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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 1998

Commission File No. 0-20293

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

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

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

(804) 633-5031
(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: COMMON STOCK, $2 PAR VALUE

Union Bankshares Corporation (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

As of September 30, 1998, Union Bankshares Corporation had 7,498,994 shares of Common Stock outstanding.

UNION BANKSHARES CORPORATION
FORM 10-Q
September 30, 1998

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PART 1 - FINANCIAL INFORMATION
Item 1. Financial Statements

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

(Dollars in thousands)

<TABLE>
<CAPTION>

ASSETS	September 30, 1998	December 31 1997	September 30 1997
<S>	<C>	<C>	<C>
Cash and cash equivalents:			
Cash and due from banks	$ 19,509	$ 20,959	$ 22,845
Interest-bearing deposits in other banks	499	790	1,003
Federal funds sold	8,650	6,932	5,194
Total cash and cash equivalents	28,658	28,681	29,042
Securities available for sale, at fair value	151,216	143,711	140,844
Investment securities			
fair value of $19,801, $18,059 and $17,952, respectively	19,412	17,769	17,683
Total securities	170,628	161,480	158,527
Loans, net of unearned income	464,544	399,351	388,083
Less allowance for loan losses	6,105	4,798	4,668
Net loans	458,439	394,553	383,415
Bank premises and equpiment, net	20,735	16,978	16,516
Other real estate owned	1,039	1,746	2,535
Other assets	19,454	12,278	9,214
Total assets	$698,953	$ 615,716	$ 599,249
LIABILITIES AND STOCKHOLDERS' EQUITY			
Non-interest-bearing demand deposits	$ 74,182	$ 65,980	$ 63,687
Interest-bearing deposits:			
Savings accounts	59,371	55,039	52,472
NOW accounts	75,710	60,010	60,590
Money market accounts	61,762	50,387	49,199
Time deposits of $100,000 and over	71,005	61,171	60,382
Other time deposits	238,092	196,968	195,748
Total interest-bearing deposits	505,940	423,575	418,391
Total deposits	580,122	489,555	482,078
Short-term borrowings	12,788	27,245	21,279
Long-term borrowings	28,355	23,715	23,745
Other liabilities	4,780	7,036	5,161
Total liabilities	626,045	547,551	532,263
Stockholders' equity:			
Common stock, $2 par value. Authorized 24,000,000 shares; issued and outstanding, 7,498,994, 7,151,874 and 7,142,984 shares, respectively	14,998	14,304	14,286
Surplus	337	388	248
Retained earnings	54,957	51,766	51,113
Accumulated other comprehensive income			
Net unrealized gains on securities available for sale, net of taxes	2,616	1,707	1,339
Total stockholders' equity	72,908	68,165	66,986
Total liabilities and stockholders' equity	$698,953	$ 615,716	$ 599,249

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income (Unaudited)

(Dollars in thousands)

<TABLE>
<CAPTION>

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Interest income:				

Interest and fees on loans	$ 10,260	$ 9,140	$ 29,982	$ 25,871
Interest on securities:				
U.S. government and agency securities	361	786	1,182	2,813
Obligations of states and political subdivisions	1,049	996	3,066	2,989
Other securities	1,115	618	3,156	1,177
Interest on Federal funds sold	121	152	420	366
Interest on interest-bearing deposits in other banks	11	10	57	38
Total interest income	12,917	11,702	37,863	33,254
Interest expense:				
Interest on deposits	5,645	4,807	16,143	13,876
Interest on other borrowings	593	568	1,985	1,687
Total interest expense	6,238	5,375	18,128	15,563
Net interest income	6,679	6,327	19,735	17,691
Provision for loan losses (note 2)	1,479	310	2,394	730
Net interest income after provision for loan losses	5,200	6,017	17,341	16,961
Other income:				
Service charges on deposit accounts	754	609	2,093	1,704
Other service charges and fees	493	371	1,458	980
Gains (losses) on securities transactions, net	(6)	(10)	(31)	3
Gains (losses)on sales of other real estate owned and bank premises, net	(5)	16	11	424
Other operating income	114	178	252	450
Total other income	1,350	1,164	3,783	3,561
Other expenses:				
Salaries and benefits	2,776	2,394	7,959	6,798
Occupancy expenses	315	273	930	822
Furniture and equipment expenses	479	298	1,329	1,054
Other operating expenses	1,777	1,564	4,811	4,066
Total other expenses	5,347	4,529	15,029	12,740
Income before income taxes	1,203	2,652	6,095	7,782
Income tax expense	104	641	1,041	1,703
Net income	$ 1,099	$ 2,011	$ 5,054	$ 6,079
Other Comprehensive income				
Unrealized holding (gains) losses arising during the period net of taxes of $301 and $309 for three and nine months of 1998 and $98 and $366 for the three and nine months of 1997	$ 585	$ 191	$ 600	$

