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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2015

OR

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

Commission File Number: 0-20293

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

VIRGINIA **(State or other jurisdiction of incorporation or organization)**	**54-1598552** **(I.R.S. Employer Identification No.)**

1051 East Cary Street
Suite 1200
Richmond, Virginia 23219
(Address of principal executive offices) (Zip Code)

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

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.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of common stock outstanding as of August 3, 2015 was 45,113,478.

UNION BANKSHARES CORPORATION
FORM 10-Q
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Glossary of Acronyms

AFS	–	Available for sale
ALCO	–	Asset Liability Committee
ALL	–	Allowance for loan losses
ASC	–	Accounting Standards Codification
ASU	–	Accounting Standards Update
ATM	–	Automated teller machine
the Bank	–	Union Bank & Trust, formerly known as Union First Market Bank
bps	–	Basis points
the Company	–	Union Bankshares Corporation
Dodd-Frank Act	–	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EPS	–	Earnings per share
Exchange Act	–	Securities Exchange Act of 1934
FASB	–	Financial Accounting Standards Board
FDIC	–	Federal Deposit Insurance Corporation
Federal Reserve	–	Board of Governors of the Federal Reserve System
Federal Reserve Bank	–	Federal Reserve Bank of Richmond
FHLB	–	Federal Home Loan Bank of Atlanta
U.S. GAAP or GAAP	–	Accounting principles generally accepted in the United States
HELOC	–	Home equity line of credit
HTM	–	Held to maturity
LIBOR	–	London Interbank Offered Rate
NPA	–	Nonperforming assets
OREO	–	Other real estate owned
OTTI	–	Other than temporary impairment
PCI	–	Purchased credit impaired
SEC	–	U.S. Securities and Exchange Commission
StellarOne	–	StellarOne Corporation
TDR	–	Troubled debt restructuring
UMG	–	Union Mortgage Group, Inc.

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

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

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 109,480	$ 112,752
Interest-bearing deposits in other banks	26,333	19,344
Money market investments	1	1
Federal funds sold	1,019	1,163
Total cash and cash equivalents	136,833	133,260
Securities available for sale, at fair value	888,362	1,102,114
Securities held to maturity, at carrying value	201,072	-
Restricted stock, at cost	50,171	54,854
Loans held for sale	39,450	42,519
Loans held for investment, net of deferred fees and costs	5,510,385	5,345,996
Less allowance for loan losses	32,344	32,384
Net loans held for investment	5,478,041	5,313,612
Premises and equipment, net	132,681	135,247
Other real estate owned, net of valuation allowance	22,222	28,118
Core deposit intangibles, net	27,394	31,755
Goodwill	293,522	293,522
Bank owned life insurance	141,284	139,005
Other assets	86,674	84,637
Total assets	$ 7,497,706	$ 7,358,643
LIABILITIES		
Noninterest-bearing demand deposits	$ 1,289,676	$ 1,199,378
Interest-bearing deposits	4,494,798	4,439,392
Total deposits	5,784,474	5,638,770
Securities sold under agreements to repurchase	119,680	44,393
Other short-term borrowings	261,000	343,000
Long-term borrowings	300,294	299,542
Other liabilities	44,124	55,769
Total liabilities	6,509,572	6,381,474
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY		
Common stock, $1.33 par value, shares authorized 100,000,000; issued and outstanding, 45,112,893 shares and 45,162,853 shares, respectively.	59,672	59,795
Surplus	640,936	643,443
Retained earnings	278,297	261,676
Accumulated other comprehensive income	9,229	12,255
Total stockholders' equity	988,134	977,169
Total liabilities and stockholders' equity	$ 7,497,706	$ 7,358,643

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except share data)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest and dividend income:				
Interest and fees on loans	**$ 62,604**	$ 61,386	**$ 123,056**	$ 122,655
Interest on federal funds sold	**-**	-	**1**	-
Interest on deposits in other banks	**24**	9	**41**	21
Interest and dividends on securities:				
Taxable	**3,860**	3,860	**7,667**	7,508
Nontaxable	**3,366**	3,379	**6,690**	6,658
Total interest and dividend income	**69,854**	68,634	**137,455**	136,842
Interest expense:				
Interest on deposits	**3,680**	2,550	**7,000**	4,806
Interest on federal funds purchased	**4**	23	**5**	46
Interest on short-term borrowings	**255**	146	**505**	265
Interest on long-term borrowings	**2,099**	2,200	**4,160**	4,252
Total interest expense	**6,038**	4,919	**11,670**	9,369
Net interest income	**63,816**	63,715	**125,785**	127,473
Provision for credit losses	**3,749**	1,500	**5,499**	1,500
Net interest income after provision for credit losses	**60,067**	62,215	**120,286**	125,973
Noninterest income:				
Service charges on deposit accounts	**4,622**	4,525	**8,835**	8,822
Other service charges and fees	**4,051**	4,164	**7,634**	7,508
Fiduciary and asset management fees	**2,312**	2,330	**4,531**	4,633
Gains on sales of mortgage loans, net of commissions	**2,574**	3,030	**4,952**	5,328
Gains on securities transactions, net	**404**	426	**597**	455
Bank owned life insurance income	**1,134**	1,183	**2,269**	2,272
Other operating income	**1,115**	622	**2,448**	1,050
Total noninterest income	**16,212**	16,280	**31,266**	30,068
Noninterest expenses:				
Salaries and benefits	**25,561**	27,616	**53,052**	56,830
Occupancy expenses	**5,173**	5,102	**10,305**	10,282
Furniture and equipment expenses	**2,989**	2,637	**5,803**	5,505
Printing, postage, and supplies	**1,408**	1,170	**2,779**	2,392
Communications expense	**1,143**	1,351	**2,322**	2,450
Technology and data processing	**3,216**	2,792	**6,471**	5,866
Professional services	**1,669**	1,442	**3,017**	2,497
Marketing and advertising expense	**2,372**	1,692	**4,060**	2,757
FDIC assessment premiums and other insurance	**1,280**	1,593	**2,679**	2,986
Other taxes	**1,554**	1,507	**3,105**	2,892
Loan-related expenses	**687**	630	**1,371**	1,172
OREO and credit-related expenses	**1,965**	2,244	**3,152**	3,694
Amortization of intangible assets	**2,138**	2,455	**4,361**	5,071
Acquisition and conversion costs	**-**	4,661	**-**	17,829
Branch closure expenses	**1,280**	-	**1,280**	-
Other expenses	**2,806**	2,075	**5,324**	4,029
Total noninterest expenses	**55,241**	58,967	**109,081**	126,252
Income before income taxes	**21,038**	19,528	**42,471**	29,789
Income tax expense	**5,690**	4,855	**11,422**	7,407
Net income	**$ 15,348**	$ 14,673	**$ 31,049**	$ 22,382
Basic earnings per common share	**$ 0.34**	$ 0.32	**$ 0.69**	$ 0.48
Diluted earnings per common share	**$ 0.34**	$ 0.32	**$ 0.69**	$ 0.48
Dividends declared per common share	**$ 0.17**	$ 0.14	**$ 0.32**	$ 0.28
Basic weighted average number of common shares outstanding	**45,128,698**	46,194,880	**45,117,396**	46,583,975
Diluted weighted average number of common shares outstanding	**45,209,814**	46,296,870	**45,198,727**	46,686,592

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Net income	**$ 15,348**	$ 14,673	**$ 31,049**	$ 22,382
Other comprehensive income (loss):				
Cash flow hedges:				
Change in fair value of cash flow hedges	**1,809**	(778)	**319**	(203)
Reclassification adjustment for losses included in net income (net of tax, $22 and $117 for the three months and $169 and $142 for the six months ended June 30, 2015 and 2014)	**41**	217	**313**	264
AFS securities:				
Unrealized holding gains (losses) arising during period (net of tax, $3,686 and $3,625 for the three months and $1,649 and $7,024 for the six months ended June 30, 2015 and 2014)	**(6,845)**	6,733	**(3,062)**	13,046
Reclassification adjustment for (gains) losses included in net income (net of tax, $142 and $9 for the three months and $209 and $19 for the six months ended June 30, 2015 and 2014)	**(263)**	(17)	**(388)**	(36)
HTM securities:				
Accretion of unrealized gain for AFS securities transferred to HTM (net of tax, $112 and $0 for the three months and $112 and $0 for the six months ended June 30, 2015 and 2014).	**(208)**	-	**(208)**	-
Other comprehensive income (loss)	**(5,466)**	6,155	**(3,026)**	13,071
Comprehensive income	**$ 9,882**	$ 20,828	**$ 28,023**	$ 35,453

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Dollars in thousands, except share amounts)

	Common Stock	Surplus	Retained Earnings [1]	Accumulated Other Comprehensive Income (Loss)	Total
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Balance - December 31, 2013	**$ 33,020**	**$ 170,770**	**$ 236,210**	**$ (2,190)**	**$ 437,810**
Net income - 2014			**22,382**		**22,382**
Other comprehensive income (net of taxes of $7,147)				**13,071**	**13,071**
Issuance of common stock in regard to acquisition (22,147,874 shares)	**29,457**	**520,066**			**549,523**
Dividends on common stock ($0.28 per share)			**(12,503)**		**(12,503)**
Stock purchased under stock repurchase plan (1,342,075 shares)	**(1,785)**	**(32,121)**			**(33,906)**
Issuance of common stock under Dividend Reinvestment Plan (23,187 shares)	**31**	**522**	**(553)**		**-**
Issuance of common stock under Equity Compensation Plans (60,470 shares)	**80**	**863**			**943**
Vesting of restricted stock under Equity Compensation Plans (8,254 shares)	**11**	**(11)**			**-**
Net settle for taxes on Restricted Stock Awards (62,287 shares)	**(83)**	**(1,464)**			**(1,547)**
Stock-based compensation expense		**554**			**554**
Balance - June 30, 2014	**$ 60,731**	**$ 659,179**	**$ 245,536**	**$ 10,881**	**$ 976,327**
Balance - December 31, 2014	**$ 59,795**	**$ 643,443**	**$ 261,676**	**$ 12,255**	**$ 977,169**
Net income - 2015			**31,049**		**31,049**
Other comprehensive income (net of taxes of $1,801)				**(3,026)**	**(3,026)**
Dividends on common stock ($0.32 per share)			**(13,727)**		**(13,727)**
Stock purchased under stock repurchase plan (181,356 shares)	**(240)**	**(3,890)**			**(4,130)**
Issuance of common stock under Dividend Reinvestment Plan (33,710 shares)	**45**	**656**	**(701)**		**-**
Issuance of common stock under Equity Compensation Plans (25,873 shares)	**34**	**386**			**420**
Issuance of common stock for services rendered (9,200 shares)	**12**	**188**			**200**
Vesting of restricted stock under Equity Compensation Plans (30,401 shares)	**40**	**(40)**			**-**
Net settle for taxes on Restricted Stock Awards (10,352 shares)	**(14)**	**(210)**			**(224)**
Stock-based compensation expense		**403**			**403**
Balance - June 30, 2015	**$ 59,672**	**$ 640,936**	**$ 278,297**	**$ 9,229**	**$ 988,134**

[1] Retained earnings as of December 31, 2013 and 2014 includes the cumulative impact of $429,000 and $856,000, respectively, resulting from the adoption of ASU 2014-01 “Accounting For Investments in Qualified Affordable Housing Projects.” See “Note 1 - Accounting Policies” for additional information.

