to its customers.

Through its 14 locations, Union Bank & Trust Company serves customers in a primary service area which stretches from its headquarters in Bowling Green along the I-95 corridor from Fredericksburg to central Hanover County and east to King William County. Northern Neck State Bank serves the Northern Neck and Middle Peninsula regions through five locations in Warsaw, Montross and Tappahannock. King George State Bank located in King George County enhances the Company's market presence in both Fredericksburg and Northern Neck service areas. In addition, Union Bankshares Corporation acquired five additional branches from Signet Bank in February 1998 with four joining the Northern Neck State Bank subsidiary (Kilmarnock, White Stone, Burgess and Reedville) and one at Colonial Beach joining King George State Bank. Each of these banks has a strong tradition of financial performance and customer service to their communities.

Union Investment Services is a full-service brokerage firm providing a wide variety of investment choices to investors throughout the Company's service area. Union Mortgage Company offers a full array of mortgage products to residents of our markets. As of December 31, 1997, Union Bankshares Corporation and subsidiaries had 250 employees, 1,976 shareholders of record, and assets totaling $595 million.

MISSION STATEMENT

[PHOTO]
[CAPTION]

G. WILLIAM BEALE

"The primary mission of Union Bankshares Corporation and its subsidiaries is to enhance shareholder value by remaining a strong, independent financial services organization, providing exemplary customer service, a rewarding work environment for its employees and a growing return for its shareholders."

[PHOTO] UNION BANKSHARES CORPORATION

UNION BANKSHARES CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

SELECTED FINANCIAL DATA

	1997	1996	1995	1994	1993
RESULTS OF OPERATIONS	(dollars in thousands, except per share amounts)				
<S> <C>					
Interest income	$ 43,763	$ 40,996	$ 38,083	$ 31,927	$ 30,397
Interest expense	20,740	19,330	17,855	13,089	13,009

Net interest income	23,023	21,666	20,228	18,838	17,388
Provision for loan losses	1,182	895	977	1,102	1,571
Net interest income after provision for loan losses	21,841	20,771	19,251	17,736	15,817
Other income	4,378	3,459	2,618	2,949	2,061
Other expenses	16,140	14,502	13,037	12,073	10,834
Income before income taxes	10,079	9,728	8,832	8,612	7,044
Income tax expense	2,196	2,272	2,079	1,899	1,529
Net income	$ 7,883	$ 7,456	$ 6,753	$ 6,713	$ 5,515
KEY PERFORMANCE RATIOS					
Return on average assets (ROA)	1.40%	1.41%	1.41%	1.55%	1.35%
Return on average equity (ROE)	12.74%	13.79%	13.56%	15.03%	13.51%
Efficiency ratio	56.24%	54.07%	53.50%	53.20%	51.95%
PER SHARE DATA					
Net income per share - Basic	$ 2.21	$ 2.09	$ 1.91	$ 1.90	$ 1.56
Net income per share - Diluted	2.20	2.08	1.90	1.89	1.55
Cash dividends declared	0.74	0.64	0.56	0.51	0.45
Book value at year-end	18.32	16.42	15.07	13.37	12.13
FINANCIAL CONDITION					
Total assets	$ 595,481	$ 540,893	$ 505,374	$ 462,880	$ 424,582
Total deposits	472,143	439,607	415,755	390,232	367,933
Total loans, net of unearned income	395,338	352,277	327,132	295,389	258,063
Stockholders' equity	65,508	58,566	53,683	47,232	42,814
ASSET QUALITY					
Allowance for loan losses	$ 4,565	$ 4,388	$ 4,060	$ 4,110	$ 3,822
Allowance as % of total loans	1.15%	1.25%	1.24%	1.39%	1.48%
OTHER DATA					
Market value per share at year-end	$ 43.88	$ 25.00	$ 26.00	$ 24.00	$ 23.25
Price to earnings ratio	19.9	12.0	13.6	12.6	14.9
Price to book value ratio	240%	152%	173%	180%	192%
Dividend payout ratio	33.48%	30.62%	28.80%	26.84%	28.84%
Weighted average shares outstanding	3,569,476	3,564,417	3,543,033	3,533,035	3,530,630

</TABLE>

Letter from Management

DEAR SHAREHOLDER,

What an interesting year in Virginia banking! Three of the top five Virginia-based banks were acquired by banks from North Carolina. A number of the larger, Virginia-based thrifts were acquired by banks from West Virginia and North Carolina. Enormous amounts of newsprint have been devoted to the changing landscape of Virginia banking and what it means to the future of Virginia.

While change in Virginia's banking industry is upon us, Virginia-based banks are not a dying breed. We say that community banking in the Commonwealth of Virginia is alive, is strong, and is prepared to step into the void that has been created by the sale of the large Virginia-based banks. Virginia's consumers and business community need only to look to community banks to meet their needs. There is no doubt that community banks in Virginia, whether independent or affiliated, (such as the community banks within the Union Bankshares family), can meet the financial needs of the citizens of Virginia. We would anticipate that in 1998 community banks will likely benefit from opportunities created by the merger activities of the larger, regional banks.

The community banks of Virginia, like Union Bank & Trust, Northern Neck State Bank and King George State Bank, have a long history of providing financial support to the communities they serve. Clearly, we as community bankers are deeply committed to the businesses and individuals within our communities - as they are our life blood. There will be no drop in the financial services options available to meet the needs of individuals and the small and medium-sized businesses, or to provide leadership and funding to the many civic and charitable organizations throughout our market.

Within the pages of this letter, you will see pictures and quotes from individuals and business owners who are not only stockholders of Union Bankshares Corporation, but customers of our member banks. These individuals take pride in being an owner of "their" community bank. They enjoy the friendly, service-oriented atmosphere of their community bank while understanding the investment can build their personal nest egg and support economic growth in their community.

[PHOTO]
[PHOTO CAPTION]
JOHN C. NEAL AND HOMER L. HITE (SEATED). D. ANTHONY PEAY,
G. WILLIAM BEALE AND E. PEYTON MOTLEY (STANDING).

[PHOTO]
[PHOTO CAPTION]
"COMMUNITY BANKS PLAY AN IMPORTANT ROLE IN OUR
COMMUNITY.
I APPRECIATE
NORTHERN NECK
STATE BANK'S LEVEL OF COMMITMENT"

Richard W. Gouldin, Jr.
Vice President
Potomac Supply Corporation

We are fortunate to count a large number of our nearly 3,000 total shareholders as customers of our member banks. We are privileged to have the individuals featured in these pages serve as representatives of that large number of shareholder customers. Though an unlikely occurrence, it would be ideal for Union Bankshares Corporation if every customer were a shareholder and every shareholder were a customer.

The most significant event of 1997 was our successful negotiation for the purchase of five Signet Bank branches located in the Northern Neck region of Virginia. In mid-February 1998, four of these branches merged into Northern Neck State Bank. The fifth branch, located in Colonial Beach, is now a part of King George State Bank. The acquisition has added approximately $60 million in deposits and $5 million in loans to the organization's balance sheet. This acquisition dramatically increases the presence of Northern Neck State Bank, giving it the largest branch network in the area. Adding this key location to King George State Bank makes it more convenient for customers and increases awareness and market share in the growing community it serves.

While the announced Signet branch acquisition was significant, it was not the only major activity in which your company was involved. In the summer of 1997 Union Bankshares Corporation completed its computer conversion, bringing our data processing in-house. Although the conversion process resulted in greater than expected short-term costs, the long-term benefit will be significant. Our fourth quarter 1997 earnings seem to indicate that the corner has been turned and the effects of the conversion are behind us. In spite of the costs and distractions associated with the conversion, 1997 saw a respectable 6% increase in net income.

Management is continuing to look for synergy in our operations. Consultants have been engaged to help us reduce item processing costs through enhanced technology, elimination of duplicative work and reduced postage expense. In this same vein, our three subsidiary banks will undergo an extensive review of our procedures and processes in 1998. The goal of this review is to discover new and cost-effective ways in which to do business.

[PHOTO]

[PHOTO CAPTION]

"DEALING WITH PEOPLE I KNOW GIVES ME A COMFORTABLE FEELING ABOUT MY BANKING AND MY INVESTMENT."

David Storke
President
Storke Funeral Home

[CHART]
in thousands

	1993	1994	1995	1996	1997
ASSETS	$424,582	$462,880	$505,374	$540,893	$595,481
DEPOSITS	367,933	390,232	415,755	439,607	472,143
LOANS	258,063	295,389	327,132	352,277	395,338

Technology continues to be a major focus of our industry as we seek to increase productivity and control costs. However, for the next 18 months Year 2000 issues will be at the forefront of our technology issues. Our Year 2000 task force is addressing these issues throughout our organization to determine areas which may be vulnerable. Testing of the various systems, which is crucial, but the most time-consuming and the most expensive part of the process, will be completed by mid-year 1999.

Union Investment Services continued to grow and produce profits for your organization during 1997. It has become obvious that individuals who enjoy the personal touch of community banking also enjoy investment services with a personal touch. The accessibility and the community banking nature of Union Investment Services is attracting a large number of new clients each year. With increased referrals from the branch networks of the three banks, we expect the positive trend to continue.