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Less reclassification adjustments for (gains) losses included in net income, net of taxes of $2 and $11 for three and nine months of 1998 and $3 and ($1) for the three and nine months of 1997	4	7	20	(2)
Comprehensive income	$ 1,688	$ 2,209	$ 5,674	$ 6,787
Basic earnings per share	$ 0.14	$ 0.28	$ 0.69	$ 0.85
Diluted earnings per share	$ 0.14	$ 0.28	$ 0.69	$ 0.85
Dividends per share	--		0.19	0.18

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
Nine Months Ended September 30, 1998 and 1997
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Operating activities:		
Net income	$ 5,054	$ 6,079
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation of bank premises and equipment	1,170	1,099
Amortization of intangibles	269	32
Provision for loan losses	2,394	730
Gains (losses) on sales of securities available for sale	31	(3)
Gains on sale of other real estate owned	(11)	(424)
Increase in other assets	(7,879)	(1,027)
Decrease in other liabilities	(2,256)	2,656
Net cash and cash equivalents provided by (used in) operating activities	(1,228)	9,142
Investing activities:		
Net increase in securities	(7,834)	(9,512)
Net increase in loans	(66,330)	(33,200)
Acquisition of bank premises and equipment	(4,927)	(3,342)
Proceeds from sales of other real estate owned	767	5,389
Net cash and cash equivalents used in investing activities	(78,324)	(40,665)
Financing activities:		
Net increase in non-interest-bearing deposits	8,202	4,352
Net increase in interest-bearing deposits	82,365	22,133
Net decrease in short-term borrowings	(14,457)	(6,124)
Increase in long-term borrowings	4,775	12,800
Issuance (purchase) of common stock	10	(39)
Cash dividends paid	(1,231)	(1,213)
Repayment of long-term borrowings	(135)	(180)
Net cash and cash equivalents provided by financing activities	79,529	31,729
Increase (decrease) in cash and cash equivalents	(23)	206
Cash and cash equivalents at beginning of period	28,681	28,836
Cash and cash equivalents at end of period	$ 28,658	$ 29,042

</TABLE>

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)
September 30, 1998

1. ACCOUNTING POLICIES

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

The information contained in the financial statements is unaudited and does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of the interim periods presented have been made. Operating results for the three- and nine-month periods ended September 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1997 Annual Report to Shareholders. Certain previously reported amounts have been reclassified to conform to current period presentation.

2. ALLOWANCE FOR LOAN LOSSES

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

	1998	1997
Balance, January 1	$ 4,798	$ 4,612
Provisions charged to operations	2,394	730
Recoveries credited to allowance	189	160
Loans charged off	(1,276)	(834)
Balance, September 30	$ 6,105	$4,668

3. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of shares outstanding during the period. Weighted average shares used for the computation of basic EPS were 7,498,994 and 7,142,984 for the three months ended September 30, 1998 and 1997 and 7,277,881 and 7,136,644 for the nine months ended September 30, 1998 and 1997. Diluted EPS is computed using the weighted number of common shares outstanding during the period, including the effect of dilutive potential common shares outstanding attributable to stock options. Weighted average shares used for the computation of diluted EPS were 7,516,968 and 7,175,070 for the three months ended September 30, 1998 and 1997 and 7,309,992 and 7,162,165 for the nine months ended September 30, 1998 and 1997.