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Dollars in thousands)

	2015 (Unaudited)	2014 (Unaudited)
Operating activities:		
Net income	**$ 31,049**	$ 22,382
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation of bank premises and equipment	**5,374**	5,470
Writedown of OREO	**1,300**	1,073
Amortization, net	**6,946**	7,129
Amortization related to acquisition, net	**705**	306
Provision for credit losses	**5,499**	1,500
Gains on securities transactions, net	**(597)**	(455)
Decrease in loans held for sale, net	**3,069**	940
Losses (gains) on sales of other real estate owned, net	**100**	(30)
Losses on sales of bank premises, net	**74**	304
Stock-based compensation expenses	**403**	554
Issuance of common stock for services	**200**	-
Net (increase) decrease in other assets	**(2,799)**	13,062
Net decrease in other liabilities	**(11,213)**	(3,341)
Net cash and cash equivalents provided by operating activities	**40,110**	48,894
Investing activities:		
Purchases of securities available for sale	**(122,049)**	(291,070)
Proceeds from sales of securities available for sale	**58,157**	259,077
Proceeds from maturities, calls and paydowns of securities available for sale	**70,086**	68,448
Net (increase) decrease in loans	**(168,449)**	41,555
Net increase in bank premises and equipment	**(3,284)**	(4,879)
Proceeds from sales of other real estate owned	**5,609**	7,713
Improvements to other real estate owned	**(299)**	(59)
Cash paid for equity-method investments	**(355)**	-
Cash acquired in bank acquisitions	**-**	49,989
Net cash and cash equivalents (used in) provided by investing activities	**(160,584)**	130,774
Financing activities:		
Net increase in noninterest-bearing deposits	**90,298**	95,205
Net increase (decrease) in interest-bearing deposits	**57,096**	(71,978)
Net decrease in short-term borrowings	**(6,713)**	(70,906)
Net increase in long-term borrowings	**1,027**	881
Cash dividends paid - common stock	**(13,727)**	(12,503)
Repurchase of common stock	**(4,130)**	(33,906)
Issuance of common stock	**420**	943
Taxes paid related to net share settlement of equity awards	**(224)**	(1,547)
Net cash and cash equivalents provided by (used in) financing activities	**124,047**	(93,811)
Increase in cash and cash equivalents	**3,573**	85,857
Cash and cash equivalents at beginning of the period	**133,260**	73,023
Cash and cash equivalents at end of the period	**$ 136,833**	$ 158,880
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	**$ 13,784**	$ 13,788
Income taxes	**12,400**	5,800
Supplemental schedule of noncash investing and financing activities		
Unrealized (losses) gains on securities available for sale	**$ (5,308)**	$ 20,015
Transfer from securities available for sale to securities held to maturity	**201,822**	-
Changes in fair value of interest rate swap loss	**632**	61
Transfers between loans and other real estate owned	**412**	2,704
Transfers from bank premises to other real estate owned	**402**	6,052
Issuance of common stock in exchange for net assets in acquisition	**-**	549,523
Transactions related to bank acquisition		
Assets acquired	**-**	2,957,521
Liabilities assumed	**-**	2,642,120

See accompanying notes to consolidated financial statements.

1. ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and follow general practice within the banking industry. Accordingly, the unaudited consolidated financial statements do not include all the information and footnotes required by U.S. GAAP 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. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K. If needed, certain previously reported amounts have been reclassified to conform to current period presentation.

Adoption of New Accounting Standards
The Company adopted ASU 2014-01, "*Accounting for Investments in Qualified Affordable Housing Projects*" as of January 1, 2015. As permitted by the guidance, the Company adopted the proportional amortization method of accounting for qualified affordable housing projects. The proportional amortization method amortizes the cost of the investment over the period in which the Company will receive tax credits and other tax benefits, and the resulting amortization is recognized as a component of income taxes attributable to continuing operations. Historically, these investments were accounted for under the equity method of accounting and the passive losses related to the investments were recognized within noninterest expense. The Company adopted this guidance in the first quarter of 2015 with retrospective application as required by the ASU. Prior period results and related metrics have been recast to conform to this presentation. The recast of prior period information did not have a material impact on the Company's financial condition or results of operations.

For the three and six months ended June 30, 2015, the Company recognized amortization of $104,000 and $279,000, respectively, and tax credits of $170,000 and $427,000, respectively, associated with these investments within "Income tax expense" on the Company's Consolidated Statements of Income. The carrying value of the Company's investments in these qualified affordable housing projects was $9.7 million and $10.4 million as of June 30, 2015 and December 31, 2014, respectively. The Company recorded a liability of $5.1 million for the related unfunded commitments as of June 30, 2015, which are expected to be paid from 2015 to 2018.

Recent Accounting Pronouncements
In January 2015, the FASB issued ASU No. 2015-01, "*Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*." The amendments in this ASU eliminate from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, *Income Statement - Extraordinary and Unusual Items*, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2015-01 to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "*Amendments to the Consolidation Analysis*." The amendments in this ASU amend the consolidation requirements in ASC 810, *Consolidation*, and significantly change the consolidation analysis required under U.S. GAAP. Under this guidance, limited partnerships will be considered variable interest entities ("VIEs") unless the limited partners have either substantive kick-out or participating rights; this amendment will result in more partnerships being considered VIEs, but it will be less likely that a general partner will consolidate a limited partnership. The amendments also change the effect that fees paid to a decision maker or service provider have on the consolidation analysis; it is less likely that the fees themselves will be considered a variable interest, that an entity will be a VIE, or that consolidation will result. The changes modify how a reporting entity considers how its variable interests affect its consolidation process; the related party tiebreaker test and mandatory consolidation by one of the related parties will have to be performed less frequently than under current U.S. GAAP. For entities other than limited partnerships, the amendments clarify how to determine whether the equity holders have power over the entity and could affect whether the entity is a VIE. The amendments are expected to result in the deconsolidation of many entities. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company is currently assessing the impact that ASU 2015-02 will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "*Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*" The ASU does not change the existing recognition and measurement guidance for debt issuance costs but requires that debt issuance costs related to a debt liability recorded on the balance sheet be present in the balance sheet as a direct deduction from the carrying amount of that debt liability. The amendments should be disclosed consistent with the disclosure requirement of a change in accounting principle and applied on a retrospective basis. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect the adoption of ASU 2015-03 to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "*Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*." This ASU clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses; otherwise, the customer should account for the arrangement as a service contract. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is currently assessing the impact of ASU 2015-05 will have on its consolidated financial statements.

2. ACQUISITIONS

The Company’s merger and acquisition strategy focuses on high-growth areas with strong market demographics and targets organizations that have a comparable corporate culture, strong performance, and good asset quality, among other factors. On January 1, 2014, the Company completed the acquisition of StellarOne, a bank holding company based in Charlottesville, Virginia, in an all-stock transaction. StellarOne’s common shareholders received 0.9739 shares of the Company’s common stock in exchange for each share of StellarOne’s common stock, resulting in the Company issuing 22,147,874 shares of common stock at a fair value of $549.5 million. The fair value of assets acquired totaled $2.96 billion and liabilities assumed totaled $2.64 billion. As a result of the transaction, StellarOne’s former bank subsidiary, StellarOne Bank, became a wholly owned bank subsidiary of the Company. On May 9, 2014, StellarOne Bank was merged with and into the Bank. Information regarding this acquisition is included in the Company’s 2014 Annual Report on Form 10-K. The Company did not complete any acquisitions of businesses in 2015.

The net effect of the amortization and accretion of premiums and discounts associated with the Company’s acquisition accounting adjustments had the following impact on the Consolidated Statements of Income during the three and six months ended June 30, 2015 and 2014 (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Loans (1)	**$ 1,052**	$ (219)	**$ 1,691**	$ (765)
Core deposit intangible (2)	**(2,138)**	(2,456)	**(4,361)**	(5,072)
Borrowings (3)	**137**	75	**275**	150
Time deposits (4)	**614**	2,460	**1,690**	5,381
Net impact to income before taxes	**$ (335)**	$ (140)	**$ (705)**	$ (306)

(1) *Loan discount (premium) accretion (amortization) is included in “Interest and fees on loans” in the “Interest and dividend income” section of the Company's Consolidated Statements of Income.*
(2) *Core deposit intangible premium amortization is included in “Amortization of intangible assets” in the “Noninterest expense” section of the Company's Consolidated Statements of Income.*
(3) *Borrowings discount accretion is included in “Interest on long-term borrowings” in the “Interest Expense” section of the Company's Consolidated Statements of Income.*
(4) *Certificate of deposit discount accretion is included in “Interest on deposits” in the “Interest expense” section of the Company's Consolidated Statements of Income.*

3. SECURITIES

Available for Sale

The amortized cost, gross unrealized gains and losses, and estimated fair values of securities available for sale as of June 30, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

	Amortized	Gross Unrealized		Estimated
	Cost	Gains	(Losses)	Fair Value
June 30, 2015				
U.S. government and agency securities	**$ 8,149**	**$ 231**	**$ -**	**$ 8,380**
Obligations of states and political subdivisions	**241,323**	**7,811**	**(1,493)**	**247,641**
Corporate bonds	**75,551**	**67**	**(464)**	**75,154**
Mortgage-backed securities	**539,665**	**9,094**	**(1,765)**	**546,994**
Other securities	**10,181**	**28**	**(16)**	**10,193**
Total available for sale securities	**$ 874,869**	**$ 17,231**	**$ (3,738)**	**$ 888,362**
December 31, 2014				
U.S. government and agency securities	$ 8,313	$ 166	$ (25)	$ 8,454
Obligations of states and political subdivisions	427,483	18,885	(721)	445,647
Corporate bonds	78,744	244	(308)	78,680
Mortgage-backed securities	550,716	9,411	(798)	559,329
Other securities	9,979	31	(6)	10,004
Total available for sale securities	$ 1,075,235	$ 28,737	$ (1,858)	$ 1,102,114

The following table shows the gross unrealized losses and fair value (in thousands) of the Company's available for sale investments with unrealized losses that are not deemed to be other-than-temporarily impaired. These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2015						
Obligations of states and political subdivisions	**$ 46,361**	**$ (1,107)**	**$ 6,491**	**$ (386)**	**$ 52,852**	**$ (1,493)**
Mortgage-backed securities	**175,493**	**(1,344)**	**29,589**	**(421)**	**205,082**	**(1,765)**
Corporate bonds and other securities	**33,808**	**(201)**	**23,470**	**(279)**	**57,278**	**(480)**
Total available for sale	**$ 255,662**	**$ (2,652)**	**$ 59,550**	**$ (1,086)**	**$ 315,212**	**$ (3,738)**
December 31, 2014						
U.S. government and agency securities	$ 7,055	$ (25)	$ -	$ -	$ 7,055	$ (25)
Obligations of states and political subdivisions	13,602	(93)	42,514	(628)	56,116	(721)
Mortgage-backed securities	60,151	(362)	49,581	(436)	109,732	(798)
Corporate bonds and other securities	43,923	(244)	4,309	(70)	48,232	(314)
Total available for sale	$ 124,731	$ (724)	$ 96,404	$ (1,134)	$ 221,135	$ (1,858)

As of June 30, 2015, there were $59.6 million, or 24 issues, of individual available for sale securities that had been in a continuous loss position for more than 12 months. Additionally, these securities had an unrealized loss of $1.1 million and consisted of municipal obligations, mortgage-backed securities, and corporate bonds. As of December 31, 2014, there were $96.4 million, or 60 issues, of individual securities that had been in a continuous loss position for more than 12 months. Additionally, these securities had an unrealized loss of $1.1 million and consisted of municipal obligations, mortgage-backed securities, corporate bonds, and other securities. The Company has determined that these securities are temporarily impaired as of June 30, 2015 and December 31, 2014 for the reasons set out below:

U.S. Government agencies and corporations. The unrealized losses in this category of investments were caused by interest rate fluctuations. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of these investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

Mortgage-backed securities. This category's unrealized losses are primarily the result of interest rate fluctuations. Since the decline in market value is attributable to changes in interest rates and not credit quality, the Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired. Also, the majority of the Company's mortgage-backed securities are agency-backed securities, which have a government guarantee.

State and political subdivisions. This category's unrealized losses are primarily the result of interest rate fluctuations and also a certain few ratings downgrades brought about by the impact of the economic downturn on states and political subdivisions. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

Corporate debt securities. The Company's unrealized losses in corporate debt securities are related to both interest rate fluctuations and ratings downgrades for a limited number of securities. The majority of the securities remain investment grade and the Company's analysis did not indicate the existence of a credit loss. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because the Company does not intend to sell any of the investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

The following table presents the amortized cost and estimated fair value of available for sale securities as of June 30, 2015 and December 31, 2014, by contractual maturity (dollars in thousands). 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.