After considering the option of acquiring a mortgage brokerage operation, in January 1997, the decision was made to establish Union Mortgage Company. We are pleased to report that Union Mortgage Company turned a profit in its first year of operation, and are excited about the prospects for the future. We are optimistic that the anticipated low interest rate environment for 1998, coupled with an increased awareness, will result in an excellent year for Union Mortgage Company.

1997 also saw a number of the prognostications that had been made in prior years come true. First was the availability of the Signet branches which we had pursued for several years. The second was our stock price. In prior years, we believed that our stock was under-valued and an excellent investment. 1997 saw two market makers agree, and initiate analytical coverage of Union Bankshares Corporation. The result was a 76% increase in the market value of your stock during the course of 1997.

[CHART]

	1993	1994	1995	1996	1997
NET INCOME PER SHARE	$ 1.55	$ 1.89	$ 1.90	$ 2.08	$ 2.20
DIVIDENDS PER SHARE	0.45	0.51	0.56	0.64	0.74

[PHOTO]
[PHOTO CAPTION]

"IN THESE CHANGING TIMES, IT'S GOOD TO KNOW THE FINANCIAL SERVICES AT MY BANK KEEP GETTING BETTER. IT IS WISE TO INVEST LOCALLY."

Thelma & Lloyd Boxley
Retired School Teachers
Caroline County

[PHOTO]   UNION BANKSHARES CORPORTION

As we look forward to 1998, we continue to believe that additional branches of larger banks will become available. We also believe there will be increased opportunities to attract other community banks to the Union Bankshares family. With banking consolidations likely to continue, we believe that Union Bankshares will be a very attractive option to those community banks who wish to retain their independence and autonomy, and who wish to continue to provide a high level of banking services to their community. By joining a holding company such as Union Bankshares, community banks can meet their goals while taking advantage of the economies of scale and cost savings that can come from an affiliation with an organization such as ours. We will continue to pursue those opportunities which are economically feasible and consistent with our corporate philosophy.

As always, we appreciate your continued patronage and support and welcome your ideas and suggestions so we can move forward in these exciting times.

[CHART]

<TABLE>
<CAPTION>

<S>	<C> 1993	1994	1995	1996	1997
YIELD ON EARNING ASSETS	8.27%	8.24%	8.75%	8.75%	8.70%
COST OF INTEREST BEARING LIABILITIES	3.92	3.83	4.69	4.64	4.69

</TABLE>

/s/ William Beale
G. William Beale

/s/ Peyton Motley
E. Peyton Motley

/s/ Homer L. Hite
Homer L. Hite

[PHOTO]
[PHOTO CAPTION]

"I APPRECIATE THE UNION BANKSHARES APPROACH TO DOING BUSINESS. IT STRENGTHENS MY INVESTMENT, MY BANKING RELATIONSHIPS, AND MY COMMUNITY."

Sue Williams
Attorney-At-Law
King George County

RETAIL LOCATIONS

[MAP]

[PHOTO]
[PHOTO CAPTION]

"NORTHERN NECK STATE BANK IS PLEASED TO HAVE THE OPPORTUNITIES THAT FOUR NEW BRANCHES WILL BRING."

Peyton Motley
President
Northern Neck State Bank

*Effective 2/14/98

[PHOTO] UNION BANKSHARES CORPORTION

DIRECTORS OF UNION BANKSHARES CORPORATION

[PHOTO]
[PHOTO CAPTION]

(STANDING, L TO R): W. TAYLOE MURPHY, JR., RONALD L. HICKS, G. WILLIAM BEALE, E. PEYTON MOTLEY, AND HOMER L. HITE. (SEATED, L TO R): M. RAYMOND PILAND III, CHARLES H. RYLAND, A.D. WHITTAKER, AND WALTON MAHON.

DIRECTORS	OFFICERS
WALTON MAHON Chairman	G. WILLIAM BEALE President and Chief Executive Officer
CHARLES H. RYLAND Vice Chairman	E. PEYTON MOTLEY Executive Vice President and Chief Operating Officer
G. WILLIAM BEALE	HOMER L. HITE Senior Vice President
RONALD L. HICKS	
HOMER L. HITE	D. ANTHONY PEAY Vice President, Chief Financial Officer and

	Corporate Secretary
E. PEYTON MOTLEY	
	JOHN A. LANE
W. TAYLOE MURPHY, JR.	Vice President
M. RAYMOND PILAND, III	MYLES L. GAYTHWAITE
	Vice President
A.D. WHITTAKER	

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.

OVERVIEW

Union Bankshares Corporation's financial performance in 1997 was highlighted by two typically competing themes: change and consistency - change through consolidation of existing operations and pursuit of expansion opportunities; consistency in customer service and profitability. The Company continued to take advantage of opportunities to consolidate functions to achieve cost savings while maintaining or improving customer service. This was particularly true in the technology area as each of the Company's subsidiaries was converted to a shared in-house data processing system between November 1996 and the end of 1997. This system provides management with the ability to grow at a lower incremental data processing cost than with a service bureau and provides improved access to management information.

Change was also evident in the consolidation of many Virginia banks in 1997, providing expansion opportunities for Union Bankshares in its existing and adjacent markets. This was most clearly demonstrated by the Company's announced acquisition of five Signet Bank branches, which closed in February 1998. Though the financial impact of this transaction will not be felt until future periods it represents a significant opportunity for the Company to leverage its capital, expand its existing markets and provide community banking services to the people in those communities.

Despite the changes noted above and the associated cost of those efforts, 1997 was another year of record earnings for Union Bankshares Corporation. The Company reported net income of $7.9 million or $2.21 per share, up 5.7% from $7.5 million in 1996. Core profitability continued to improve as net interest income increased by 6.3% and service fees by 27.6% from 1996 levels.

Profitability as measured by the Company's return on average assets (ROA) was 1.40% in 1997, with a return on average equity (ROE) of 12.74% as compared to 1.41% and 13.79%, respectively, in 1996. These returns remain strong relative to the Company's peer group averages and have been achieved despite the continued asset and capital growth which the Company has experienced. It is anticipated that the acquisition of the Signet branches in the Northern Neck will enhance ROE in the future through more effective leverage of the Company's capital.

Continued increases in earning assets, combined with a stable interest rate spread in 1997 contributed significantly to the strong earnings performance for the year. The Company's net interest margin on a taxable equivalent basis was down slightly from 4.79% in 1996 to 4.73% in 1997; however changes in volume exceeded changes in rates, generating an additional $1.4 million in net interest income.

Loans, net of unearned income, totaled $395.3 million at December 31, 1997, an increase of 12.2% from December 31, 1996. 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 with loans funded by deposits, the effect on net income and ROE is favorable.

Deposits grew from $439.6 million at December 31, 1996, to $472.1 million at December 31, 1997, an increase of 7.4% while average deposits increased from $431.3 million to $455.7 million over the same period. Competition for retail deposits among financial service providers continues to increase as consumers direct their investments to products offered by non-banks such as money market and mutual funds. Consequently, banks are increasingly funding loan demand with other borrowings such as Federal funds purchased, securities sold under agreements to repurchase and Federal Home Loan Bank advances, in addition to deposits.

Capital growth at 11.8% again outpaced asset growth at 10.1% despite the use of wholesale leverage strategies and increased shareholder dividends. Capital remains a double-edged sword for the Company as financial strength is weighed against ROE. The closing price of the Company's stock at December 31, 1997, was $43.88 per share, resulting in a market to book value ratio of 240%. Management has worked with the investment community to share the performance record of the Company and improve the efficiency of the market with positive results in 1997.

The Company's performance in 1996 was strong with net income of $7.5 million or $2.09 per share, up 10.4% from $6.7 million in 1995. Increased earnings were due principally to increased levels of earning assets. Return on average equity increased from 13.56% to 13.79% while return on average assets was constant at 1.41%. Core profitability continued to improve as net interest income increased by 7.1% and service fees by 19.1% from 1995 levels.