4. RECENT ACCOUNTING STATEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that a company recognize all derivative instruments as either assets or liabilities in the consolidated balance sheet, and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For companies with a fiscal year ending on December 31, SFAS 133 is effective as of January 1, 2000. Earlier adoption, as of the beginning of a fiscal quarter, is encouraged but is not mandatory. The impact of adopting SFAS 133 will be dependent on the specific derivative instruments in place at the date of adoption. At this time, 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, and does not anticipate adopting SFAS 133 before January 1, 2000.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Union Bankshares Corporation is a multi-bank holding company organized under Virginia law which provides financial services through its wholly-owned subsidiaries, Union Bank & Trust Company, Northern Neck State Bank, King George State Bank, Rappahannock National Bank, Union Investment Services, Inc., and Union Mortgage Company, LLC (collectively, the "Company"). The four subsidiary banks, Union Bank & Trust Company, Northern Neck State Bank, King George State Bank and Rappahannock National Bank, are full service retail commercial banks offering a wide range of banking and related financial services, including demand and time deposits, as well as commercial, industrial, residential construction, residential mortgage and consumer loans. Union Investment Services, Inc., is a full service discount brokerage company which offers a full range of investment services, and sells mutual funds, bonds and stocks. Union

Mortgage Company, LLC provides a wide array of mortgage products to the Company's primary trade area.

The Company's primary trade area stretches from Fredericksburg, south to Hanover County and east throughout Northern Neck area of Virginia. The Corporate Headquarters are located in Bowling Green, Virginia. Through its banking subsidiaries, the Company operates 27 branches in its primary trade area.

During the second quarter of 1998 the Company announced a two-for-one stock split to shareholders of record as of May 21, 1998. All shares and per share data have been adjusted to reflect the split and per value has been reduced from $4 to $2 per share. The Company also announced that it had filed the necessary applications to form a new community bank in Williamsburg, Virginia, The Bank of Williamsburg. The Company anticipates to begin operations of this wholly-owned subsidiary in January of 1999.

On July 1, 1998, the Company completed its acquisition of Rappahannock Bankshares, Inc., a $20 million one-bank holding company in Washington, Virginia. The Company exchanged 316.4 shares of its common stock for each outstanding share of Rappahannock Bankshares, Inc. stock. This transaction was accounted for as a pooling-of-interests. The impact of this transaction is not expected to have a material effect on the financial condition or results of operations of the Company.

Management's discussion and analysis is presented to aid the reader in understanding and evaluating the financial condition and results of operations of Union Bankshares Corporation and subsidiaries. The analysis focuses on the Consolidated Financial Statements, the footnotes thereto, and the other financial data herein. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends affecting the Company. Amounts are rounded for presentation purposes, while the percentages presented are computed based on unrounded amounts.

Results of Operations

Net income for the third quarter of 1998 was $1.1 million, down from $2.0 million for the same period in 1997. The decline in net income for the period was due principally to a special provision of $975,000 to the allowance for loan losses related to a single credit relationship in the third quarter of 1998. Diluted earnings per share amounted to $.14 in the third quarter of 1998, as compared to $.28 in the third quarter of 1997. The Company's annualized return on assets for the third quarter of 1998 was .63% as compared to 1.35% a year ago. The Company's annualized return on equity totaled 6.06% and 12.12% for the three months ended September 30, 1998 and 1997, respectively.