	June 30, 2015		December 31, 2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 22,204**	**$ 22,302**	$ 19,345	$ 19,434
Due after one year through five years	**57,278**	**58,826**	41,545	43,070
Due after five years through ten years	**234,339**	**239,495**	306,900	314,044
Due after ten years	**561,048**	**567,739**	707,445	725,566
Total securities available for sale	**$ 874,869**	**$ 888,362**	$ 1,075,235	$ 1,102,114

The following table presents available for sale securities which were pledged to secure public deposits, repurchase agreements, and for other purposes as permitted or required by law as of June 30, 2015 and December 31, 2014 (dollars in thousands):

	June 30, 2015	December 31, 2014
	Fair Value	Fair Value
Public deposits	**$ 149,354**	$ 312,793
Repurchase agreements	**125,731**	51,842
Other purposes	**32,087**	32,360
Total pledged securities	**$ 307,172**	$ 396,995

Held to Maturity
During the second quarter of 2015, the Company transferred securities, which it intends and has the ability to hold until maturity, with a fair value of $201.8 million on the date of transfer, from securities available for sale to securities held to maturity. The Company transferred these securities to held to maturity to reduce the impact of price volatility on capital and in consideration of changes to the regulatory environment. The securities included net pre-tax unrealized gains of $8.1 million at the date of transfer with a remaining balance of $7.8 million as of June 30, 2015.

The Company reports securities held to maturity on the Consolidated Balance Sheets at carrying value. Carrying value is amortized cost which includes any unamortized unrealized gains and losses recognized in accumulated other comprehensive income prior to reclassifying the securities from securities available for sale to securities held to maturity. Investment securities transferred into the held to maturity category from the available for sale category are recorded at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in accumulated other comprehensive income and in the carrying value of the securities held to maturity. Such unrealized gains/(losses) are accreted over the remaining life of the security with no impact on future net income.

The carrying value, gross unrealized gains and losses, and estimated fair values of securities held to maturity as of June 30, 2015 are summarized as follows (dollars in thousands):

	Carrying Value [1]	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
June 30, 2015				
Obligations of states and political subdivisions	$ 201,072	$ 2,127	$ (3,724)	$ 199,475

[1] *The carrying value includes $7.8 million of unrealized gains and losses present at the time of transfer from available for securities, net of any accretion.*

The following table shows the gross unrealized losses and fair value (in thousands) of the Company's held to maturity investments with unrealized losses that are not deemed to be other-than-temporarily impaired. These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2015						
Obligations of states and political subdivisions	$ 181,093	$ (3,680)	$ 4,209	$ (44)	$ 185,302	$ (3,724)

As of June 30, 2015, there were $4.2 million, or 4 issues, of individual held to maturity securities that had been in a continuous loss position for more than 12 months. Additionally, these securities had an unrealized loss of $44,000 and consisted of municipal obligations. The Company has determined that these securities are temporarily impaired as of June 30, 2015, as the related unrealized losses are primarily the result of interest rate fluctuations.

The following table presents the amortized cost and estimated fair value of held to maturity securities as of June 30, 2015, by contractual maturity (dollars in thousands). 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.

	June 30, 2015	
	Carrying Value [1]	Estimated Fair Value
Due in one year or less	$ 1,322	$ 1,334
Due after one year through five years	5,268	5,276
Due after five years through ten years	31,977	31,709
Due after ten years	162,505	161,156
Total securities held to maturity	$ 201,072	$ 199,475

[1] *The carrying value includes $7.8 million of unrealized gains and losses present at the time of transfer from available for securities, net of any accretion.*

The following table presents held to maturity securities which were pledged to secure public deposits as permitted or required by law as of June 30, 2015 (dollars in thousands):

	June 30, 2015 Fair Value
Public deposits	$ 199,475
Total pledged securities	$ 199,475

Restricted Stock, at cost

Due to restrictions placed upon the Bank's common stock investment in the Federal Reserve Bank and FHLB, these securities have been classified as restricted equity securities and carried at cost. These restricted securities are not subject to the investment security classifications and are included as a separate line item on the Company's Consolidated Balance Sheets. At June 30, 2015, the FHLB required the Bank to maintain stock in an amount equal to 4.25% of outstanding borrowings and a specific percentage of the Bank's total assets. At December 31, 2014, the FHLB required the Bank to maintain stock in an amount equal to 4.5% of outstanding borrowings and a specific percentage of the Bank's total assets. The Federal Reserve Bank required the Bank to maintain stock with a par value equal to 6% of its outstanding capital at both June 30, 2015 and December 31, 2014. Restricted equity securities consist of Federal Reserve Bank stock in the amount of $23.8 million for both June 30, 2015 and December 31, 2014 and FHLB stock in the amount of $26.4 million and $31.0 million as of June 30, 2015 and December 31, 2014, respectively.

Other-Than-Temporary-Impairment

During each quarter, the Company conducts an assessment of the securities portfolio for OTTI consideration. The assessment considers factors such as external credit ratings, delinquency coverage ratios, market price, management's judgment, expectations of future performance, and relevant industry research and analysis. An impairment is other-than-temporary if any of the following conditions exist: the entity intends to sell the security; it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis; or the entity does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into a credit portion to be recognized in earnings and the remaining amount relating to all other factors recognized as other comprehensive loss. Based on the assessment for the quarter ended June 30, 2015, and in accordance with the guidance, no OTTI was recognized.

Realized Gains and Losses

The following table presents the gross realized gains and losses on the sale of securities available for sale and the proceeds from the sale of securities available for sale during the three and six months ended June 30, 2015 (dollars in thousands). The Company did not sell any investment securities that are held to maturity.

	Three months ended June 30, 2015	Six months ended June 30, 2015
Realized gains (losses):		
Gross realized gains	**$ 491**	**$ 684**
Gross realized losses	**(87)**	**(87)**
Net realized gains	**$ 404**	**$ 597**

The following table presents the gross realized gains and losses on the sale of securities available for sale and the proceeds from the sale of securities available for sale during the three and six months ended June 30, 2014 (dollars in thousands).

	Three months ended June 30, 2014	Six months ended June 30, 2014
Realized gains (losses):		
Gross realized gains	$ 432	$ 464
Gross realized losses	(6)	(9)
Net realized gains	$ 426	$ 455

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at their face amount, net of deferred fees and costs, and consist of the following at June 30, 2015 and December 31, 2014 (dollars in thousands):

	June 30, 2015	December 31, 2014
Commercial:		
Commercial Construction	**$ 378,204**	$ 341,280
Commercial Real Estate - Owner Occupied	**874,582**	875,443
Commercial Real Estate - Non-Owner Occupied	**1,569,306**	1,509,159
Raw Land and Lots	**201,630**	211,225
Single Family Investment Real Estate	**435,068**	412,494
Commercial and Industrial	**450,682**	393,776
Other Commercial	**90,556**	81,106
Consumer:		
Mortgage	**470,707**	478,151
Consumer Construction	**65,105**	74,168
Indirect Auto	**208,195**	199,411
Indirect Marine	**42,306**	43,190
HELOCs	**488,891**	500,579
Credit Card	**26,349**	24,225
Other Consumer	**208,804**	201,789
Total	**$ 5,510,385**	$ 5,345,996

The following table shows the aging of the Company's loan portfolio, by class, at June 30, 2015 (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days and still Accruing	PCI	Nonaccrual	Current	Total Loans
Commercial:							
Commercial Construction	$ -	$ -	$ 126	$ 2,921	$ 1,907	$ 373,250	$ 378,204
Commercial Real Estate - Owner Occupied	169	341	705	29,838	3,625	839,904	874,582
Commercial Real Estate - Non-Owner Occupied	3,336	1,199	798	20,016	200	1,543,757	1,569,306
Raw Land and Lots	135	207	128	5,103	403	195,654	201,630
Single Family Investment Real Estate	487	232	515	15,504	782	417,548	435,068
Commercial and Industrial	1,727	285	509	3,025	1,074	444,062	450,682
Other Commercial	566	10	-	1,112	65	88,803	90,556
Consumer:							
Mortgage	1,760	3,872	4,329	6,605	1,054	453,087	470,707
Consumer Construction	-	-	819	508	-	63,778	65,105
Indirect Auto	1,631	229	215	-	-	206,120	208,195
Indirect Marine	374	-	-	-	48	41,884	42,306
HELOCs	2,516	387	1,289	1,840	161	482,698	488,891
Credit Card	161	70	180	-	-	25,938	26,349
Other Consumer	2,285	612	1,290	1,369	202	203,046	208,804
Total	$ 15,147	$ 7,444	$ 10,903	$ 87,841	$ 9,521	$ 5,379,529	$ 5,510,385

The following table shows the aging of the Company's loan portfolio, by class, at December 31, 2014 (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days and still Accruing	PCI	Nonaccrual	Current	Total Loans
Commercial:							
Commercial Construction	$ 815	$ -	$ -	$ 3,782	$ 968	$ 335,715	$ 341,280
Commercial Real Estate - Owner Occupied	621	1,542	1,683	31,167	1,060	839,370	875,443
Commercial Real Estate - Non-Owner Occupied	3,984	237	91	28,869	5,902	1,470,076	1,509,159
Raw Land and Lots	145	44	194	7,427	2,359	201,056	211,225
Single Family Investment Real Estate	2,825	338	734	16,879	2,070	389,648	412,494
Commercial and Industrial	1,250	529	549	3,855	3,286	384,307	393,776
Other Commercial	42	2	-	2,256	74	78,732	81,106
Consumer:							
Mortgage	12,851	4,300	4,095	7,394	2,485	447,026	478,151
Consumer Construction	120	-	844	516	-	72,688	74,168
Indirect Auto	1,593	263	317	-	-	197,238	199,411
Indirect Marine	150	-	-	-	201	42,839	43,190
HELOCs	3,082	955	820	2,000	258	493,464	500,579
Credit Card	232	108	219	-	-	23,666	24,225
Other Consumer	1,587	412	501	1,643	592	197,054	201,789
Total	$ 29,297	$ 8,730	$ 10,047	$ 105,788	$ 19,255	$ 5,172,879	$ 5,345,996

The following table shows the PCI commercial and consumer loan portfolios, by class and their delinquency status, at June 30, 2015 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Commercial:				
Commercial Construction	$ -	$ 609	$ 2,312	$ 2,921
Commercial Real Estate - Owner Occupied	1,029	1,484	27,325	29,838
Commercial Real Estate - Non-Owner Occupied	1,775	321	17,920	20,016
Raw Land and Lots	376	105	4,622	5,103
Single Family Investment Real Estate	425	686	14,393	15,504
Commercial and Industrial	226	68	2,731	3,025
Other Commercial	120	184	808	1,112
Consumer:				
Mortgage	916	2,557	3,132	6,605
Consumer Construction	-	508	-	508
HELOCs	210	501	1,129	1,840
Other Consumer	48	152	1,169	1,369
Total	$ 5,125	$ 7,175	$ 75,541	$ 87,841

The following table shows the PCI commercial and consumer loan portfolios, by class and their delinquency status, at December 31, 2014 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Commercial:				
Commercial Construction	$ -	$ 652	$ 3,130	$ 3,782
Commercial Real Estate - Owner Occupied	1,138	843	29,186	31,167
Commercial Real Estate - Non-Owner Occupied	523	1,255	27,091	28,869
Raw Land and Lots	522	-	6,905	7,427
Single Family Investment Real Estate	1,327	1,311	14,241	16,879
Commercial and Industrial	144	538	3,173	3,855
Other Commercial	107	1,133	1,016	2,256
Consumer:				
Mortgage	1,975	2,866	2,553	7,394
Consumer Construction	-	516	-	516
HELOCs	356	728	916	2,000
Other Consumer	89	171	1,383	1,643
Total	$ 6,181	$ 10,013	$ 89,594	$ 105,788