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 1997, net interest income, on a taxable-equivalent basis, totaled $24.7 million, an increase of 5.6% from $23.4 million in 1996. The Company's net interest margin declined slightly to 4.73% in 1997, as compared to 4.79% in 1996 and 4.80% in 1995. The yield on earning assets declined to 8.70% while the cost of interest-bearing liabilities rose slightly from 4.64% in 1996 to 4.69% in 1997. Average interest-bearing liabilities increased by $25.9 million, or 6.2% while average earning assets grew by $34.3 million, or 7.0%. As a result, the Company was able to realize an increase of $1.4 million in net interest income compared to 1996 (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, (dollars in thousands)

<S> <C>

	1997			1996			1995		
	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE
ASSETS:									
Securities:									
Taxable	$ 79,895	$ 5,190	6.50%	$ 72,482	$ 4,493	6.20%	$ 74,433	$ 4,755	6.39%
Tax-exempt(1)	66,328	5,433	8.19%	64,963	5,397	8.31%	60,966	4,903	8.04%
Total securities	146,223	10,623	7.27%	137,445	9,890	7.20%	135,399	9,658	7.13%
Loans, net.....................	371,761	34,602	9.31%	343,856	32,444	9.43%	310,819	29,561	9.51%
Federal funds sold	3,753	199	5.30%	5,941	317	5.34%	5,515	327	5.93%
Interest-bearing deposits in other banks.............	693	46	6.63%	813	44	5.41%	459	32	6.97%

Total earning assets	522,430	45,470	8.70%	488,055	42,695	8.75%	452,192	39,578	8.75%
Allowance for loan losses	(4,466)			(4,305)			(4,289)		
Total non-earning assets	46,903			43,578			34,950		
Total assets	$ 564,867			$ 527,328			$ 482,853		
Liabilities & Stockholders' Equity:									
Interest-bearing deposits:									
Checking....................	$ 56,495	$ 1,452	2.57%	$ 47,685	$ 1,202	2.52%	$ 43,503	$ 1,187	2.73%
Regular savings	46,452	1,436	3.09%	56,108	1,945	3.47%	57,312	2,146	3.74%
Money market savings	51,119	1,723	3.37%	55,048	1,802	3.27%	58,265	1,978	3.39%
Certificates of deposit:									
$100,000 and over..........	54,545	2,903	5.32%	50,083	2,604	5.20%	42,289	2,317	5.48%
Under $100,000.............	191,304	10,898	5.70%	170,032	9,938	5.84%	154,016	8,737	5.67%
Total interest-bearing deposits	399,915	18,412	4.60%	378,956	17,491	4.62%	355,385	16,365	4.60%
Other borrowings	42,449	2,328	5.48%	37,528	1,839	4.90%	25,598	1,490	5.82%
Total interest-bearing .. liabilities	442,364	20,740	4.69%	416,484	19,330	4.64%	380,983	17,855	4.69%
Non-interest bearing liabilities:									
Demand deposits............	55,773			52,305			47,472		
Other liabilities..........	4,859			4,461			4,224		
Total liabilities........	502,996			473,250			432,679		
Stockholders' equity	61,871			54,078			50,174		
Total liabilities and stockholders' equity	$ 564,867			$ 527,328			$ 482,853		
Net interest income...........		$ 24,730			$ 23,365			$ 21,723	
Interest rate spread			4.01%			4.11%			4.06%
Interest expense as a percent of average earning assets...			3.97%			3.96%			3.95%
Net interest margin...........			4.73%			4.79%			4.80%

</TABLE>

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

UNION BANKSHARES CORPORATION

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,				
	1997 VS. 1996 INCREASE (DECREASE) DUE TO CHANGES IN:			1996 VS. 1995 INCREASE (DECREASE) DUE TO CHANGES IN:	
	VOLUME	RATE	TOTAL	VOLUME	RATE

TOTAL

(in thousands)

<S> <C>

EARNING ASSETS:						
Securities:						
Taxable	$ 475	$ 222	$ 697	$ (123)	$ (139)	$ (262)
Tax-exempt	112	(76)	36	329	165	494
Loans, net	2,583	(425)	2,158	3,118	(235)	2,883
Federal funds sold	(10)	(108)	(118)	24	(34)	(10)
Interest-bearing deposits in other banks	(7)	9	2	20	(8)	12
Total earning assets	3,153	(378)	2,775	3,368	(251)	3,117
INTEREST-BEARING LIABILITIES:						
Interest checking	226	24	250	108	(93)	15
Regular savings	(313)	(196)	(509)	(44)	(157)	(201)
Money market savings	(131)	52	(79)	(107)	(69)	(176)
CDs $100,000 and over	237	62	299	409	(122)	287
CDs < $100,000	1,217	(257)	960	930	271	1,201
Total interest-bearing deposits	1,236	(315)	921	1,296	(170)	1,126
Other borrowings	357	132	489	611	(262)	349
Total interest-bearing liabilities	1,593	(183)	1,410	1,907	(432)	1,475
Change in net interest income	$ 1,560	$ (195)	$ 1,365	$ 1,461	$ 181	$ 1,642

</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, 1997, the Company had $150.2 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.

INTEREST SENSITIVITY ANALYSIS

<TABLE>
<CAPTION>

	DECEMBER 31, 1997 (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)......	$ 87,480	$ 48,468	$ 141,747	$ 115,503	$ 393,198
Investment securities	276	1,514	6,799	1,852	10,441
Securities available for sale..........	1,683	6,659	57,111	76,655	142,108
Federal funds sold.....................	612	-	-	-	612
Other short-term investments...........	596	-	99	-	695
Total earning assets...............	90,647	56,641	205,756	194,010	547,054
INTEREST-BEARING LIABILITIES:					
Interest checking (2)	17,242	553	42,215	-	60,010
Regular savings (2)	18,514	1,714	26,465	-	46,693
Money market savings...................	49,481	181	725	-	50,387
Certificates of deposit:					
$100,000 and over..................	13,703	30,262	14,456	-	58,421
Under $100,000.....................	44,709	93,919	57,042	-	195,670
Short-term borrowings	22,645	4,600	-	-	27,245
Long-term borrowings	-	-	21,975	1,740	23,715
Total interest-bearing liabilities	166,294	131,229	162,878	1,740	462,141
Period gap.............................	(75,647)	(74,588)	42,878	192,270	
Cumulative gap.........................	$ (75,647)	$ (150,235)	$ (107,357)	$ 84,913	$ 84,913
Ratio of cumulative gap to total earning assets.............	(13.83)%	(27.46)%	(19.62)%	15.52%	

</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 26.6% from $3.5 million in 1996 to $4.4 million in 1997. This increase is largely attributable to a gain on the sale of other real estate totaling $446,000 in 1997. In addition, Union Mortgage Company, which began operations in January 1997, provided an increase in mortgage origination income of $359,000. Union Investment Services also showed an increase of $89,000 in income from commissions as it continued to expand its operations to meet the needs of the communities the Company serves. The remaining increase in non-interest income is reflective of management's efforts to maximize fee-based income and from steady growth in its principal source of non-interest income, service fees.

Other income increased by 32.1% from $2.6 million in 1995 to $3.5 million in 1996. This increase was largely attributable to an increase of $150,000 in commissions earned by Union Investment Services; $47,000 from the sale of a pool of loans; and $262,000 in non-taxable life insurance proceeds related to a directors deferred compensation plan.

OTHER EXPENSES

Other expenses totaled $16.1 million in 1997, up 11.3% over $14.5 million in 1996. Increases in personnel and operating costs are largely attributable to the growth of the Company and to its continuing 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. With the completion of the data processing conversions in 1997, management feels it is beginning to see the returns on this investment. 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.

Other expenses totaled $14.5 million in 1996, up 11.2% over $13.0 million in 1995 and, like 1997, was reflective of the overall growth of the Company and emphasis on putting the right systems and the right people in place to achieve our corporate goals.

LOAN PORTFOLIO

Loans, net of unearned income, totaled $395.3 million at December 31, 1997, an increase of 12.2% over $352.3 million at December 31, 1996.

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 continued 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.

LOAN PORTFOLIO

<TABLE>
<CAPTION>

	DECEMBER 31,				
	1997	1996	1995	1994	1993
	(in thousands)				
<S>	<C>				
Commercial..................................	$ 45,478	$ 37,263	$ 36,920	$ 40,276	$ 37,472
Loans to finance agriculture production and other loans to farmers	1,590	3,080	2,878	3,083	3,344
Real estate:					
Real estate construction	7,270	6,435	7,849	5,453	7,432
Real estate mortgage:					
Residential (1 - 4 family).........	134,638	117,125	102,419	92,007	86,348
Home equity lines..................	21,061	21,964	22,561	22,503	21,905
Multi-family.......................	1,777	1,353	1,274	1,406	

					1,179
Commercial(1)	101,629	83,118	76,652	60,653	53,165
Agricultural	2,292	2,262	2,776	2,943	3,123
Total real estate	268,667	232,257	213,531	184,965	173,152
Loans to individuals:					
Consumer	77,125	76,383	70,143	64,683	43,754
Credit card	2,682	2,567	2,235	1,714	1,490
Total loans to individuals	79,807	78,950	72,378	66,397	45,244
All other loans	879	2,125	2,619	2,024	509
Total loans	396,421	353,675	328,326	296,745	259,721
Less unearned income	1,083	1,398	1,194	976	1,246
Total net loans	$ 395,338	$ 352,277	$ 327,132	$ 295,769	$ 258,475

</TABLE>

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

MATURITY SCHEDULE OF LOANS

<TABLE>
<CAPTION>

	1 YEAR OR LESS	1 - 5 YEARS	AFTER 5 YEARS	TOTAL
			(in thousands)	
December 31, 1997	$ 135,941	$ 143,191	$ 117,289	$ 396,421
December 31, 1996	140,871	140,247	72,557	353,675
December 31, 1995	143,478	125,960	58,888	328,326

</TABLE>

Loans secured by real estate comprised 68.0% of the total loan portfolio at December 31, 1997, up from 65.9% in 1996. Of this total, single-family, residential loans comprised 34.1% of the total loan portfolio at December 31, 1997, up slightly from 33.2% in 1996 and reflective of the efforts of the Company's new subsidiary, Union Mortgage Company. Loans secured by commercial real estate comprised 25.7% of the total loan portfolio at December 31, 1997, as compared to 23.6% in 1996, 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, 1997. 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 19.5% of total loans at December 31, 1997, down from 21.7% in 1996. Commercial loans, secured by non-real estate business assets comprised 11.5% of total loans at the end of 1997, an increase from 10.6% at the end of 1996. 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. The Company expanded this activity in 1997, with the formation of Union Mortgage Company, LLC ("Union Mortgage"). Union Mortgage serves as a mortgage brokerage operation, selling the majority of its loan production in the secondary market while retaining loans meeting the banks' current asset/liability management needs. This venture has provided the banks' customers with enhanced mortgage products and the Company with improved efficiencies through the consolidation of this function.