Net income for the first nine months of 1998 was $5.1 million, down from $6.1 million for the same period in 1997. Excluding nonrecurring pretax gains and losses on sales of other real estate and securities in the first nine months of 1997 and the effect of the aforementioned special provision for loan losses in the third quarter of 1998, net income was unchanged in the first nine months of 1998 from 1997 totals. Diluted earnings per share amounted to $.69 in the first nine months of 1998, as compared to $.85 in the same period in 1997. The Company's annualized return on assets for the first nine months of 1998 was 1.00% as compared to 1.42% a year ago. The Company's annualized return on equity totaled 9.38% and 12.99% for the nine months ended September 30, 1998 and 1997, respectively.

Net Interest Income

Net interest income on a tax-equivalent basis for the third quarter of 1998 increased by 5.7% to $7.1 million from $6.8 million for the same period a year ago. Despite declining interest rates, the Company has been able to maintain a strong net interest margin by managing its interest rate spread and increasing the volume of earning assets over interest-bearing liablities. The current interest rate environment and competition for deposits continues to put pressure on net interest margins. Average earning assets during the third quarter of 1998 increased by $93.5 million to $644.0 million from the third quarter of 1997, while average interest-bearing liabilities grew by $79.4 million to $541.8 million over this same period. The Company's yield on average earning assets was 8.24%, down from 8.74% a year ago, while its cost of average interest-bearing liabilities also decreased slightly from 4.61% to 4.57%.

<TABLE>
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Union Bankshares Corporation
Average Balances, Income and Expenses, Yields and Rates (Taxable Equivalent Basis)

Quarters Ended September 30,

	1998			1997			1996		
	Average	Interest Income/	Yield/	Average	Interest Income/	Yield/	Average	Interest Income/	Yield/

	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:									
Securities:									
Taxable	$ 93,622	$ 1,578	6.69%	$ 89,168	$ 1,460	6.50%	$ 79,036	$ 1,157	6.45%
Tax-exempt(1)	74,599	1,405	7.47%	68,144	1,365	7.95%	68,556	1,415	8.32%
Total securities	168,221	2,983	7.04%	157,312	2,825	7.12%	147,592	2,572	7.32%
Loans, net.	461,579	10,260	8.82%	379,890	9,140	9.55%	352,188	8,210	9.33%
Federal funds sold	11,974	121	4.01%	12,820	152	4.70%	9,986	103	6.56%
Interest-bearing deposits	-	-		-	-		-	-	
in other banks	2,227	11	1.96%	508	10	7.81%	1,187	15	6.02%
Total earning assets	644,001	13,375	8.24%	550,530	12,127	8.74%	510,953	10,900	8.68%
Allowance for loan losses	(5,319)			(4,654)			(4,624)		
Total non-earning assets	57,889			45,627			46,596		
Total assets	$ 696,571			$ 591,503			$ 552,925		
Liabilities & Stockholders' Equity:									
Interest-bearing deposits:									
Checking	$ 74,790	$ 455	2.41%	$ 60,012	$ 405	2.68%	$ 48,418	$ 302	2.47%
Regular savings	59,388	449	3.00%	52,448	409	3.09%	62,692	511	3.56%
Money market savings	62,477	530	3.37%	49,285	425	3.42%	53,857	439	3.23%
Certificates of deposit:	-	-		-	-		-	-	
$100,000 and over	71,041	968	5.41%	60,300	804	5.29%	53,318	652	5.03%
Under $100,000	231,804	3,243	5.55%	195,019	2,764	5.62%	172,986	2,483	5.72%
Total interest-bearing	-	-		-	-		-	-	
deposits	499,500	5,645	4.48%	417,064	4,807	4.57%	391,271	4,387	4.54%
Other borrowings	42,256	593	5.57%	45,328	568	4.97%	39,986	581	5.76%

Total interest-bearing liabilities	541,756	6,238	4.57%	462,392	5,375	4.61%	431,257	4,968	4.65%
Non-interest bearing liabilities:									
Demand deposits	76,838			61,070			59,661		
Other liabilities	6,657			5,465			5,137		
Total liabilities	625,251			528,927			496,055		
Stockholders' equity	71,320			62,576			56,870		
Total liabilities and stockholders' equity	$ 696,571			$ 591,503			$ 552,925		
Net interest income		$ 7,137			$ 6,752			$ 5,932	
Interest rate spread			3.67%			4.13%			4.03%
Interest expense as a percent of average earning assets			3.89%			3.93%			3.98%
Net interest margin			4.39%			4.88%			4.76%

</TABLE>

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

COMBINED

The following table presents the Company's interest sensitivity position at September 30, 1998. This one-day position, which is continually changing, is not necessarily indicative of the Company's position at any other time.