The Company measures the amount of impairment by evaluating loans either in their collective homogeneous pools or individually. The following table shows the Company's impaired loans, excluding PCI loans related to the StellarOne acquisition, by class at June 30, 2015 (dollars in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Average Investment	Interest Income Recognized
Loans without a specific allowance					
Commercial:					
Commercial Construction	$ 6,506	$ 6,783	$ -	$ 5,897	$ 135
Commercial Real Estate - Owner Occupied	12,917	13,182	-	12,664	258
Commercial Real Estate - Non-Owner Occupied	12,566	12,882	-	12,880	317
Raw Land and Lots	39,679	39,887	-	40,698	1,179
Single Family Investment Real Estate	2,805	3,214	-	3,001	54
Commercial and Industrial	3,361	4,070	-	3,533	67
Other Commercial	923	928	-	954	28
Consumer:					
Mortgage	1,568	1,582	-	1,580	29
Indirect Auto	-	4	-	1	-
HELOCs	779	911	-	856	10
Other Consumer	82	204	-	149	-
Total impaired loans without a specific allowance	$ 81,186	$ 83,647	$ -	$ 82,213	$ 2,077
Loans with a specific allowance					
Commercial:					
Commercial Construction	$ 370	$ 370	$ 10	$ 485	$ 10
Commercial Real Estate - Owner Occupied	5,162	5,177	656	5,343	83
Commercial Real Estate - Non-Owner Occupied	937	937	81	932	27
Raw Land and Lots	717	717	19	760	17
Single Family Investment Real Estate	2,742	2,766	182	2,859	68
Commercial and Industrial	2,228	2,279	474	2,308	50
Other Commercial	469	490	41	507	11
Consumer:					
Mortgage	1,395	1,448	29	1,425	6
Consumer Construction	376	376	33	378	9
Indirect Marine	48	149	1	54	-
Other Consumer	226	345	84	276	1
Total impaired loans with a specific allowance	$ 14,670	$ 15,054	$ 1,610	$ 15,327	$ 282
Total impaired loans	$ 95,856	$ 98,701	$ 1,610	$ 97,540	$ 2,359

The following table shows the Company's impaired loans, by class, at December 31, 2014 (dollars in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Average Investment	Interest Income Recognized
Loans without a specific allowance					
Commercial:					
Commercial Construction	$ 5,281	$ 5,367	$ -	$ 5,755	$ 165
Commercial Real Estate - Owner Occupied	15,722	16,430	-	16,774	737
Commercial Real Estate - Non-Owner Occupied	22,917	22,917	-	23,209	1,116
Raw Land and Lots	44,790	47,662	-	47,988	2,124
Single Family Investment Real Estate	4,197	4,881	-	6,534	170
Commercial and Industrial	4,453	7,933	-	5,070	121
Other Commercial	1,536	1,538	-	1,624	90
Consumer:					
Mortgage	1,571	1,582	-	1,583	58
Indirect Auto	-	6	-	4	-
Indirect Marine	201	505	-	281	-
HELOCs	559	699	-	573	8
Other Consumer	89	208	-	107	-
Total impaired loans without a specific allowance	$ 101,316	$ 109,728	$ -	$ 109,502	$ 4,589
Loans with a specific allowance					
Commercial:					
Commercial Construction	$ 570	$ 570	$ 51	$ 506	$ 13
Commercial Real Estate - Owner Occupied	5,951	5,999	355	5,946	280
Commercial Real Estate - Non-Owner Occupied	10,575	10,572	2,017	10,823	474
Raw Land and Lots	1,343	1,373	98	1,472	59
Single Family Investment Real Estate	4,125	4,144	562	4,293	159
Commercial and Industrial	2,938	3,009	582	3,125	138
Other Commercial	359	378	32	442	29
Consumer:					
Mortgage	3,323	3,375	481	3,381	60
Consumer Construction	375	375	34	373	19
Indirect Marine	192	192	5	199	15
HELOCs	434	434	4	436	17
Other Consumer	679	706	310	686	19
Total impaired loans with a specific allowance	$ 30,864	$ 31,127	$ 4,531	$ 31,682	$ 1,282
Total impaired loans	$ 132,180	$ 140,855	$ 4,531	$ 141,184	$ 5,871

The Company considers TDRs to be impaired loans. A modification of a loan's terms constitutes a TDR if the creditor grants a concession that it would not otherwise consider to the borrower for economic or legal reasons related to the borrower's financial difficulties. TDRs totaled $22.1 million and $26.8 million as of June 30, 2015 and December 31, 2014, respectively. All loans that are considered to be TDRs are evaluated for impairment in accordance with the Company's allowance for loan loss methodology and are included in the preceding impaired loan tables. For the quarter ended June 30, 2015, the recorded investment in restructured loans prior to modifications was not materially impacted by the modification.

The following table provides a summary, by class, of modified loans that continue to accrue interest under the terms of the restructuring agreement, which are considered to be performing, and modified loans that have been placed on nonaccrual status, which are considered to be nonperforming, as of June 30, 2015 and December 31, 2014 (dollars in thousands):

	June 30, 2015			December 31, 2014		
	No. of Loans	**Recorded Investment**	**Outstanding Commitment**	No. of Loans	Recorded Investment	Outstanding Commitment
Performing						
Commercial:						
Commercial Construction	**1**	**$ 296**	**$ -**	1	$ 707	$ -
Commercial Real Estate - Owner Occupied	**5**	**1,659**	**-**	3	682	-
Commercial Real Estate - Non-Owner Occupied	**3**	**2,448**	**-**	3	3,362	-
Raw Land and Lots	**5**	**13,995**	**-**	9	14,777	-
Single Family Investment Real Estate	**2**	**446**	**-**	6	1,046	-
Commercial and Industrial	**2**	**50**	**-**	9	722	-
Other Commercial	**2**	**213**	**-**	1	191	-
Consumer:						
Mortgage	**6**	**740**	**-**	7	1,244	-
Other Consumer	**1**	**33**	**-**	3	98	-
Total performing	**27**	**$ 19,880**	**$ -**	42	$ 22,829	$ -
Nonperforming						
Commercial:						
Commercial Construction	**1**	**$ 260**	**$ -**	1	$ 253	$ -
Commercial Real Estate - Owner Occupied	**1**	**142**	**-**	2	153	-
Commercial Real Estate - Non-Owner Occupied	**1**	**200**	**-**	1	539	-
Raw Land and Lots	**1**	**34**	**-**	2	1,053	-
Single Family Investment Real Estate	**2**	**237**	**-**	1	433	-
Commercial and Industrial	**4**	**513**	**-**	5	616	-
Other Commercial	**1**	**65**	**-**	1	74	-
Consumer:						
Mortgage	**2**	**756**	**-**	2	770	-
Other Consumer	**1**	**37**	**-**	1	57	-
Total nonperforming	**14**	**$ 2,244**	**$ -**	16	$ 3,948	$ -
Total performing and nonperforming	**41**	**$ 22,124**	**$ -**	58	$ 26,777	$ -

The Company considers a default of a restructured loan to occur when the borrower is 90 days past due following the restructure or a foreclosure and repossession of the applicable collateral occurs. During the three and six months ended June 30, 2015, the Company did not identify any restructured loans that went into default that had been restructured in the twelve-month period prior to default. During the three and six months ended June 30, 2014, the Company identified one loan, totaling approximately $24,000, that went into default that had been restructured in the twelve-month period prior to the time of default. This loan was a mortgage loan which had a term modification at a market rate.

The following table shows, by class and modification type, TDRs that occurred during the three and six months ended June 30, 2015 (dollars in thousands):

	Three months ended June 30, 2015			Six months ended June 30, 2015		
	No. of Loans		Recorded Investment at Period End	No. of Loans		Recorded Investment at Period End
Term modification, at a market rate						
Commercial:						
Commercial Real Estate - Owner Occupied	1	$	120	1	$	120
Commercial and Industrial	-		-	1		18
Total loan term extended at a market rate	1	$	120	2	$	138
Term modification, below market rate						
Commercial:						
Commercial Real Estate - Owner Occupied	1	$	873	1	$	873
Total loan term extended at a below market rate	1	$	873	1	$	873
Total	**2**	**$**	**993**	**3**	**$**	**1,011**

The following table shows, by class and modification type, TDRs that occurred during the three and six months ended June 30, 2014 (dollars in thousands):

	Three months ended June 30, 2014			Six months ended June 30, 2014		
	No. of Loans		Recorded Investment at Period End	No. of Loans		Recorded Investment at Period End
Term modification, at a market rate						
Commercial:						
Single Family Investment Real Estate	-	$	-	1	$	111
Commercial and Industrial	1		35	1		35
Other Commercial	-		-	2		287
Total loan term extended at a market rate	1	$	35	4	$	433
Total	**1**	**$**	**35**	**4**	**$**	**433**

The following table shows the allowance for loan loss activity, balances for allowance for loan losses, and loan balances based on impairment methodology by portfolio segment for the six months ended and as of June 30, 2015. The table below includes the provision for loan losses. In addition, a $200,000 provision was recognized during the current quarter for unfunded loan commitments for which the reserves are recorded as a component of "Other Liabilities" on the Company's Consolidated Balance Sheets. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories (dollars in thousands):

	Commercial	Consumer	Total
Allowance for loan losses:			
Balance, beginning of the year	$ 22,352	$ 10,032	$ 32,384
Recoveries credited to allowance	897	799	1,696
Loans charged off	(5,248)	(1,787)	(7,035)
Provision charged to operations	5,532	(233)	5,299
Balance, end of period	**$ 23,533**	**$ 8,811**	**$ 32,344**
Ending Balance, ALL:			
Loans individually evaluated for impairment	$ 1,463	$ 147	$ 1,610
Loans collectively evaluated for impairment	22,070	8,664	30,734
Loans acquired with deteriorated credit quality	-	-	-
Total	**$ 23,533**	**$ 8,811**	**$ 32,344**
Ending Balance, Loans:			
Loans individually evaluated for impairment	$ 90,917	$ 4,298	$ 95,215
Loans collectively evaluated for impairment	3,831,592	1,495,737	5,327,329
Loans acquired with deteriorated credit quality	77,519	10,322	87,841
Total	**$ 4,000,028**	**$ 1,510,357**	**$ 5,510,385**

The following table shows the allowance for loan loss activity, balances for allowance for loan losses, and loan balances based on impairment methodology by portfolio segment for the six months ended and as of June 30, 2014. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories (dollars in thousands):

	Commercial	Consumer	Total
Allowance for loan losses:			
Balance, beginning of the year	$ 19,908	$ 10,227	$ 30,135
Recoveries credited to allowance	1,599	572	2,171
Loans charged off	(1,068)	(1,359)	(2,427)
Provision charged to operations	204	1,296	1,500
Balance, end of period	**$ 20,643**	**$ 10,736**	**$ 31,379**
Ending Balance, ALL:			
Loans individually evaluated for impairment	$ 2,117	$ 399	$ 2,516
Loans collectively evaluated for impairment	18,526	10,337	28,863
Loans acquired with deteriorated credit quality	-	-	-
Total	**$ 20,643**	**$ 10,736**	**$ 31,379**
Ending Balance, Loans:			
Loans individually evaluated for impairment	$ 104,620	$ 8,047	$ 112,667
Loans collectively evaluated for impairment	3,482,781	1,506,514	4,989,295
Loans acquired with deteriorated credit quality	114,893	16,214	131,107
Total	**$ 3,702,294**	**$ 1,530,775**	**$ 5,233,069**

The Company uses the past due status and delinquency trends as the primary credit quality indicator for the consumer loan portfolio segment while a risk rating system is utilized for commercial loans. Commercial loans are graded on a scale of 1 through 9. A general description of the characteristics of the risk grades follows:

- Risk rated 1 loans have little or no risk and are generally secured by cash or cash equivalents;
- Risk rated 2 loans have minimal risk to well qualified borrowers and no significant questions as to safety;
- Risk rated 3 loans are satisfactory loans with strong borrowers and secondary sources of repayment;
- Risk rated 4 loans are satisfactory loans with borrowers not as strong as risk rated 3 loans and may exhibit a greater degree of financial risk based on the type of business supporting the loan;
- Risk rated 5 loans are watch loans that warrant more than the normal level of supervision and have the possibility of an event occurring that may weaken the borrower's ability to repay;
- Risk rated 6 loans have increasing potential weaknesses beyond those at which the loan originally was granted and if not addressed could lead to inadequately protecting the Company's credit position;
- Risk rated 7 loans are substandard loans and are inadequately protected by the current sound worth or paying capacity of the obligor or the collateral pledged; these have well defined weaknesses that jeopardize the liquidation of the debt with the distinct possibility the Company will sustain some loss if the deficiencies are not corrected;
- Risk rated 8 loans are doubtful of collection and the possibility of loss is high but pending specific borrower plans for recovery, its classification as a loss is deferred until its more exact status is determined; and
- Risk rated 9 loans are loss loans which are considered uncollectable and of such little value that their continuance as bankable assets is not warranted.