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 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, 1997, the allowance for loan losses was $4.6 million, or 1.15% of total loans as compared to $4.4 million, or 1.25% in 1996. At December 31, 1997, the Company's allowance for loan losses exceeded the sum of net loan charge-offs over the last four years.

UNION BANKSHARES CORPORATION

ALLOWANCE FOR LOAN LOSSES

<TABLE>
<CAPTION>

	DECEMBER 31,				
	1997	1996	1995	1994	1993
(dollars in thousands)					
<S> <C>					
Balance, beginning of year..........................	$ 4,388	$ 4,060	$ 4,110	$ 3,822	$ 3,704
Loans charged-off:					
Commercial....................................	247	114	645	442	841
Real estate...................................	4	59	185	273	242
Consumer	957	795	422	355	585
Total loans charged-off....................	1,208	968	1,252	1,070	1,668
Recoveries:					
Commercial....................................	8	275	114	18	57
Real estate...................................	49	10	16	92	29
Consumer......................................	146	116	95	146	129
Total recoveries...........................	203	401	225	256	215

Net loans charged-off	1,005	567	1,027	814	1,453
Provision for loan losses	1,182	895	977	1,102	1,571
Balance, end of year	$ 4,565	$ 4,388	$ 4,060	$ 4,110	$ 3,822
Ratio of allowance for loan losses to total loans outstanding at end of year	1.15%	1.25%	1.24%	1.39%	1.48%
Ratio of net charge-offs to average loans outstanding during year	0.27%	0.16%	0.33%	0.30%	0.66%

</TABLE>

The allowance for loan losses as of December 31, 1996 was $4.4 million, or 1.25% of total loans as compared to $4.1 million, or 1.24% in 1995. The provision for loan losses in 1996 totaled $895,000 as compared to $977,000 in 1995.

NON-PERFORMING ASSETS

Non-performing assets were $4.9 million at December 31, 1997, down from $7.4 million at December 31, 1996. Non-accrual loans increased from $420,000 in 1996 to $2.1 million in 1997, due principally to loans made in connection with the sale of the Company's real estate investment. Foreclosed properties decreased from $4.1 million to $1.7 million as several properties were sold, including $1.9 million for a single property comprising over 1,800 acres in King George county. This property was sold in February 1997 at a gain of $120,000. Other sales of foreclosed property resulted in additional gains totaling $326,000 in 1997.

NONPERFORMING ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands)				
<S>	<C>				
Nonaccrual loans	$ 2,140	$ 420	$ 669	$ 1,731	$ 2,920
Foreclosed properties	1,746	4,056	3,620	1,842	1,533
Real estate investment	1,050	2,970	-	-	-
Total nonperforming assets	$ 4,936	$ 7,446	$ 4,289	$ 3,573	$ 4,453
Loans past due 90 days and accruing interest	$ 2,675	$ 3,163	$ 3,126	$ 1,671	$ 3,193
Nonperforming assets to year-end loans, foreclosed properties and real estate investment	1.24%	2.07%	1.30%	1.20%	1.72%
Allowance for loan losses to nonaccrual loans	213.32%	1,044.76%	606.88%	237.44%	130.89%

</TABLE>

As of December 31, 1997, nonperforming assets includes approximately $1.1 million representing an investment in income-producing property and included in other assets. This property consists of 13 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. 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. Because the initial downpayment on many of these houses was insufficient to qualify for full accrual sale treatment, they are being carried as nonaccrual loans until such time as the borrowers' investment in the property exceeds the required threshold.

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.

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.

SECURITIES

At December 31, 1997, $142.1 million, or over 93%, of the Company's securities were classified as available for sale, as compared to $129.3 million at December 31, 1996. Investment securities totaled $10.4 million at December 31, 1997 and consists of securities which management intends to hold to maturity.

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.

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.

UNION BANKSHARES CORPORATION

MATURITIES OF INVESTMENT SECURITIES AND SECURITIES AVAILABLE FOR SALE

<TABLE>
<CAPTION>

	DECEMBER 31, 1997				
	1 YEAR OR LESS	1 - 5 YEARS	5 - 10 YEARS	OVER 10 YEARS & EQUITY SECURITIES	TOTAL
	(dollars in thousands)				
<S>	<C>				
U.S. government and agency securities:					
Amortized cost.........................	$ 3,060	$ 9,373	$ 8,948	$ -	$ 21,381
Fair value.............................	3,058	9,405	8,965	-	21,428
Weighted average yield(1).............	5.59%	6.34%	7.06%	-	6.53%
Mortgage backed securities:					
Amortized cost.........................	$ 2,002	$ 35,542	$ 12,516	$ -	$ 50,060
Fair value.............................	2,003	35,704	12,520	-	50,227
Weighted average yield(1).............	6.36%	6.67%	7.13%	-	6.77%
Municipal bonds:					
Amortized cost.........................	$ 4,817	$ 15,440	$ 36,273	$ 15,093	$ 71,623
Fair value.	4,869	15,896	37,825	15,524	74,114
Weighted average yield(1).............	8.89%	8.47%	7.96%	7.79%	8.09%
Other securities:					
Amortized cost.........................	$ 225	$ 3,023	$ 223	$ 3,426	$

					6,897
Fair value.	225	3,081	231	3,484	7,021
Weighted average yield(1)	6.20%	6.97%	7.20%	7.54%	7.23%
Total securities:					
Amortized cost	$ 10,104	$ 63,378	$ 57,960	$ 18,519	$ 149,961
Fair value	10,155	64,086	59,541	19,008	152,790
Weighted average yield(1)	7.33%	7.07%	7.64%	7.74%	7.39%

</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 rise in other borrowings in 1997 to fund growth in earning assets. In 1997 growth in the loan portfolio exceeded 12.3% and securities growth was 8.4% while deposit growth was only 7.4%. Although average demand deposits and interest-bearing checking accounts experienced moderate growth in 1997, 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 $439.6 million at December 31, 1996 to $472.1 million at December 31, 1997. Over this same period, average interest-bearing deposits were $399.9 million, or 5.5% over the 1996 average of $379.0 million. The majority of this increase is represented by a $25.7 million increase in certificates of deposit. Average balances for lower cost money market and regular savings decreased by a total of $13.6 million. The Company's lowest cost source of funds, non-interest-bearing and interest-bearing demand deposits both increased, by a total of $12.3 million. The Company has no brokered deposits.

AVERAGE DEPOSITS AND RATES PAID

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,					
	1997		1996		1995	
	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	RATE
	(dollars in thousands)					
<S> <C>						
Non-interest-bearing accounts	$ 55,773	-	$ 52,305	-	$ 47,472	-
Interest-bearing accounts:						
Interest checking	56,495	2.57%	47,685	2.52%	43,503	2.73%
Money market	51,119	3.37%	55,048	3.27%	58,265	3.39%
Regular savings	46,452	3.09%	56,108	3.47%	57,312	3.74%
Certificates of deposit:						
Less than $100,000	191,304	5.69%	170,032	5.84%	154,016	5.67%
$100,000 and over	54,545	5.32%	50,083	5.20%	42,289	5.48%
Total interest-bearing	399,915	4.60%	378,956	4.62%	355,385	4.60%
Total average deposits	$ 455,688		$ 431,261		$ 402,857	

</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, 1997.................	$ 11,716	$ 29,308	$ 13,924	$ 3,473	$ 58,421	12.37%
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%

</TABLE>

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 has two additional branches planned for 1998. Northern Neck State Bank opened a branch in a Wal*Mart Superstore in 1996. The addition of the Northern Neck branches of Signet is also expected to provide a strong core deposit customer base.

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 million, or 6.6% over the 1995 average of $355.4 million.

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 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.

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-weighed 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 16.68% and 16.29% on December 31, 1997 and 1996, respectively. The Company's ratio of risk-weighted assets to Tier 1 capital was 15.56% and 15.15% at December 31, 1997 and 1996, respectively. Both of these ratios exceeded the fully phased-in capital requirements in 1997 and 1996.

The Company's strategic plan includes targeted capital levels between 8% and 9%. The addition of the five Signet branches will bring the Company's capital levels down into this range bringing with it an expected increase in return on average equity.