<TABLE>
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Interest Sensitivity Analysis
September 30, 1998

(In thousands)

	Within 90 Days	90-365 Days	1-5 Years	Over 5 Years	Total
Earning Assets:					
<S>	<C>	<C>	<C>	<C>	<C>
Loans, net of unearned income (3)	$ 100,629	$ 42,968	$174,893	$ 143,263	$ 461,753
Investment securities	810	3,137	12,063	3,402	19,412
Securities available for sale	1,584	6,044	47,010	96,578	151,216
Federal funds sold	8,650	-	-	-	8,650
Other short-term investments	400	-	99	-	499
Total earning assets	112,073	52,149	234,065	243,243	641,530
Interest-Bearing Liabilities:					
Interest checking (2)	$ -	$ -	$ 75,710	$ -	$ 75,710
Regular savings (2)	6,090	-	53,281	-	59,371
Money market savings	61,762	-	-	-	61,762
Certificates of deposit:					
$100,000 and over	21,094	30,498	19,413	-	71,005
Under $100,000	43,171	84,842	110,079	-	238,092
Short-term borrowings	12,788	-	-	-	12,788

Long-term borrowings	-	5,150	16,600	6,605	28,355
Total interest-bearing liabilities	144,905	120,490	275,083	6,605	547,083
Period gap	(32,832)	(68,341)	(41,018)	236,638	
Cumulative gap	$ (32,832)	$(101,173)	$(142,191)	$ 94,447	$ 94,447
Ratio of cumulative gap to total earning assets	-5.12%	-15.77%	-22.16%	14.72%	

</TABLE>

(1) The repricing dates may differ from maturity dates for certain assets due to prepayment assumptions.
(2) The Company has found that interest-bearing checking deposits and regular savings deposits are not sensitive to changes in related market rates and therefore, it has placed them predominantly in the "1-5 Years" column.
(3) Excludes non-accrual loans

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, including 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	+3.1%
Flat	0
-200 basis points	-3.3%

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 longer 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(dollars in thousands):

Change in Prime Rate	Change in Net Market Value
+200 basis points	$ -9,722
+100 basis points	-538
Flat	498
-100 basis points	17,862
-200 basis points	26,701

Provision for Possible Loan Losses

The provision for possible loan losses totaled $1,479,000 for the third quarter of 1998, up from $310,000 for the third quarter of 1997. The provision for the first nine months of 1998 totaled $2,394,000, up from $730,000 a year ago. These provisions reflect a special provision of $975,000 recorded in the third quarter of 1998 related to a single credit relationship. Management does not feel this loss is indicative of any decline in the overall quality of the Company's loan portfolio. (See Asset Quality)

Non-Interest Income

Non-interest income for the nine months ended 1998 totaled $3.8 million, up from $3.6 a year ago. This increase is due principally to the increases in income from mortgage brokerage and was partially offset by net gains of approximately $424,000 on sales of real estate owned in the first nine months of 1997. The remaining increase in non-interest income is due to increases in service fees on deposit accounts, increases in other service fees and increased brokerage commissions. Management continues to seek additional sources of non-interest income, including increased emphasis on its credit card operations, mortgage banking activities and brokerage services.

Non-Interest Expense

Non-interest expense increased by 18.0% for the nine months of 1998, totaling $15.0 million as compared to $12.7 million for 1997. Personnel costs comprised much of this change, increasing approximately 17.0% over 1997, due principally to the Signet branch acquisition and continued growth. The remaining cost is attributable to infrastructure associated with the consolidation of certain functions and the development and introduction of new products and delivery systems, which are expected to enhance future earnings through increased revenue and/or improved efficiencies. The Company continues to stress budgetary expense controls.