The following table shows the recorded investment in all loans, excluding PCI loans, in the commercial portfolios by class with their related risk rating current as of June 30, 2015 (dollars in thousands):

	1-3	4	5	6	7	8	Total
Commercial Construction	$ 34,756	$ 310,970	$ 17,583	$ 9,343	$ 2,631	$ -	$ 375,283
Commercial Real Estate - Owner Occupied	183,155	629,284	14,460	6,471	9,792	1,582	844,744
Commercial Real Estate - Non-Owner Occupied	407,562	1,081,215	22,487	24,523	13,503	-	1,549,290
Raw Land and Lots	11,696	132,386	9,814	16,359	26,272	-	196,527
Single Family Investment Real Estate	66,052	333,533	8,794	6,190	4,995	-	419,564
Commercial and Industrial	195,917	231,994	10,823	4,319	4,604	-	447,657
Other Commercial	45,749	38,475	2,917	911	1,392	-	89,444
Total	$ 944,887	$ 2,757,857	$ 86,878	$ 68,116	$ 63,189	$ 1,582	$ 3,922,509

The following table shows the recorded investment in all loans, excluding PCI loans, in the commercial portfolios by class with their related risk rating current as of December 31, 2014 (dollars in thousands):

	1-3	4	5	6	7	8	Total
Commercial Construction	$ 22,512	$ 289,064	$ 11,932	$ 10,906	$ 3,084	$ -	$ 337,498
Commercial Real Estate - Owner Occupied	185,789	620,587	15,003	7,688	15,209	-	844,276
Commercial Real Estate - Non-Owner Occupied	356,263	1,041,515	22,358	28,388	31,766	-	1,480,290
Raw Land and Lots	11,162	128,281	16,803	4,783	42,769	-	203,798
Single Family Investment Real Estate	59,638	311,900	9,750	6,680	7,647	-	395,615
Commercial and Industrial	138,973	230,084	9,392	4,383	7,089	-	389,921
Other Commercial	31,571	40,913	3,818	844	1,704	-	78,850
Total	$ 805,908	$ 2,662,344	$ 89,056	$ 63,672	$ 109,268	$ -	$ 3,730,248

The following table shows the recorded investment in only PCI loans in the commercial portfolios by class with their related risk rating and credit quality indicator information current as of June 30, 2015 (dollars in thousands):

	4	5	6	7	8	Total
Commercial Construction	$ -	$ -	$ 2,311	$ 149	$ 461	$ 2,921
Commercial Real Estate - Owner Occupied	5,544	581	8,856	14,857	-	29,838
Commercial Real Estate - Non-Owner Occupied	5,070	3,801	7,648	3,497	-	20,016
Raw Land and Lots	1,511	533	1,938	1,121	-	5,103
Single Family Investment Real Estate	4,674	1,710	4,100	5,020	-	15,504
Commercial and Industrial	422	12	917	1,650	24	3,025
Other Commercial	91	-	476	545	-	1,112
Total	$ 17,312	$ 6,637	$ 26,246	$ 26,839	$ 485	$ 77,519

The following table shows the recorded investment in only PCI loans in the commercial portfolios by class with their related risk rating and credit quality indicator information current as of December 31, 2014 (dollars in thousands):

	4	5	6	7	8	Total
Commercial Construction	$ -	$ -	$ 3,130	$ 194	$ 458	$ 3,782
Commercial Real Estate - Owner Occupied	1,525	3,546	10,880	15,216	-	31,167
Commercial Real Estate - Non-Owner Occupied	2,837	934	18,736	6,362	-	28,869
Raw Land and Lots	1,564	189	3,148	2,526	-	7,427
Single Family Investment Real Estate	2,807	1,253	6,462	6,357	-	16,879
Commercial and Industrial	437	-	913	2,477	28	3,855
Other Commercial	-	-	510	1,746	-	2,256
Total	$ 9,170	$ 5,922	$ 43,779	$ 34,878	$ 486	$ 94,235

Loans acquired are originally recorded at fair value, with certain loans being identified as impaired at the date of purchase. The fair values were determined based on the credit quality of the portfolio, expected future cash flows, and timing of those expected future cash flows.

The following shows changes in the accretable yield for loans accounted for under ASC 310-30,*Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality,* for the periods presented (dollars in thousands):

	For the Six Months ended June 30,	
	2015	2014
Balance at beginning of period	$ 28,956	$ 2,980
Additions	-	34,653
Accretion	(3,106)	(3,677)
Reclass of nonaccretable difference due to improvement in expected cash flows	2,976	-
Other, net (1)	(4,784)	(1,365)
Balance at end of period	$ 24,042	$ 32,591

(1) *This line item represents changes in the cash flows expected to be collected due to the impact of non-credit changes such as prepayment assumptions, changes in interest rates on variable rate PCI loans, and discounted payoffs that occurred in the quarter.*

The carrying value of the Company's PCI loan portfolio, accounted for under ASC 310-30, totaled $87.8 million at June 30, 2015 and $105.8 million at December 31, 2014. The outstanding balance of the Company's PCI loan portfolio totaled $107.1 million at June 30, 2015 and $126.3 million at December 31, 2014. The carrying value of the Company's acquired performing loan portfolio, accounted for under ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, totaled $1.6 billion at June 30, 2015 and $1.8 billion at December 31, 2014; the remaining discount on these loans totaled $23.0 million at June 30, 2015 and $24.3 million at December 31, 2014, respectively.

5. INTANGIBLE ASSETS

The Company's intangible assets consist of core deposits and goodwill arising from previous acquisitions. The Company has determined that core deposit intangibles have a finite life and amortizes them over their estimated useful life. Core deposit intangible assets are being amortized over the period of expected benefit, which ranges from 4 to 14 years, using an accelerated method. On January 1, 2014, the Company completed the acquisition of StellarOne and acquired intangible assets of $29.6 million and recorded $234.1 million of goodwill.

In accordance with ASC 350, *Intangibles-Goodwill and Other,* the Company reviews the carrying value of indefinite lived intangible assets at least annually or more frequently if certain impairment indicators exist. The Company performed its annual impairment testing in the second quarter of 2015 and determined that there was no impairment to its goodwill or intangible assets.

Information concerning intangible assets with a finite life is presented in the following table (dollars in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
June 30, 2015			
Amortizable core deposit intangibles	**$ 76,185**	**$ 48,791**	**$ 27,394**
December 31, 2014			
Amortizable core deposit intangibles	$ 76,185	$ 44,430	$ 31,755
June 30, 2014			
Amortizable core deposit intangibles	$ 76,185	$ 39,706	$ 36,479

Amortization expense of core deposit intangibles for the three and six months ended June 30, 2015 totaled $2.1 million and $4.4 million, respectively; for the three and six months ended June 30, 2014 totaled $2.5 million and $5.1 million, respectively; and for the year ended December 31, 2014 was $9.8 million. As of June 30, 2015, the estimated remaining amortization expense of core deposit intangibles is as follows (dollars in thousands):

For the remaining six months of 2015	**$ 4,085**
For the year ending December 31, 2016	**6,932**
For the year ending December 31, 2017	**5,590**
For the year ending December 31, 2018	**4,144**
For the year ending December 31, 2019	**3,093**
For the year ending December 31, 2020	**2,027**
Thereafter	**1,523**
Total estimated amortization expense	**$ 27,394**

6. BORROWINGS

Short-term Borrowings

The Company classifies all borrowings that will mature within a year from the date on which the Company enters into them as short-term borrowings. Total short-term borrowings consist primarily of advances from the FHLB, federal funds purchased (which are secured overnight borrowings from other financial institutions), and other lines of credit. Also included in total short-term borrowings are securities sold under agreements to repurchase, which are secured transactions with customers and generally mature the day following the date sold. Total short-term borrowings consist of the following as of June 30, 2015 and December 31, 2014 (dollars in thousands):

	June 30, 2015	December 31, 2014
Securities sold under agreements to repurchase	**$ 119,680**	$ 44,393
Other short-term borrowings	**261,000**	343,000
Total short-term borrowings	**$ 380,680**	$ 387,393
Maximum month-end outstanding balance	**$ 445,761**	$ 387,393
Average outstanding balance during the period	**391,424**	237,896
Average interest rate during the period	**0.26%**	0.24%
Average interest rate at end of period	**0.25%**	0.31%
Other short-term borrowings:		
FHLB	**$ 255,000**	$ 335,000
Other lines of credit	**6,000**	8,000

The Bank maintains federal funds lines with several correspondent banks; the remaining available balance was $175.0 million and $150.0 million at June 30, 2015 and December 31, 2014, respectively. The Company has certain restrictive covenants related to certain asset quality, capital, and profitability metrics associated with these lines and is considered to be in compliance with these covenants. Additionally, the Company had a collateral dependent line of credit with the FHLB of up to $1.5 billion and $1.4 billion at June 30, 2015 and December 31, 2014, respectively.

Long-term Borrowings

In connection with two bank acquisitions prior to 2006, the Company issued trust preferred capital notes to fund the cash portion of those acquisitions, collectively totaling $58.5 million. In connection with the acquisition of StellarOne, the Company acquired trust preferred capital notes totaling $32.0 million with a remaining fair value discount of $7.1 million at June 30, 2015. The trust preferred capital notes currently qualify for Tier 1 capital of the Company for regulatory purposes.

	Principal	Investment(1)	Spread to 3-Month LIBOR	Rate	Maturity
Trust Preferred Capital Note - Statutory Trust I	$ 22,500,000	$ 696,000	2.75%	3.03%	6/17/2034
Trust Preferred Capital Note - Statutory Trust II	36,000,000	1,114,000	1.40%	1.68%	6/15/2036
VFG Limited Liability Trust I Indenture	20,000,000	619,000	2.73%	3.01%	3/18/2034
FNB Statutory Trust II Indenture	12,000,000	372,000	3.10%	3.38%	6/26/2033
Total	$ 90,500,000	$ 2,801,000			

(1) *reported as "Other Assets" within the Consolidated Balance Sheets.*

As part of a prior acquisition, the Company assumed subordinated debt with terms of LIBOR plus 1.45% and a maturity date of April 2016. At June 30, 2015, the carrying value of the subordinated debt was $17.5 million, with a remaining fair value discount of $408,000.

On August 23, 2012, the Company modified its fixed rate FHLB advances to floating rate advances, which resulted in reducing the Company's FHLB borrowing costs. In connection with this modification, the Company incurred a prepayment penalty of $19.6 million on the original advances, which is included as a component of long-term borrowings in the Company's Consolidated Balance Sheets. In accordance with ASC 470-50, *Modifications and Extinguishments*, the Company will amortize this prepayment penalty over the term of the modified advances using the effective rate method. The amortization expense is included as a component of interest expense on long-term borrowings in the Company's Consolidated Statements of Income. Amortization expense for the three and six months ended June 30, 2015 and 2014 was $455,000 and $902,000 and $444,000 and $881,000, respectively.

In connection with the StellarOne acquisition, the Company assumed $70.0 million in long-term borrowings with the FHLB that had a remaining fair value premium of $1.6 million at June 30, 2015.