ANALYSIS OF CAPITAL

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	DECEMBER 31, 1996
	(dollars in thousands)	
<S> <C>		
Tier 1 capital:		
Common stock..	$ 14,304	$ 14,267
Surplus	388	160
Retained earnings...................................	49,105	43,863

Less: core deposit intangibles	(237)	(263)
Total Tier 1 capital	63,560	58,027
Tier 2 capital:		
Allowance for loan losses	4,565	4,388
Allowable long-term debt	-	-
Total Tier 2 capital	4,565	4,388
Total risk-based capital	$ 68,125	$ 62,415
Risk-weighted assets	$ 408,367	$ 383,046
Capital ratios:		
Tier 1 risk-based capital ratio	15.56%	15.15%
Total risk-based capital ratio	16.68%	16.29%
Tier 1 capital to average adjusted total assets	11.27%	10.70%
Equity to total assets	10.68%	10.83%

</TABLE>

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 it customers' credit needs.

At December 31, 1997, cash and cash equivalents and securities classified as available for sale were 27.5% of total assets, compared to 28.1% at December 31, 1996. Asset liquidity is also provided by managing loan and securities maturities and cash flows.

Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary. The subsidiary banks maintain Federal funds lines with several regional banks totaling in excess of $40.0 million at December 31, 1997. At year end 1997, 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 $64 million at December 31, 1997.

YEAR 2000

Management has initiated a program to prepare the Company's computer systems and applications for the year 2000. The Company expects to incur internal staff costs as well as consulting and other expenses related to the infrastructure and facilities enhancements necessary to prepare its systems for the year 2000. Testing and conversion of system applications is expected to cost approximately $250,000, with all systems expected to be compliant by June 1999. A significant portion of these costs are not likely to be incremental costs, but rather a redeployment of existing information technology resources.

RECENT ACCOUNTING PRONOUNCEMENTS

In 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Standards (SFAS) 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. After issuance of SFAS No.125, FASB issued SFAS No. 127 which deferred the effective date for SFAS No. 125 until fiscal years beginning after December 31, 1997. Management believes the adoption of this new standard will not have a material impact on the financial condition or results of operations of the Company.

Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," established standards for the reporting and presentation of comprehensive income, which is divided into net income and other comprehensive income. Other comprehensive income items are to be classified by their nature and by their related accumulated balances in the appropriate financial statements of a company. Generally, other comprehensive income includes transactions not typically recorded as a component of net income such as foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain debt and equity securities. SFAS 130 requires that such items be presented with equal prominence on a comparative basis in the appropriate financial statements for fiscal years beginning after December 15, 1997. Accordingly, the Company intends to comply with SFAS 130 beginning with its 1998 fiscal year. Management has not yet determined the impact, if any, of this statement on the Company.

Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information," establishes standards and disclosure requirements for the way companies report information about operating segments, including related product information, both in annual and interim reports issued to stockholders. Operating segments are components of a company about which separate financial information is available and which are used in determining resource allocations and performance results. Information such as segment net earnings, appropriate revenue and expense items and certain balance sheet items are required to be presented, and such amounts are required to be reconciled to the Company's combined financial information. This standard is effective for financial statements issued for periods ending after December 31, 1997, including interim periods. The Company will assess the methodologies and reporting for compliance with SFAS 131.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

UNION BANKSHARES CORPORATION

CONSOLIDATED BALANCE SHEETS

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
DECEMBER 31, 1997 AND 1996
(dollars in thousands)

ASSETS	1997	1996
Cash and cash equivalents:		
Cash and due from banks	$ 20,147	$ 19,333
Interest-bearing deposits in other banks	695	1,016
Federal funds sold	612	2,104
Total cash and cash equivalents	21,454	22,453
Securities available for sale, at fair value (note 2)	142,108	129,268
Investment securities, at amortized cost (note 2)	10,441	11,423
Total securities	152,549	140,691
Loans, net of unearned income (notes 3 and 10)	395,338	352,277
Less allowance for loan losses (note 4)	4,565	4,388
Net loans	390,773	347,889
Bank premises and equipment, net (note 5)	16,934	14,281

	1997	1996
Other real estate owned	1,746	4,056
Other assets (note 7)	12,025	11,523
Total assets	$ 595,481	$ 540,893
LIABILITIES AND STOCKHOLDERS' EQUITY		
Non-interest-bearing demand deposits	$ 60,962	$ 55,005
Interest-bearing deposits:		
Savings accounts	46,693	54,364
NOW accounts	60,010	49,834
Money market accounts	50,387	54,431
Time deposits of $100,000 and over	58,421	51,812
Other time deposits	195,670	174,161
Total interest-bearing deposits	411,181	384,602
Total deposits	472,143	439,607
Short-term borrowings (note 6)	27,245	27,403
Long-term borrowings (note 6)	23,715	11,125
Other liabilities (note 8)	6,870	4,192
Total liabilities	529,973	482,327
Stockholders' equity (notes 8 and 12):		
Common stock, $4 par value. Authorized 12,000,000 shares; issued and outstanding, 3,575,937 shares in 1997 and 3,566,915 shares in 1996	14,304	14,267
Surplus	388	160
Retained earnings	49,105	43,863
Unrealized net gain on securities available for sale, net of taxes	1,711	276
Total stockholders' equity	65,508	58,566
Commitments and contingencies (notes 5 and 9)		
Total liabilities and stockholders' equity	$ 595,481	$ 540,893

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

UNION BANKSHARES CORPORATION AND SUBSIDIARIES YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (dollars in thousands, except per share amounts)

<TABLE>
<CAPTION>

1997 1996

<S> <C>

			1995
Interest income:			
Interest and fees on loans (note 3)	$ 34,602	$ 32,444	$ 29,561
Interest on securities:			
U.S. government and agency securities	3,138	4,079	4,306
Obligations of states and political subdivisions	3,864	3,757	3,194
Other securities	1,914	355	663
Interest on Federal funds sold	199	317	327
Interest on interest-bearing deposits in other banks	46	44	32
Total interest income	43,763	40,996	38,083
Interest expense:			
Interest on deposits	18,412	17,491	16,365
Interest on other borrowings	2,328	1,839	1,490
Total interest expense	20,740	19,330	17,855
Net interest income	23,023	21,666	20,228
Provision for loan losses (note 4)	1,182	895	977
Net interest income after provision for loan losses	21,841	20,771	19,251
Other income:			
Service charges on deposit accounts	2,065	1,914	1,785
Other service charges and fees	1,360	770	425
Losses on securities transactions, net	(29)	(33)	(16)
Gains on sales of loans	-	47	-
Gains (losses) on sales of other real estate owned and bank premises, net	446	(11)	(11)
Other operating income	536	772	435
Total other income	4,378	3,459	2,618
Other expenses:			
Salaries and benefits	8,702	7,587	6,794
Occupancy expenses	966	917	739
Furniture and equipment expenses	1,346	1,184	1,030
FDIC assessments	67	13	467
Other operating expenses	5,059	4,801	4,007
Total other expenses	16,140	14,502	13,037
Income before income taxes	10,079	9,728	8,832
Income tax expense (note 7)	2,196	2,272	

			2,079
Net income	$ 7,883	$ 7,456	$ 6,753
Basic net income per share (note 11)	$ 2.21	$ 2.09	$ 1.91
Diluted net income per share (note 11)	$ 2.20	$ 2.08	$ 1.90
Cash dividends per share of common stock	$ 0.74	$ 0.64	$ 0.56

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(dollars in thousands)

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	SURPLUS	RETAINED EARNINGS	UNREALIZED GAINS (LOSSES) ON SECURITIES AVAILABLE FOR SALE, NET	TOTAL
<S> <C>						
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 repurchased under Stock Repurchase Plan	(6,200)	(26)	(133)	-	-	(159)

Change in net unrealized losses on securities available for sale, net of taxes $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
Cash dividends declared	-	-	-	(2,641)	-	(2,641)
Issuance of common stock under Dividend Reinvestment Plan	10,522	43	261	-	-	304
Stock purchased under Stock Repurchase Plan	(1,500)	(6)	(33)	-	-	(39)
Change in net unrealized gains on securities available for sale, net of taxes $728	-	-	-	-	1,435	1,435
Net income -1997	-	-	-	7,883	-	7,883
Balance - December 31, 1997	3,575,937	$ 14,304	$ 388	$ 49,105	$ 1,711	$ 65,508

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(dollars in thousands)

<TABLE>
<CAPTION>

<S> <C>

	1997	1996	1995
Operating activities:			
Net income	$ 7,883	$ 7,456	$ 6,753
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization of bank premises and equipment	1,350	1,120	906
Provision for loan losses	1,182	895	977
Losses on securities transactions, net	29	33	16
Gains on sale of loans	-	(47)	-
(Gains) losses on sales of other real estate owned, net	(446)	(11)	11
Deferred income tax expense (benefit)	(169)	(176)	20
Decrease (increase) in accrued interest receivable	(292)	88	(463)
Other, net	2,109	(1,593)	480