Financial Condition

Total assets as of September 30, 1998 were $699.0 million, an increase of 13.5% from $615.7 million at December 31, 1997 and 16.6% from $599.2 million at September 30, 1997. Asset growth was fueled by the Signet branch acquisition and steady loan demand, as loans totaled $464.5 million at September 30, 1998, an increase of 16.3% from $399.4 million at December 31, 1997, and 19.7% from $388.1 million at September 30, 1997. Stockholders' equity totaled $72.9 million at September 30, 1998 which represents a book value of $9.72 per share.

Asset and deposit growth in the first nine months were principally a result of the acquisition of the former Signet branches which added $62.5 million in deposits to the balance sheet. Proceeds from this acquisition were invested in a variety of investment products including government securities, mortgage backed securities and whole loans. These branches add significantly to the Company's presence in the Northern Neck region, and although they may cause a short-term drag on earnings, they provide significant potential for growth in market share.

Deposit growth, irrespective of the Signet acquisition, remained steady. Total deposits at September 30, 1998 were $580.1 million, up 18.5% from $489.6 million at December 31, 1997 and 20.3% from $482.1 million a year earlier. Other borrowings totaled $41.1 million at September 30, 1998 a 19.3% decrease over $51.0 million at the end of 1997 and a 8.6% decrease from $45.0 million at September 30, 1997. The Company continues to utilize other borrowings to supplement deposit growth and, periodically, engages in wholesale leverage transactions. These wholesale leverage transactions have typically been executed at spreads of approximately 150 to 200 basis points and, although they have negatively impacted the Company's net interest margin (as a percentage), they have had a positive effect on earnings and return on equity.

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

Asset Quality

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

The allowance for loan losses totaled $6.1 million at September 30, 1998 or 1.20% of total loans, as compared to 1.15% at December 31, 1997 and 1.16% at September 30, 1997. At September 30, 1998, non-performing assets of $4.8 million included foreclosed properties of $1.0 million and a $1.0 million investment in income-producing property.

	September 30, 1998	December 31, 1997	September 30, 1997
Non-accrual loans	$2,791	$2,140	$ 284
Foreclosed properties	1,039	1,850	1,876
Real estate investment	960	1,050	2,017
Non-performing assets	$4,790	$5,040	$4,177
Allowance for loan losses	$6,105	$4,798	$4,668
Allowance as % of total loans	1.20%	1.15%	1.16%

Non-performing assets to loans and foreclosed properties	1.20%	1.24%	1.10%

Capital Resources

Capital resources represent funds, earned or obtained, over which financial institutions can exercise greater or longer control in comparison with deposits and borrowed funds. The adequacy of the Company's capital is reviewed by management on an ongoing basis with reference to the size, composition, and quality of the Company's resources and consistency with regulatory requirements and industry standards. Management seeks to maintain a capital structure that will assure an adequate level of capital to support anticipated asset growth and absorb potential losses.

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

At September 30, 1998, the Company's ratio of total capital to risk-weighted assets was 13.68% and its ratio of Tier 1 capital to risk-weighted assets was 12.50%. Both ratios exceed the fully phased-in capital requirements. The following summarizes the Company's regulatory capital and related ratios at September 30, 1998:

Tier 1 capital	$ 64,579
Tier 2 capital	$ 6,104
Total risk-based capital	$ 70,683
Total risk-weighted assets	$ 516,599
Capital Ratios:	
Tier 1 risk-based capital ratio	12.50%
Total risk-based capital ratio	13.68%
Leverage ratio (Tier I capital to average adjusted total assets)	9.27%
Equity to assets ratio	9.82%

The Company's book value per share at September 30, 1998 was $9.72. Dividends to stockholders are typically declared and paid semi-annually in June and December.