As of June 30, 2015, the Company had advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate	Maturity Date	Advance Amount
Adjustable Rate Credit	0.44%	0.72%	8/23/2022	$ **55,000**
Adjustable Rate Credit	0.45%	0.74%	11/23/2022	**65,000**
Adjustable Rate Credit	0.45%	0.74%	11/23/2022	**10,000**
Adjustable Rate Credit	0.45%	0.74%	11/23/2022	**10,000**
Fixed Rate	-	3.62%	11/28/2017	**10,000**
Fixed Rate	-	3.44%	7/28/2015	**10,000**
Fixed Rate	-	3.75%	7/30/2018	**5,000**
Fixed Rate	-	3.97%	7/30/2018	**5,000**
Fixed Rate Hybrid	-	2.11%	10/5/2016	**25,000**
Fixed Rate Hybrid	-	0.91%	7/25/2016	**15,000**
				$ **210,000**

As of December 31, 2014, the Company had advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate	Maturity Date	Advance Amount
Adjustable Rate Credit	0.44%	0.70%	8/23/2022	$ **55,000**
Adjustable Rate Credit	0.45%	0.71%	11/23/2022	**65,000**
Adjustable Rate Credit	0.45%	0.71%	11/23/2022	**10,000**
Adjustable Rate Credit	0.45%	0.71%	11/23/2022	**10,000**
Fixed Rate	-	3.62%	11/28/2017	**10,000**
Fixed Rate	-	3.44%	7/28/2015	**10,000**
Fixed Rate	-	3.75%	7/30/2018	**5,000**
Fixed Rate	-	3.97%	7/30/2018	**5,000**
Fixed Rate Hybrid	-	2.11%	10/5/2016	**25,000**
Fixed Rate Hybrid	-	0.91%	7/25/2016	**15,000**
				$ **210,000**

The carrying value of the loans and securities pledged as collateral for FHLB advances totaled $1.8 billion and $1.2 billion as of June 30, 2015 and December 31, 2014, respectively.

As of June 30, 2015, the contractual maturities of long-term debt are as follows for the years ending (dollars in thousands):

	Trust Preferred Capital Notes	Subordinated Debt	FHLB Advances	Fair Value Premium (Discount)	Prepayment Penalty	Total Long-term Borrowings
Remaining six months in 2015	$ -	$ -	$ 10,000	$ 25	$ (929)	$ **9,096**
2016	-	17,500	40,000	271	(1,882)	**55,889**
2017	-	-	10,000	170	(1,922)	**8,248**
2018	-	-	10,000	(143)	(1,970)	**7,887**
2019	-	-	-	(286)	(2,018)	**(2,304)**
2020	-	-	-	(301)	(2,074)	**(2,375)**
Thereafter	93,301	-	140,000	(5,622)	(3,826)	**223,853**
Total Long-term borrowings	$ 93,301	$ 17,500	$ 210,000	$ (5,886)	$ (14,621)	$ **300,294**

7. COMMITMENTS AND CONTINGENCIES

Litigation Matters
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, financial condition, or results of operations of the Company.

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 Company's 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 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 off-balance sheet financial instruments with credit risk. The Company considers credit losses related to off-balance sheet commitments by undergoing a similar process in evaluating losses for loans that are carried on balance sheet. The Company considers historical loss rates, current economic conditions, risk ratings, and past due status among other factors in the consideration of whether credit losses are inherent in the Company's off-balance sheet commitments to extend credit. The Company does not expect credit losses arising from off-balance sheet commitments to have a material adverse impact on the Company's consolidated financial statements.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of customers to third parties. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

UMG, a wholly owned subsidiary of the Bank, uses rate lock commitments and best efforts contracts during the origination process and for loans held for sale. These best efforts contracts are designed to mitigate UMG's exposure to fluctuations in interest rates in connection with rate lock commitments and loans held for sale. The Company held approximately $2.7 million and $2.6 million in loans available for sale in which the related rate lock commitment had expired as of June 30, 2015 and December 31, 2014, respectively. At June 30, 2015 and December 31, 2014, the reserves associated with these loans held for sale were $102,000 and $104,000, respectively, and are reflected on the balance sheet of the mortgage segment.

The following table presents the balances of commitments and contingencies (dollars in thousands):

	June 30, 2015	December 31, 2014
Commitments with off-balance sheet risk:		
Commitments to extend credit [1]	$ 1,498,272	$ 1,601,287
Standby letters of credit	119,611	117,988
Mortgage loan rate lock commitments	74,848	49,552
Total commitments with off-balance sheet risk	$ 1,692,731	$ 1,768,827
Commitments with balance sheet risk:		
Loans held for sale	$ 39,450	$ 42,519
Total other commitments	**$ 1,732,181**	**$ 1,811,346**

(1) *Includes unfunded overdraft protection.*

The Company must maintain a reserve against its deposits in accordance with Regulation D of the Federal Reserve Act. For the final weekly reporting period in the periods ended June 30, 2015 and December 31, 2014, the aggregate amount of daily average required reserves was approximately $47.9 million and $48.7 million, respectively.

The Company has approximately $25.4 million in deposits in other financial institutions, of which $9.5 million and $3.5 million serve as collateral for the cash flow hedges and loan swaps, respectively, as discussed in Note 8 “Derivatives”. The Company had approximately $11.3 million in deposits in other financial institutions that were uninsured at June 30, 2015. On an annual basis, the Company’s management evaluates the loss risk of its uninsured deposits in financial counterparties.

For asset/liability management purposes, the Company uses interest rate swap agreements to hedge various exposures or to modify the interest rate characteristics of various balance sheet accounts. See Note 8 “Derivatives” for additional information.

In the ordinary course of business, the Company records an indemnification reserve relating to mortgage loans previously sold based on historical statistics and loss rates; as of June 30, 2015 and December 31, 2014, the Company’s indemnification reserve for such mortgage loans was $447,000 and $662,000, respectively.

8. DERIVATIVES

The Company is exposed to economic risks arising from its business operations and uses derivatives primarily to manage risk associated with changing interest rates, and to assist customers with their risk management objectives. The Company designates its derivatives either as hedging instruments in a qualifying hedge accounting relationship (cash flow or fair value hedge) or as a free standing derivative such as interest rate lock commitments that do not qualify for hedge accounting. The Company uses interest rate derivatives to manage its exposure to interest rate movements and add stability to interest income and expense. The Company also enters into back-to-back loan swaps to assist customers in managing the risks due to changing interest rates.

Cash Flow Hedges

As part of its cash flow hedging strategy, the Company uses interest rate swap agreements to limit the variability of expected future cash flows (primarily associated with the Company’s variable rate borrowings) by exchanging a notional amount, equal to the principal amount of the borrowings, for fixed-rate interest based on benchmarked interest rates. As of June 30, 2015, the Company had 11 interest rate swaps designated as cash flow hedges with an aggregate notional amount of $263.0 million.

The Company has entered into three interest rate swap agreements (the “trust swaps”) to mitigate the variable interest rate risk related to the trust preferred capital notes further described in Note 6 “Borrowings.” The Company receives interest of LIBOR from a counterparty and pays a weighted average fixed rate of 2.77% to the same counterparty calculated on a notional amount of $68.0 million. The original terms of the trust swaps range from three to six years.

The Company has entered into four interest rate swap agreements (the “prime loan swaps”) to mitigate the variable interest rate risks of certain prime commercial loans. The Company receives a fixed interest rate ranging from 4.71% to 5.20% from the counterparty and pays interest based on the Wall Street Journal prime index, with a spread of up to 0.49%, to the same counterparty calculated on a notional amount of $55.0 million. One of the four prime loan swaps contains a floor rate of 4.00%. The original terms of the four prime loan swaps is six years with a fixed rate that started September 17, 2013.

The Company has entered into four interest rate swap agreements ("FHLB advance swaps") to mitigate variable interest rate risk on certain designated variable rate FHLB borrowings. The Company receives an interest rate based on the three month LIBOR from the counterparty and pays an interest rate ranging from 3.16% to 3.46% to the same counterparty calculated on a notional amount of $140.0 million. The FHLB advance swaps are deferred starting swaps with terms of six years and five years and effective dates of February 23, 2017 and February 23, 2018, respectively.

All swaps were entered into with counterparties that met the Company's credit standards and the agreements contain collateral provisions protecting the at-risk party. The Company believes that the credit risk inherent in the contract is not significant. As of June 30, 2015, the Company had $9.5 million of cash pledged as collateral for the cash flow hedges and securities with a market value of $4.5 million pledged as collateral for the prime loan swaps and FHLB advance swaps.

Amounts receivable or payable are recognized as accrued under the terms of the agreements. In accordance with ASC 815, *Derivatives and Hedging*, the Company has designated the trust swaps, prime loan swaps, and FHLB advance swaps as cash flow hedges, with the effective portions of the derivatives' unrealized gains or losses recorded as a component of other comprehensive income. The ineffective portions of the unrealized gains or losses, if any, would be recorded in interest income and interest expense in the Company's Consolidated Statements of Income. The Company has assessed the effectiveness of each hedging relationship by comparing the changes in cash flows of the hedging instrument. Based on the Company's assessment, its cash flow hedges are highly effective. At June 30, 2015, the fair value of the Company's cash flow hedges was a net unrealized loss of $7.0 million, the amount the Company would have expected to pay if the contracts were terminated.

Shown below is a summary of the derivatives designated as cash flow hedges at June 30, 2015 and December 31, 2014 (dollars in thousands):

	Positions	**Notional Amount**	**Asset**	**Liability**	**Receive Rate**	**Pay Rate**	**Life (Years)**
As of June 30, 2015							
Pay fixed - receive floating interest rate swaps	7	$ 208,000	$ -	$ 7,810	0.28%(1)	2.77%(1)	1.63(1)
Receive fixed - pay floating interest rate swaps	4	$ 55,000	$ 859	$ -	4.93%	3.55%	4.22

(1) *Due to their deferred nature, the rates and the life exclude the four FHLB advance swaps.*

	Positions	**Notional Amount**	**Asset**	**Liability**	**Receive Rate**	**Pay Rate**	**Life (Years)**
As of December 31, 2014							
Pay fixed - receive floating interest rate swaps	7	$ 208,000	$ -	$ 8,433	0.26%(1)	2.77%(1)	2.12(1)
Receive fixed - pay floating interest rate swaps	4	$ 55,000	$ 580	$ -	4.93%	3.55%	4.72

(1) *Due to their deferred nature, the rates and the life exclude the four FHLB advance swaps.*

Fair Value Hedge
During the normal course of business, the Company enters into interest rate swaps to convert certain long-term fixed-rate loans to floating rates to hedge the Company's exposure to interest rate risk. The Company applies hedge accounting in accordance with ASC 815, and the fair value hedge and the underlying hedged item, attributable to the risk being hedged, are recorded at fair value with unrealized gains and losses being recorded in the Company's Consolidated Statements of Income. The ineffective portions of the unrealized gains or losses, if any, would be recorded in interest income and interest expense in the Company's Consolidated Statements of Income. The Company uses statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset being hedged due to changes in the hedged risk.

As of June 30, 2015, the Company had three swaps constituting fair value hedges, whereby the Company pays a fixed interest rate ranging from 3.23% to 3.53% to the counterparty and receives interest of one month LIBOR plus a spread of up to 2.13% from the same counterparty calculated on an aggregate notional amount of $53.6 million with terms ranging from 15 to 17 years. At December 31, 2014, the Company had one fair value hedge with an aggregate notional amount of $38.3 million. At June 30, 2015, the fair value of the Company's fair value hedges was an unrealized gain of $542,000, the amount the Company would have expected to receive if the contract was terminated; the asset is reported in "Other Assets" in the Company's Consolidated Balance Sheets. At June 30, 2015, the aggregate notional amount of the hedged items was $53.6 million with a fair value of ($483,000). At December 31, 2014, the Company had one hedged item with an aggregate notional amount of $38.3 million. The Company's fair value hedges continue to be highly effective and had no material impact on the Company's Consolidated Statements of Income.

Loan Swaps
During the normal course of business, the Company enters into interest rate swap loan relationships ("loan swaps") with borrowers to meet their financing needs. Upon entering into the loan swaps, the Company enters into offsetting positions with counterparties in order to minimize interest rate risk. These back-to-back loan swaps qualify as financial derivatives with fair values as reported in "Other Assets" and "Other Liabilities" in the Company's Consolidated Balance Sheets. As of June 30, 2015, the Company had cash and securities with a market value of $6.5 million pledged as collateral for the loan swaps.