Net cash and cash equivalents provided by operating activities	11,646	7,765	8,700
Investing activities:			
Purchases of investment securities	(1,164)	(357)	(4,731)
Proceeds from maturities of investment securities	2,136	4,072	18,032
Purchases of securities available for sale	(37,265)	(47,286)	(31,466)
Proceeds from sales of securities available for sale	2,857	18,677	4,892
Proceeds from maturities of securities available for sale	23,512	24,989	5,621
Net increase in loans	(44,920)	(26,300)	(34,539)
Purchases of bank premises and equipment	(4,003)	(5,143)	(2,552)
Proceeds from sales of bank premises and equipment	-	2	-
Proceeds from sales of other real estate owned	3,611	212	355
Net cash and cash equivalents used in investing activities	(55,236)	(31,134)	(44,388)
Financing activities:			
Net increase in non-interest-bearing deposits	5,956	5,100	690
Net increase in interest-bearing deposits	26,579	18,752	24,833
Net increase (decrease) in short-term borrowings	(158)	(3,705)	10,564
Proceeds from long-term borrowings	12,800	10,000	-
Repayment of long-term borrowings	(210)	(150)	(150)
Cash dividends paid	(2,641)	(2,315)	(1,948)
Issuance of common stock	304	272	310
Purchases of common stock	(39)	(159)	-
Net cash and cash equivalents provided by financing activities	42,591	27,795	34,299
Increase (decrease) in cash and cash equivalents	(999)	4,426	(1,389)
Cash and cash equivalents at beginning of year	22,453	18,027	19,416
Cash and cash equivalents at end of year	$ 21,454	$ 22,453	$ 18,027
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest	$ 20,738	$ 19,399	$ 17,535
Income taxes	$ 2,443	$ 1,971	$ 1,903

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

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. 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 subsidiaries, Union Investment Services, Inc. and Union Mortgage Company, LLC. 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 1997 presentation.

(B) INVESTMENT SECURITIES AND SECURITIES AVAILABLE FOR SALE

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.

The Company measures the value 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 and establishes an allowance for loan losses based on this measurement period. The Company includes, as a component of its allowance for loan losses, amounts it deems adequate to cover estimated losses related to impaired loans.
Interest income on impaired loans is recognized on a cash basis.

(E) BANK PREMISES AND EQUIPMENT

Bank premises and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using either the straight-line or accelerated 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 recorded 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.

(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 $880,000, $635,000 and $2,375,000 during the years ended December 31, 1997, 1996 and 1995, respectively, as a result of loan foreclosures. The Company also transferred $71,872,000 in investment securities to securities available for sale during 1995. 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) EARNINGS PER SHARE

The Company adopted the provisions of Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share," for the year ended December 31, 1997 and restated all previous years. SFAS 128 establishes new standards for computing and presenting earnings per share (EPS). The statement replaces the presentation of primary EPS with basic EPS and presentation of fully diluted EPS with diluted EPS. Basic EPS is computed by dividing net income, less required dividends on redeemable preferred stock, by the weighted average number of common shares outstanding during the year. Diluted EPS is computed using the weighted average number of common shares outstanding during the year, including the dilutive effect of stock options.

(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, gross unrealized gains and losses of investment securities and estimated fair values at December 31, 1997 and 1996 are summarized as follows (in thousands):

1997	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. government and agency securities	$ 349	$ -	$ -	$ 349
Obligations of states and political subdivisions	8,236	218	4	8,450
Corporate and other bonds	1,856	29	2	1,883
	$ 10,441	$ 247	$ 6	$ 10,682

1996	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

The amortized cost, estimated fair value and gross unrealized gains and losses of securities available for sale at December 31, 1997 and 1996 are summarized as follows (in thousands):

1997	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. government and agency securities	$ 21,032	$ 77	$ 30	$ 21,079
Obligations of states and political subdivisions	63,387	2,282	5	65,664
Corporate and other bonds	1,498	27	-	1,525
Mortgage-backed securities	50,060	411	244	50,227
Federal Reserve Bank stock	415	-	-	415
Federal Home Loan Bank stock	2,806	16	-	2,822
Other securities	322	54	-	376
	$ 139,520	$ 2,867	$ 279	$ 142,108

1996	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. government and agency securities	$ 18,405	$ 45	$ 109	$ 18,341
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

The amortized cost and estimated fair value of investment securities and securities available for sale at December 31, 1997, 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	$ 1,791	$ 1,812	$ 8,313	$ 8,343
Due after one year through five years	6,799	6,976	56,579	57,110
Due after five years through ten years	1,190	1,223	56,770	58,318
Due after ten years	661	671	14,314	14,724
	10,441	10,682	135,976	138,495
Federal Reserve Bank stock	-	-	361	361
Federal Home Loan Bank stock	-	-	2,806	2,806
Other securities	-	-	377	446
	$ 10,441	$ 10,682	$ 139,520	$ 142,108

</TABLE>

Investment securities with an amortized cost of approximately $52,383,000 at December 31, 1997 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, 1997, 1996 and 1995 (in thousands):

	1997	1996	1995
Proceeds	$ 2,857	$ 18,677	$ 4,892
Gross gains	$ 58	$ 126	$ 37
Gross losses	(87)	(159)	(53)
Net losses	$ (29)	$ (33)	$ (16)

3 LOANS

Loans are stated at their face amount, net of unearned income, and consist of the following at December 31, 1997 and 1996 (in thousands):

<TABLE>
<CAPTION>

	1997	1996
<S> <C>		
Real estate loans	$ 268,667	$ 232,257
Commercial loans	45,478	37,263

Loans to individuals for household, family and other personal expenditures	79,807	78,950
All other loans	2,469	5,205
	396,421	353,675
Less unearned income on loans	1,083	1,398
	$ 395,338	$ 352,277

</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, 1997 and 1996, the recorded investment in loans which have been identified as impaired loans, in accordance with SFAS 114, totaled $2,140,000 and $420,000, respectively.

Nonaccrual loans totaled approximately $2,140,000 at December 31, 1997. The gross interest income that would have been recorded during 1997, 1996 and 1995 had the Company's nonaccrual loans been current with their original terms, was approximately $95,000, $58,000 and $60,000, respectively. The amount of interest income recorded by the Company during 1997, 1996 and 1995 on nonaccrual loans was $101,000, $44,000 and $8,014, respectively.

4 ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the years ended December 31, 1997, 1996 and 1995 are summarized below (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996	1995
Balance, beginning of year	$ 4,388	$ 4,060	$ 4,110
Provision charged to operations	1,182	895	977
Recoveries credited to allowance	203	401	225
Total	5,773	5,356	5,312
Loans charged off	1,208	968	1,252
Balance, end of year	$ 4,565	$ 4,388	$ 4,060

</TABLE>

5 BANK PREMISES AND EQUIPMENT

Bank premises and equipment as of December 31, 1997 and 1996 are as follows (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996
Land	$ 4,877	$ 3,371
Land improvements and buildings	10,462	9,827
Furniture and equipment	9,681	8,110
Leasehold improvements	382	273
Construction in progress	177	54
	25,579	21,635
Less accumulated depreciation and amortization	8,645	7,354
Bank premises and equipment, net	$ 16,934	$ 14,281

===========   ===========
</TABLE>

Depreciation and amortization expense for 1997, 1996 and 1995 was $1,350,000, $1,120,000 and $906,000, 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, 1997 are approximately $137,000 for 1998, $114,000 for 1999 and $116,000 for 2000.

6 OTHER BORROWINGS

Short-term borrowings consist of the following at December 31, 1997, 1996 and 1995 (dollars in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996	1995
Federal funds purchased	$ 9,000	$ 6,295	$ 6,590
Securities sold under agreements to repurchase	11,645	11,698	10,368
Other short-term borrowings	6,600	9,410	14,150
Total	$ 27,245	$ 27,403	$ 31,108
Weighted interest rate	5.94%	5.27%	5.43%
Average for the year ended December 31:			
Outstanding	$ 20,716	$ 26,344	$ 23,832
Interest rate	4.99%	4.58%	5.85%
Maximum month-end outstanding	$ 28,422	$ 31,023	$ 31,108

</TABLE>

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 approximately $40 million at December 31, 1997. The Company had a line of credit with the Federal Home Loan Bank of Atlanta for $64 million at December 31, 1997.

Long-term debt consisted of the following at December 31, 1997 and 1996 (dollars in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996
Federal Home Loan Bank borrowings:		
Floating rate, due April 24, 2000	$ 5,000	$ -
5.60%, due June 6, 2001	10,000	10,000
5.97%, due July 10, 2002	6,000	-
5.81%, due January 10, 2004	325	375
6.08%, due February 15, 2004	325	375
6.61%, due March 17, 2004	325	375
Floating Rate Note Payable		
to commercial bank, due July 1, 2004	1,740	-
Total long-term debt	$ 23,715	$ 11,125

</TABLE>

7 INCOME TAXES

The components of the 1997, 1996 and 1995 income tax expense (benefit) are as follows:

<TABLE>
<CAPTION>

<S><C>	1997	1996	1995
Current taxes - Federal	$ 2,365	$ 2,448	$ 2,059

Deferred taxes - Federal	(169)	(176)	20
Income tax expense	$ 2,196	$ 2,272	$ 2,079

</TABLE>

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.