Liquidity

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest bearing deposits with banks, federal funds sold, investments and loans maturing within one year. The Company's ability to obtain deposits and purchase funds at favorable rates determines its liability liquidity. Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary through Federal funds lines with several regional banks and a line of credit with the Federal Home Loan Bank. Management considers the Company's overall liquidity to be sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

At September 30, 1998, cash, interest-bearing deposits in other banks, federal funds sold, securities available for sale and loans maturing or repricing in one year were 53.5% of total earning assets. At September 30, 1998 approximately $143.6 million or 31.1% of total loans would mature or reprice within the next year. The Company utilizes federal funds purchased, FHLB advances, securities sold under agreements to repurchase and customer repurchase agreements, in addition to deposits, to fund the growth in its loan portfolio, and to fund securities purchases, periodically in wholesale leverage transactions.

Year 2000

The Year 2000 issue affects virtually all companies and organizations. Many companies have existing computer applications which use only two digits to identify a year in the date field. These applications were designed and developed without considering the impact of the change of the century. If not corrected these computer applications may fail or create erroneous results in the Year 2000. Because the Company relies on information processing and communications to conduct much of its business, the Year 2000 issue is of concern to the company.

The Company has developed a Corporate Year 2000 team involving associates from all areas in the organization. The team has been in-place since September of 1997. The project's scope includes all information technology (IT), both internally developed and purchased from third parties, material vendors, producer and customer relationships.

The Company has completed the awareness and assessment phases for its material IT systems ("mission-critical systems") and is currently in the remediation and testing phases. The Company anticipates that it will complete the remediation and testing phases for its mission-critical IT systems and these systems are targeted to be made Year 2000 compliant and validated by December 31, 1998.

The Company has been in contact with its material business partners to determine their state of readiness and the potential impact on the Company. The Company has identified the following general categories of business partners as material to the Company's ability to conduct its operations: Software, hardware and telecommunication providers, other banks and investment brokers, major deposit and loan customers and utilities.

Where the Company has determined that the relationship with a business partner is material to its ability to conduct normal operations, the Company has sent letters to the business partner requesting an update on the status of its Year 2000 initiative. Where deemed necessary, the Company is following-up with the business partner to obtain further information. The Company has not currently identified a material business partner that will be noncompliant. However, there can be no assurances that all material business partners will be compliant and such noncompliance could have a material effect on the Company's financial position and results of operations.

The Company has also devoted significant time and effort in developing customer awareness, including seminars designed to both educate and reassure its customers and the general public.

Although it expects all of its mission-critical IT systems to be Year 2000 compliant by December 31, 1998, the Company is developing a contingency plan for noncompliance of its mission-critical IT systems. If the Company becomes aware of noncompliant business partners, one option will be to evaluate using other vendors. The Company expects its review of material business partners to be completed by December 31, 1998. At that time the Company will be able to completely evaluate the need to replace any material business partners. In some instances the establishment of a contingency plan is not possible or is cost prohibitive. In these situations, noncompliance by the Company or its material business partners could have a material adverse impact on the Company's financial position and results of operations.

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. This estimate includes some costs, such as the purchase of computer hardware, that will qualify as depreciable assets for accounting purposes, with the related depreciation expense recognized over the estimated lives of the related assets. However, the majority of the costs will be expensed as incurred. A significant portion of these costs are not likely to be incremental costs, but rather a redeployment of existing information technology resources. Approximately $25,000 of this amount was incurred as of September 30, 1998. The remainder of the estimated cost of the project is expected to be incurred in the fourth quarter of 1998 and in 1999. All costs of the Year 2000 project have been expensed as incurred.

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

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

Signatures

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

Union Bankshares Corporation
(Registrant)

November 16, 1998	s/ G. William Beale
(Date)	G. William Beale, President, Chief Executive Officer and Director
November 16, 1998	s/ D. Anthony Peay
(Date)	D. Anthony Peay, Vice President and Chief Financial Officer

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
Index to Exhibits
Form 10-Q /September 30, 1998

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

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