Shown below is a summary regarding loan swap derivative activities at June 30, 2015 and December 31, 2014 (dollars in thousands):

	Positions	Notional Amount	Asset	Liability	Receive Rate	Pay Rate	Life (Years)
As of June 30, 2015							
Receive fixed - pay floating interest rate swaps	35	$ 141,548	$ 2,830	$ -	4.25%	2.48%	7.06
Pay fixed - receive floating interest rate swaps	35	$ 141,548	$ -	$ 2,830	2.48%	4.25%	7.06

	Positions	Notional Amount	Asset	Liability	Receive Rate	Pay Rate	Life (Years)
As of December 31, 2014							
Receive fixed - pay floating interest rate swaps	30	$ 122,793	$ 2,681	$ -	4.29%	2.50%	7.14
Pay fixed - receive floating interest rate swaps	30	$ 122,793	$ -	$ 2,681	2.50%	4.29%	7.14

Interest Rate Lock Commitments
During the normal course of business, the Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding ("rate lock commitments"). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment, closing, and sale of the loan generally ranges from 30 to 120 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. The correlation between the rate lock commitments and the best efforts contracts is high due to their similarity.

The market values of rate lock commitments and best efforts forward delivery commitments is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments and best efforts contracts by measuring the change in the value of the underlying asset while taking into consideration the probability that the rate lock commitments will close. The fair value of the rate lock commitments as of June 30, 2015 was $344,000 and is reported as a component of "Other Assets" in the Company's Consolidated Balance Sheets; the fair value of the Company's best efforts forward delivery commitments was ($570,000) and is recorded as a component of "Other Liabilities" in the Company's Consolidated Balance Sheets. Any impact to income is recorded in current period earnings as a component of "Gain on sale of mortgage loans, net of commissions" in the Company's Consolidated Statements of Income. The aggregate notional amount of these derivatives was $74.8 million and $49.6 million at June 30, 2015 and December 31, 2014, respectively.

9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2015 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Total
Balance - March 31, 2015	$ 21,097	$ -	$ (6,402)	$ 14,695
Unrealized gain transferred from AFS to HTM	(5,251)	5,251	-	-
Other comprehensive income (loss)	(6,845)	(208)	1,809	(5,244)
Amounts reclassified from accumulated other comprehensive income	(263)	-	41	(222)
Net current period other comprehensive income (loss)	(7,108)	(208)	1,850	(5,466)
Balance - June 30, 2015	$ 8,738	$ 5,043	$ (4,552)	$ 9,229

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedges	Total
Balance - December 31, 2014	$ 17,439	$ -	$ (5,184)	$ 12,255
Unrealized gain transferred from AFS to HTM	(5,251)	5,251	-	-
Other comprehensive income (loss)	(3,062)	(208)	319	(2,951)
Amounts reclassified from accumulated other comprehensive income	(388)	-	313	(75)
Net current period other comprehensive income (loss)	(3,450)	(208)	632	(3,026)
Balance - June 30, 2015	$ 8,738	$ 5,043	$ (4,552)	$ 9,229

The change in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2014 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	Change in Fair Value of Cash Flow Hedge	Total
Balance - March 31, 2014	$ 7,486	$ (2,760)	$ 4,726
Other comprehensive income (loss)	6,733	(778)	5,955
Amounts reclassified from accumulated other comprehensive income	(17)	217	200
Net current period other comprehensive income (loss)	6,716	(561)	6,155
Balance - June 30, 2014	$ 14,202	$ (3,321)	$ 10,881

	Unrealized Gains (Losses) on AFS Securities	Change in Fair Value of Cash Flow Hedges	Total
Balance - December 31, 2013	$ 1,192	$ (3,382)	$ (2,190)
Other comprehensive income (loss)	13,046	(203)	12,843
Amounts reclassified from accumulated other comprehensive income	(36)	264	228
Net current period other comprehensive income (loss)	13,010	61	13,071
Balance - June 30, 2014	$ 14,202	$ (3,321)	$ 10,881

Reclassifications of unrealized gains (losses) on available for sale securities are reported in the Company's Consolidated Statements of Income as "Gains on securities transactions, net" with the corresponding income tax effect being reflected as a component of income tax expense. The Company reported net gains of $404,000 and $597,000 for the three and six months ended June 30, 2015, respectively, related to the sale of securities. Excluding OTTI recovery of $400,000 in the second quarter of 2014, the Company reported net gains of $26,000 and $55,000 for the three and six months ended June 30, 2014, respectively, related to the sale of securities. The tax effect of these transactions during the three and six months ended June 30, 2015 and 2014 were $142,000 and $209,000 and $9,000 and $19,000, respectively, which amounts were included as a component of income tax expense.

Reclassifications of the change in fair value of cash flow hedges are reported in interest income and interest expense in the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense. The Company reported net interest expense of $63,000 and $482,000 and $334,000 and $406,000 for the three and six months ended June 30, 2015 and 2014, respectively. The tax effect of these transactions during the three and six months ended June 30, 2015 and 2014 were $22,000 and $169,000 and $117,000 and $142,000, respectively, which amounts were included as a component of income tax expense.

10. FAIR VALUE MEASUREMENTS

The Company follows ASC 820, *Fair Value Measurements and Disclosures*, to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This codification clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The three levels of the fair value hierarchy under ASC 820 based on these two types of inputs are as follows:

Level 1	Valuation is based on quoted prices in active markets for identical assets and liabilities.
Level 2	Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the markets.
Level 3	Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. These unobservable inputs reflect the Company's assumptions about what market participants would use and information that is reasonably available under the circumstances without undue cost and effort.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

Derivative instruments
As discussed in Note 8 "Derivatives", the Company records derivative instruments at fair value on a recurring basis. The Company utilizes derivative instruments as part of the management of interest rate risk to modify the re-pricing characteristics of certain portions of the Company's interest-bearing assets and liabilities. The Company has contracted with a third party vendor to provide valuations for derivatives using standard valuation techniques and therefore classifies such valuations as Level 2. Third party valuations are validated by the Company using Bloomberg Valuation Service's derivative pricing functions. The Company has considered counterparty credit risk in the valuation of its derivative assets and has considered its own credit risk in the valuation of its derivative liabilities.

During the ordinary course of business, the Company enters into interest rate lock commitments related to the origination of mortgage loans held for sale as well as best effort forward delivery commitments to mitigate interest rate risk; these instruments are recorded at estimated fair value based on the value of the underlying loan, which in turn is based on quoted prices for similar loans in the secondary market. However, this value is adjusted by a pull-through rate which considers the likelihood that the loan in a lock position will ultimately close. The pull-through rate is derived from the Company's internal data and is adjusted using significant management judgment. The pull-through rate is largely dependent on the loan processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. As such, interest rate lock commitments are classified as Level 3. An increase in the pull-through rate utilized in the fair value measurement of the interest rate lock commitment derivative will result in positive fair value adjustments while a decrease in the pull-through rate will result in a negative fair value adjustment. The Company's weighted average pull-through rate was approximately 80% as of June 30, 2015 and approximately 90% as of December 31, 2014. As of June 30, 2015, the interest rate lock commitments are recorded as a component of "Other Assets" and the best effort forward delivery commitments are recorded as a component of "Other Liabilities" on the Company's Consolidated Balance Sheets.

Securities available for sale
Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity, then the security would fall to the lowest level of the hierarchy (Level 3).

The Company’s investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its securities portfolio. The vendor’s primary source for security valuation is Interactive Data Corporation (“IDC”), which evaluates securities based on market data. IDC utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance, and rating to incorporate additional spreads to the industry benchmark curves.

The Company uses Bloomberg Valuation Service, an independent information source that draws on quantitative models and market data contributed from over 4,000 market participants, to validate third party valuations. Any material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of June 30, 2015 and December 31, 2014.

The carrying value of restricted Federal Reserve Bank and FHLB stock approximates fair value based on the redemption provisions of each entity and is therefore excluded from the following table.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis at June 30, 2015 and December 31, 2014 (dollars in thousands):

	Fair Value Measurements at June 30, 2015 using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
ASSETS				
Securities available for sale:				
U.S. government and agency securities	$ -	$ 8,380	$ -	$ 8,380
Obligations of states and political subdivisions	-	247,641	-	247,641
Corporate and other bonds	-	75,154	-	75,154
Mortgage-backed securities	-	546,994	-	546,994
Other securities	-	10,193	-	10,193
Derivatives:				
Interest rate swap	-	2,830	-	2,830
Cash flow hedges	-	859	-	859
Interest rate lock commitments	-	-	344	344
Best effort forward delivery commitments	-	-	570	570
LIABILITIES				
Derivatives:				
Interest rate swap	$ -	$ 2,830	$ -	$ 2,830
Cash flow hedges	-	7,810	-	7,810

	Fair Value Measurements at December 31, 2014 using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
ASSETS				
Securities available for sale:				
U.S. government and agency securities	$ -	$ 8,454	$ -	$ 8,454
Obligations of states and political subdivisions	-	445,647	-	445,647
Corporate bonds	-	78,680	-	78,680
Mortgage-backed securities	-	559,329	-	559,329
Other securities	-	10,004	-	10,004
Derivatives:				
Interest rate swap	-	2,681	-	2,681
Cash flow hedges	-	580	-	580
Interest rate lock commitments	-	-	513	513
LIABILITIES				
Derivatives:				
Interest rate swap	$ -	$ 2,681	$ -	$ 2,681
Cash flow hedges	-	8,433	-	8,433

Certain assets are measured at fair value on a nonrecurring basis in accordance with U.S. GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements.

Loans held for sale
Loans held for sale are carried at the lower of cost or market value. These loans currently consist of residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, the Company records any fair value adjustments on a nonrecurring basis. Nonrecurring fair value adjustments recorded on loans held for sale for the three and six months ended June 30, 2015 totaled $77,000 and $60,000, respectively, and for the three and six months ended June 30, 2014 totaled $42,000 and $86,000, respectively. Gains and losses on the sale of loans are recorded within the mortgage segment and are reported on a separate line item in the Company's Consolidated Statements of Income.

Impaired loans
Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreements will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral dependent loans are reported at the fair value of the underlying collateral if repayment is solely from the underlying value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Company's collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser using observable market data. When evaluating the fair value, management may discount the appraisal further if, based on their understanding of the market conditions, it is determined the collateral is further impaired below the appraised value (Level 3). The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Collateral dependent impaired loans allocated to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Company's Consolidated Statements of Income.

Other real estate owned
OREO is evaluated for impairment at least quarterly by the Bank's Special Asset Loan Committee and any necessary write downs to fair values are recorded as impairment and included as a component of noninterest expense. Fair values of OREO are carried at fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral, or management's estimation of the value of the collateral. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as Level 3 valuation.

Total valuation expenses related to OREO properties for the three and six months ended June 30, 2015 totaled $710,000 and $1.3 million, respectively, and for the three and six months ended June 30, 2014 totaled $817,000 and $1.1 million, respectively.