<TABLE>
<CAPTION>

<S> <C>	1997	1996	1995
Computed "expected" tax expense	$ 3,427	$ 3,308	$ 3,003
Increase (reduction) in taxes resulting from:			
Tax-exempt interest	(1,152)	(1,128)	(976)
Other, net	(79)	92	52
Income tax expense	$ 2,196	$ 2,272	$ 2,079

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996 are as follows (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996
Deferred tax assets:		
Loans, principally due to the allowance for loan losses	$ 1,156	$ 999
Benefit plans	407	633
Deferred loan fees and costs	28	43
Other	231	88
Total deferred tax assets	1,822	1,763
Deferred tax liabilities:		
Unrealized gains on securities available for sale	877	148
Bank premises and equipment, principally due to depreciation	291	309
Condemnation gains	52	52
Other real estate owned, principally due to sales treatment	-	158
Other	109	43
Total deferred tax liabilities	1,329	710
Net deferred tax asset (included in other assets)	$ 493	$ 1,053

</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 allowance 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 $156,944 and $196,166 for 1997 and 1996, respectively.

Significant assumptions used in determining net periodic pension cost and projected benefit obligation for 1997 and 1996 were:

<TABLE>
<CAPTION>

<S> <C>	1997	1996
Expected long-term rate of return on assets	9.0%	9.0%

	1997	1996
Discount rate	7.5%	7.5%
Salary increase rate	5.0%	6.0%
Average remaining service	22 years	21 years

</TABLE>

The following table sets forth the plan's funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 1997 and 1996 (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996
Vested benefit obligation	$ (1,649)	$ (1,385)
Nonvested accumulated plan benefits	(100)	(72)
Accumulated benefit obligation	$ (1,749)	$ (1,457)
Projected benefit obligation	$ (3,585)	$ (2,960)
Plan assets at fair value	3,046	2,483
Excess of projected benefit obligation over plan assets	(539)	(477)
Unrecognized net obligation	5	6
Unrecognized prior service cost	267	285
Unrecognized net gain	(714)	(655)
Accrued pension liability (included in other liabilities)	$ (981)	$ (841)

</TABLE>

Net periodic pension cost for 1997, 1996 and 1995 included the following components (in thousands):

<TABLE>
<CAPTION>

<S> <C>	1997	1996	1995
Service cost	$ 297	$ 265	$ 212
Interest cost	221	205	178
Actual return on assets	(223)	(275)	(339)
Net amortization and deferral	2	71	165
Net periodic pension cost	$ 297	$ 266	$ 216

</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 subsidiary banks' Board of Directors. The payments to the plan for the years 1997, 1996 and 1995 were approximately $621,000, $521,000 and $580,000, 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 $1,014,000 and $1,034,000 at December 31, 1997 and 1996, respectively. A portion of the benefits will be funded by life insurance.

The Company has a stock option plan (the "Plan") adopted in 1993 that authorizes the reservation of up to 200,000 shares of common stock and provides for the granting of incentive options to certain employees. Under the Plan, the option price cannot be less than the fair market value of the stock on the date granted. An option's maximum term is ten years from the date of grant. Options granted under the Plan may be subject to a graded vesting schedule. A summary of changes for the Plan for the years 1997, 1996 and 1995 and other information for December 31, 1997 are as follows:

<TABLE>
<CAPTION>

WEIGHTED WEIGHTED

Year ended December 31,	1997 SHARES	1997 WEIGHTED AVERAGE EXERCISE PRICE	1996 SHARES	1996 WEIGHTED AVERAGE EXERCISE PRICE	1995 SHARES	1995 WEIGHTED AVERAGE EXERCISE PRICE
<S> <C>						
Options outstanding, January 1	31,620	$ 16.11	25,120	$ 13.81	28,560	$ 8.12
Granted	5,000	25.00	6,500	25.00	10,000	22.00
Exercised	-	-	-	-	13,440	7.81
Options outstanding, December 31	36,620	$ 17.32	31,620	$16.11	25,120	$ 13.81

</TABLE>

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
<S> <C>						
$ - 7.46	12,600	.83 yrs.	$ 7.46	12,600	.83 yrs.	$ 7.46
- 13.05	2,520	2.25	13.05	2,520	2.25	13.05
22.00 - 25.00	21,500	7.85	23.60	5,300	7.33	22.74
$ 7.46 - 25.00	36,620	5.05	$ 17.32	20,420	2.69	$ 12.11

</TABLE>

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, 1997 and 1996, the Company had outstanding loan commitments approximating $46,492,000 and $36,592,000, 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 $6,198,000 and $6,772,000 at December 31, 1997 and 1996, 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 $7,646,000 and $7,847,000 as of December 31, 1997 and 1996, respectively. During 1997 new advances to such related parties amounted to $5,280,000 and repayments amounted to $5,481,000.

11 EARNINGS PER SHARE

In February 1997, the Finanacial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share." The statement establishes new standards for computing and presenting earnings per share ("EPS"). The following is a reconciliation of the denominators of the basic and diluted EPS computations for December 31, 1997, 1996, and 1995:

<TABLE>
<CAPTION>

	INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER-SHARE AMOUNT
	(dollars and shares information in thousands)		
<S> <C>			
For the Year Ended December 31, 1997			
Basic EPS	$ 7,883	3,565	$ 2.21
Effect of dilutive stock options		16	
Diluted EPS	$ 7,883	3,581	$ 2.20
For the Year Ended December 31, 1996			
Basic EPS	$ 7,456	3,564	$ 2.09
Effect of dilutive stock options		12	
Diluted EPS	$ 7,456	3,576	$ 2.08
For the Year Ended December 31, 1997			

Basic EPS	$ 6,753	3,543	$ 1.91
Effect of dilutive stock options		19	
Diluted EPS	$ 6,753	3,562	$ 1.90

</TABLE>

12 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 on page 36) of total and Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1997, 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.

<TABLE>
<CAPTION>

	ACTUAL		REQUIRED FOR CAPITAL ADEQUACY PURPOSES		REQUIRED IN ORDER TO BE WELL CAPITALIZED UNDER PCA	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
<S> <C>						
As of December 31, 1997						
Total capital to risk weighted assets						
Consolidated	$ 68,125	16.68%	$ 32,669	8.00%	$ 40,837	10.00%
Union Bank & Trust	40,980	10.35%	31,686	8.00%	39,608	10.00%
Northern Neck State Bank	20,220	13.28%	12,180	8.00%	15,225	10.00%
King George State Bank	5,753	11.15%	4,126	8.00%	5,158	10.00%
Tier 1capital to risk weighted assets						
Consolidated	63,560	15.56%	16,335	4.00%	24,502	6.00%
Union Bank & Trust	38,310	9.67%	15,843	4.00%	23,765	6.00%
Northern Neck State Bank	18,706	12.29%	6,090	4.00%	9,135	6.00%
King George State Bank	5,372	10.42%	2,063	4.00%	3,095	6.00%

Tier 1capital to average assets						
Consolidated	63,560	11.27%	22,554	4.00%	28,192	5.00%
Union Bank & Trust	38,310	10.60%	14,450	4.00%	18,063	5.00%
Northern Neck State Bank	18,706	12.92%	5,790	4.00%	7,238	5.00%
King George State Bank	5,372	10.00%	2,148	4.00%	2,685	5.00%
As of December 31, 1996						
Total capital to risk weighted assets						
Consolidated	$ 62,415	16.29%	$ 30,652	8.00%	$ 38,315	10.00%
Union Bank & Trust	36,451	9.82%	29,683	8.00%	37,104	10.00%
Northern Neck State Bank	18,844	13.66%	11,035	8.00%	13,794	10.00%
King George State Bank	5,337	10.96%	3,895	8.00%	4,869	10.00%
Tier 1capital to risk weighted assets						
Consolidated	58,027	15.15%	15,321	4.00%	22,981	6.00%
Union Bank & Trust	33,846	9.12%	14,842	4.00%	22,262	6.00%
Northern Neck State Bank	17,424	12.63%	5,517	4.00%	8,276	6.00%
King George State Bank	4,974	10.22%	1,948	4.00%	2,921	6.00%
Tier 1capital to average assets						
Consolidated	58,027	10.70%	21,692	4.00%	27,115	5.00%
Union Bank & Trust	33,846	9.46%	14,318	4.00%	17,898	5.00%
Northern Neck State Bank	17,424	13.08%	5,329	4.00%	6,662	5.00%
King George State Bank	4,974	10.15%	1,960	4.00%	2,450	5.00%

</TABLE>

13 DISCLOSURES 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, 1997 and 1996, 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, 1997 and 1996 are as follows:

	1997		1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash and cash equivalents	$ 21,454	$ 21,454	$ 22,453	$ 22,453
Investment securities	10,441	10,682	11,423	11,689
Securities available for sale	142,108	142,108	129,268	129,268
Net loans	395,338	396,084	352,277	350,717
Financial liabilities:				
Deposits	472,143	474,663	439,607	436,605
Borrowings	50,960	50,923	38,528	38,528

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, 1997 AND 1996
(dollars in thousands)

	1997	1996

<S> <C>

Assets		
Cash	$ 73	$ 84
Certificates of deposit	125	472
Securities available for sale	283	211
Premises and equipment, net	3,353	1,058
Other assets	331	313
Due from subsidiaries	177	51
Investment in subsidiaries	62,782	56,581
Total assets	$ 67,124	$ 58,770
Liabilities and Stockholders' equity:		
Other liabilities	$ 1,616	$ 204
Common stock	14,304	14,267
Surplus	388	160
Retained earnings	49,105	43,863
Unrealized gains on securities available for sale	1,711	276
Total liabilities and stockholders' equity	$ 67,124	$ 58,770

</TABLE>

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

<TABLE>
<CAPTION

<S> <C>

	1997	1996	1995
Income:			
Interest income	$ 11	$ 67	$ 93
Dividends received from subsidiaries	3,434	2,315	1,948
Equity in undistributed net income of subsidiaries	4,769	5,453	4,886
Other income	62	2	-
Total income	8,276	7,837	6,927
Interest expense	64	-	-
Operating expenses	329	381	174
Total expense	393	381	174
Net income	$ 7,883	$ 7,456	$ 6,753

</TABLE>

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

<TABLE>
<CAPTION>

<S> <C>

	1997	1996	1995
Operating activities:			
Net income	$ 7,883	$ 7,456	$ 6,753
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(4,769)	(5,453)	(4,886)
Decrease (increase) in other assets	(144)	34	(260)

Other (net)	(162)	197	(1)
Net cash provided by operating activities	2,808	2,234	1,606
Investing activities:			
Purchase of securities	-	(63)	(100)
Proceeds from maturity of securities	55	1,006	498
Purchase of equipment	(2,585)	(1,076)	-
Capital contributions to subsidiaries	-	-	(50)
Net cash provided (used) by investing activities	(2,530)	(133)	348
Financing activities:			
Net increase in borrowings	1,740	-	-
Cash dividends paid	(2,641)	(2,315)	(1,948)
Issuance of common stock under plans	304	272	310
Repurchase of common stock under plans	(39)	(159)	-
Net cash used in financing activities	(636)	(2,202)	(1,638)
Increase (decrease) in cash and cash equivalents	(358)	(101)	316
Cash and cash equivalents at beginning of year	556	657	341
Cash and cash equivalents at end of year	$ 198	$ 556	$ 657

</TABLE>

INDEPENDENT AUDITORS' REPORT [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, 1997 and 1996, 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, 1997. 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, for the year ended December 31, 1995, which statements reflect total interest income constituting 9% in 1995 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 the 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 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, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997 in conformity with generally accepted accounting principles.

Richmond, Virginia KPMG PEAT MARWICK LLP
February 4, 1998

UNION BANKSHARES CORPORTION

DIRECTORY OF UNION BANKSHARES CORPORATION

NORTHERN NECK STATE BANK

UNION BANK & TRUST COMPANY

OFFICERS
E. Peyton Motley, President
N. Byrd Newton, Senior Vice President & Secretary
Russell G. Brown, Vice President
William E. Harrison, Vice President & Cashier
Marion B. Rowe, Vice President
Gail S. Smith, Vice President
William M. Wright, Vice President

DIRECTORS

William E. Bowen	E. Peyton Motley
S. Bryan Chandler	W. Tayloe Murphy, Jr.
Richard A. Farmar, Jr.	Louis G. Packett
W. D. Gray	Charles H. Ryland
Edward L. Hammond	William M. Wright
William H. Hughes	

HONORARY DIRECTORS
Robert D. Delano
James V. Garland, Jr.
Thomas S. Herbert
R. Carter Wellford

KING GEORGE STATE BANK

OFFICERS	DIRECTORS
Homer L. Hite	John S. Cheadle
President	Frederick G. Davies
David F. Clare	William B. Gallahan
Vice President	Homer L. Hite
Scott Q. Nininger	E.R. Morris, Jr.
Vice President	Frank B. Taylor
Priscilla O. Morgan	Newell C. Thompson
Cashier	E.P. Woodworth

UNION MORTGAGE COMPANY, LLC

OFFICERS	DIRECTORS
John C. Neal	G. William Beale
President	Chairman
Edward G. Hilldrup	Homer L. Hite
Vice President	E. Peyton Motley
	John C. Neal

UNION BANK & TRUST COMPANY

G. William Beale, President & Chief Executive Officer
John C. Neal, Executive Vice President & Chief Operating Officer
Robert K. Bailey, III, Senior Vice President
William H. Hutton, Senior Vice President
David K. Bohmke, Vice President
Thomas J. Boyd, III, Vice President
Jeannette B. Burke, Vice President
F. Kent Cox, Vice President
Sherry C. Gravatt, Vice President
Almeda H. Pitts, Vice President & Cashier
John M. Randolph, Vice President
R. Tyler Ware, Vice President

Raymond C. Ratcliffe, Jr., Vice President
George Washington, Jr., Vice President

DIRECTORS

Ronald L. Hicks, Chairman
Walton Mahon, Vice Chairman
G. William Beale
Daniel I. Hansen
Estelle H. Kay
Michael N. Manns
James E. Small, III
M. Raymond Piland, III
A.D. Whittaker

HONORARY DIRECTORS

H. Ashton Taylor
R.F. Upshaw, Jr.
Guy C. Lewis, Jr.

UNION INVESTMENT SERVICES, INC.

OFFICERS

G. William Beale
President
Bernard W. Mahon, Jr.
Vice President
Randall W. Vaughan
Financial Advisor
Elaine M. Arnold
Financial Advisor
Rhonda Carr
Office Manager

DIRECTORS

G. William Beale,
Chairman
David F. Clare
Ronald L. Hicks
Estelle H. Kay
Michael N. Manns
William M. Wright

STOCKHOLDER INFORMATION

CORPORATE HEADQUARTERS

Union Bankshares Corporation
P.O. Box 446
211 North Main Street
Bowling Green, Virginia 22427-0446
(804) 633-5031

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 7:00 p.m. on Tuesday, April 21, 1998, at the Caroline County High School, Bowling Green, Virginia. All shareholders are cordially invited to attend.

COMMON STOCK

Union Bankshares' Common Stock is traded on the National Over-The-Counter Market and is quoted on the National Market System of NASDAQ (National Association of Securities Dealers Automated Quotations) where our symbol is UBSH. (CUSIP # 905399101)

Union Bankshares is also listed in some newspapers under the NASDAQ National Market heading "UnBkCp" or "UnionBS".

COMMON STOCK PRICES AND DIVIDENDS

Union Bankshares Corporation began trading its stock via NASDAQ in October 1993. Dividends are typically paid on June 1st and December 1st of each year.

There were 3,575,937 shares of stock outstanding on December 31, 1997, held by 1,976 shareholders of record. The most recent trades at February 27, 1998 were $42.50 per share which compares to a year earlier trading price of $26.25.

The following schedule summarizes the high and low sales prices and dividends declared for the two years ended December 31, 1997.

<TABLE>
<CAPTION>

	MARKET VALUES				DIVIDENDS DECLARED	
	1997		1996			
	HIGH	LOW	HIGH	LOW	1997	1996
<S>	<C>					
First Quarter	$26.25	$ 25.00	$26.25	$24.50	$ -	$ -

Second Quarter	31.00	24.25	27.75	23.50	.36	.30
Third Quarter	33.75	28.75	27.00	24.50	-	-
Fourth Quarter	44.75	32.75	26.25	25.00	.38	.34
					$ .74	$ .64

</TABLE>

DIVIDEND REINVESTMENT PLAN

Union Bankshares' dividend reinvestment plan provides each registered shareholder with an economical and convenient method of investing cash dividends in additional shares of the Company's common stock without fees and at a 5% discount from the prevailing market price. For a prospectus on the Dividend Reinvestment Plan, contact our Transfer Agent at the address indicated below.

INVESTOR RELATIONS

Union Bankshares' Annual Report, Form 10-K, and other corporate publications are available to shareholders on request, without charge, by writing:

D. Anthony Peay
Vice President and Chief Financial Officer
Union Bankshares Corporation
P.O. Box 446
Bowling Green, Virginia 22427-0446
(804) 632-2112

INDEPENDENT AUDITORS
KPMG Peat Marwick LLP
1021 East Cary Street, Suite 1900
Richmond, VA 23219

TRANSFER AGENT

Shareholders requiring information on stock transfer requirements, lost certificates, dividends and other shareholder matters should contact our transfer agent:

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016-3572
1-800-368-5948

Union Bankshares is fortunate to serve some wonderfully historic and picturesque areas of Virginia. Featured on the cover and in the pages of the annual report are representative photos of our communities. The waterman in Cockrell Creek, Reedville, Stratford Hall, and the Montross produce stand are provided courtesy of the Northern Neck Tourism Council. Thanks goes to the Fredericksburg Office of Economic Development and Tourism for the photo of the Mary Washington House. The photo of historic Hanover Tavern was graciously provided by the Hanover Tavern Foundation. Union Bankshares wishes to thank those organizations for adding so much to our annual report.

UNION BANKSHARES CORPORATION
P.O. Box 446
211 North Main Street
Bowling Green, Virginia 22427-0446
(804) 633-5031

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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<RECOVERIES>                                       203
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