The following tables summarize the Company's financial assets that were measured at fair value on a nonrecurring basis at June 30, 2015 and December 31, 2014 (dollars in thousands):

	Fair Value Measurements at June 30, 2015 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Loans held for sale	$ -	$ 39,450	$ -	$ 39,450
Impaired loans	-	-	3,931	3,931
Other real estate owned	-	-	22,222	22,222

	Fair Value Measurements at December 31, 2014 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Loans held for sale	$ -	$ 42,519	$ -	$ 42,519
Impaired loans	-	-	15,797	15,797
Other real estate owned	-	-	28,118	28,118

The following table displays quantitative information about Level 3 Fair Value Measurements at June 30, 2015 (dollars in thousands):

	Fair Value Measurements at June 30, 2015			
	Fair Value	Valuation Technique(s)	Unobservable Inputs	Weighted Average
ASSETS				
Commercial Real Estate - Owner Occupied	$ 2,315	Market comparables	Discount applied to market comparables [1]	28%
Single Family Investment Real Estate	1,044	Market comparables	Discount applied to market comparables [1]	0%
Other [2]	572	Market comparables	Discount applied to market comparables [1]	14%
Total Impaired Loans	**3,931**			
Other real estate owned	**22,222**	Market comparables	Discount applied to market comparables [1]	29%
Total	**$ 26,153**			

[1] *A discount percentage (in addition to expected selling costs) is applied based on the age of independent appraisals, current market conditions, and experience within the local market.*

[2] *The "Other" category of the impaired loans section consists of Other Commercial, Mortgage, Consumer Construction, Indirect Marine, and Other Consumer.*

The following table displays quantitative information about Level 3 Fair Value Measurements at December 31, 2014 (dollars in thousands):

	Fair Value Measurements at December 31, 2014			
	Fair Value	**Valuation Technique(s)**	**Unobservable Inputs**	**Weighted Average**
ASSETS				
Commercial Real Estate - Owner Occupied	$ 3,304	Market comparables	Discount applied to market comparables [1]	34%
Commercial Real Estate - Non-Owner Occupied	7,828	Market comparables	Discount applied to market comparables [1]	1%
Raw Land and Lots	431	Market comparables	Discount applied to market comparables [1]	16%
Single Family Investment Real Estate	1,366	Market comparables	Discount applied to market comparables [1]	14%
Commercial and Industrial	339	Market comparables	Discount applied to market comparables [1]	45%
Other [2]	2,529	Market comparables	Discount applied to market comparables [1]	6%
Total Impaired Loans	**15,797**			
Other real estate owned	**28,118**	Market comparables	Discount applied to market comparables [1]	32%
Total	**$ 43,915**			

[1] *A discount percentage (in addition to expected selling costs) is applied based on the age of independent appraisals, current market conditions, and experience within the local market.*
[2] *The "Other" category of the impaired loans section consists of Other Commercial, Mortgage, Consumer Construction, Indirect Marine, HELOCs, and Other Consumer.*

ASC 825, *Financial Instruments,* requires disclosure about fair value of financial instruments for interim periods and excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

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

Held to Maturity Securities
The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its securities portfolio. The vendor's primary source for security valuation is IDC, which evaluates securities based on market data. IDC utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance, and rating to incorporate additional spreads to the industry benchmark curves.

The Company uses Bloomberg Valuation Service, an independent information source that draws on quantitative models and market data contributed from over 4,000 market participants, to validate third party valuations. Any material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of June 30, 2015 and December 31, 2014.

Loans
The fair value of performing loans is estimated by discounting expected future cash flows using a yield curve that is constructed by adding a loan spread to a market yield curve. Loan spreads are based on spreads currently observed in the market for loans of similar type and structure. Fair value for impaired loans and their respective level within the fair value hierarchy, are described in the previous disclosure related to fair value measurements of assets that are measured on a nonrecurring basis.

Bank owned life insurance
The carrying value of bank owned life insurance approximates fair value. The Company records these policies at their cash surrender value, which is estimated using information provided by insurance carriers.

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 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 the Company’s repurchase agreements is a reasonable estimate of fair value. Other borrowings are discounted using the current yield curve for the same type of borrowing. For borrowings with embedded optionality, a third party source is used to value the instrument. The Company validates all third party valuations for borrowings with optionality using Bloomberg’s derivative pricing functions.

Accrued interest
The carrying amounts of accrued interest approximate fair value.

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 June 30, 2015 and December 31, 2014, the fair value of loan commitments and standby letters of credit was immaterial.

The carrying values and estimated fair values of the Company's financial instruments at June 30, 2015 and December 31, 2014 are as follows (dollars in thousands):

		Fair Value Measurements at June 30, 2015 using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
ASSETS					
Cash and cash equivalents	$ 136,833	$ 136,833	$ -	$ -	$ 136,833
Securities available for sale	888,362	-	888,362	-	888,362
Held to maturity securities	201,072	-	199,475	-	199,475
Restricted stock	50,171	-	50,171	-	50,171
Loans held for sale	39,450	-	39,450	-	39,450
Net loans	5,478,041	-	-	5,497,910	5,497,910
Derivatives:					
Interest rate lock commitments	344	-	-	344	344
Interest rate swap	2,830	-	2,830	-	2,830
Cash flow hedges	859	-	859	-	859
Best effort forward delivery commitments	570	-	-	570	570
Accrued interest receivable	21,840	-	21,840	-	21,840
Bank owned life insurance	141,284	-	141,284	-	141,284
LIABILITIES					
Deposits	$ 5,784,474	$ -	$ 5,781,540	$ -	$ 5,781,540
Borrowings	680,974	-	660,729	-	660,729
Accrued interest payable	1,749	-	1,749	-	1,749
Derivatives:					
Interest rate swap	2,830	-	2,830	-	2,830
Cash flow hedges	7,810	-	7,810	-	7,810

		Fair Value Measurements at December 31, 2014 using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
ASSETS					
Cash and cash equivalents	$ 133,260	$ 133,260	$ -	$ -	$ 133,260
Securities available for sale	1,102,114	-	1,102,114	-	1,102,114
Restricted stock	54,854	-	54,854	-	54,854
Loans held for sale	42,519	-	42,519	-	42,519
Net loans	5,313,612	-	-	5,340,759	5,340,759
Derivatives:					
Interest rate lock commitments	513	-	-	513	513
Interest rate swap	2,681	-	2,681	-	2,681
Cash flow hedges	580	-	580	-	580
Accrued interest receivable	21,775	-	21,775	-	21,775
Bank owned life insurance	139,005	-	139,005	-	139,005
LIABILITIES					
Deposits	$ 5,638,770	$ -	$ 5,637,929	$ -	$ 5,637,929
Borrowings	686,935	-	666,224	-	666,224
Accrued interest payable	1,899	-	1,899	-	1,899
Derivatives:					
Interest rate swap	2,681	-	2,681	-	2,681
Cash flow hedges	8,433	-	8,433	-	8,433

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

11. STOCK-BASED COMPENSATION

The Company's stock incentive plan provides for the granting of stock-based awards to key employees of the Company and its subsidiaries in the form of: (i) incentive stock options intended to comply with the requirements of Section 422 of the Internal Revenue Code of 1986 ("incentive stock options"); (ii) non-qualified stock options; (iii) restricted stock; and (iv) other stock-based awards. The Company issues new shares to satisfy stock-based awards. A stock option's maximum term is ten years from the date of grant and the option price cannot be less than the fair market value of the stock on the grant date. No stock options have been granted since February 2012. Restricted stock and other stock-based awards typically vest in varying annual installments over a three- to five-year vesting schedule.

On January 29, 2015, the Company's Board of Directors adopted, and shareholders approved, the Union Bankshares Corporation Stock and Incentive Plan (the "Amended and Restated SIP"), which amends and restates the former plan (the "2011 Plan"). The Amended and Restated SIP became effective on April 21, 2015 and the Company may grant awards under the amended plan until April 20, 2025. The Amended and Restated SIP amends the 2011 Plan to, among other things, increase the maximum number of shares of the Company's common stock issuable under the plan from 1,000,000 to 2,500,000 and add non-employee directors of the Company and certain subsidiaries, as well as regional advisory boards, as potential participants in the plan. The increase in shares in the Amended and Restated SIP includes shares that had been granted previously under the 2011 Plan. As of June 30, 2015, there were 1,960,531 shares available in the Amended and Restated SIP.

For the three months ended June 30, 2015 and 2014, the Company recognized stock-based compensation expense (included in salaries and benefits expense) of approximately $13,000 and $180,000 ($27,000 and $144,000 net of tax), respectively. For the six months ended June 30, 2015 and 2014, the Company recognized stock-based compensation expense of approximately $403,000 and $554,000 ($308,000 and $414,000 net of tax), respectively. Stock-based compensation expense represents approximately $0.01 per common share for both the six months ended June 30, 2015 and 2014.

Stock Options

The following table summarizes the stock option activity for the six months ended June 30, 2015:

	Number of Stock Options	Weighted Average Exercise Price
Options outstanding, December 31, 2014	**389,269**	**$ 16.69**
Exercised	**(25,873)**	**15.46**
Expired, forfeited, or cancelled	**(24,267)**	**19.86**
Options outstanding, June 30, 2015	**339,129**	**16.55**
Options exercisable, June 30, 2015	**280,799**	**17.18**

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option valuation model. The model uses variables which include the historical dividend yield of the Company's common stock, the average contractual life and vesting schedule of the option, the historic volatility of the Company's common stock price, and the risk-free interest rate at the time the option was granted. Other than options that were assumed and converted upon completion of the StellarOne merger, the Company has not granted incentive compensation in the form of options since February 2012.

The following table summarizes information concerning stock options issued to the Company's employees that are vested or are expected to vest and stock options exercisable as of June 30, 2015:

	Stock Options Vested or Expected to Vest	Exercisable
Stock options (number of shares)	**339,151**	**280,799**
Weighted average remaining contractual life in years	**4.82**	**4.50**
Weighted average exercise price on shares above water	**$ 14.30**	**$ 14.48**
Aggregate intrinsic value	**$ 2,550,311**	**$ 1,989,870**

Restricted Stock

The Amended and Restated SIP permits the granting of restricted stock awards. This equity component of compensation can be in the form of restricted stock awards or restricted stock units with time-based vesting. Performance share units can also be granted with vesting based on achieving certain performance metrics or other market-based conditions such as total shareholder return relative to a peer group. Generally, restricted stock awards vest 50% on each of the third and fourth anniversaries from the date of the grant; performance and market-based awards typically vest on the third anniversary from the date of grant subject to meeting the specified performance criteria. All grants of restricted stock are subject to approval by the Company's Compensation Committee at its sole discretion. The value of a restricted stock award is calculated by multiplying the fair market value of the Company's common stock on the grant date by the number of shares awarded. Market-based awards are valued at the grant date using the Monte Carlo simulation method. Recipients of time-based restricted stock awards have the right to vote their non-vested shares and to receive, if declared and paid by the Company, any cash or stock dividends. Recipients of performance share units do not have the right to vote their non-vested units, and do not receive cash or stock dividends. Non-vested shares of restricted stock are included in the computation of basic earnings per share. The following table summarizes the restricted stock activity for the six months ended June 30, 2015:

	Number of Shares of Restricted Stock	Weighted Average Grant-Date Fair Value
Balance, December 31, 2014	**287,120**	**$ 20.07**
Granted	**122,995**	**22.01**
Net settle for taxes	**(10,352)**	**21.61**
Vested	**(30,401)**	**16.08**
Forfeited	**(12,396)**	**19.82**
Balance, June 30, 2015	**356,966**	**21.21**

The estimated unamortized compensation expense, net of estimated forfeitures, related to nonvested stock and stock options issued and outstanding as of June 30, 2015 that will be recognized in future periods is as follows (dollars in thousands):

	Stock Options	Restricted Stock	Total
For the remaining six months of 2015	**$ 97**	**$ 1,662**	**$ 1,759**
For year ending December 31, 2016	**120**	**1,845**	**1,965**
For year ending December 31, 2017	**14**	**1,110**	**1,124**
For year ending December 31, 2018	**-**	**496**	**496**
For year ending December 31, 2019	**-**	**71**	**71**
Total	**$ 231**	**$ 5,184**	**$ 5,415**

12. EARNINGS PER SHARE

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, including the effect of dilutive potential common shares outstanding attributable to stock awards.

There were approximately 53,625 and 160,768 shares underlying anti-dilutive awards for the three months ended June 30, 2015 and 2014, respectively, and there were approximately 56,151 and 134,785 shares underlying anti-dilutive awards for the six months ended June 30, 2015 and 2014, respectively. Anti-dilutive awards were excluded from the calculation of diluted EPS.

The following is a reconciliation of the denominators of the basic and diluted EPS computations for the three and six months ended June 30, 2015 and 2014 (in thousands except per share data):

	Net Income Available to Common Shareholders (Numerator)	Weighted Average Common Shares (Denominator)	Per Share Amount
For the three months ended June 30, 2015			
Net income, basic	**$ 15,348**	**45,129**	**$ 0.34**
Add: potentially dilutive common shares - stock awards	**-**	**81**	**-**
Diluted	**$ 15,348**	**45,210**	**$ 0.34**
For the three months ended June 30, 2014			
Net income, basic	$ 14,673	46,195	$ 0.32
Add: potentially dilutive common shares - stock awards	-	102	-
Diluted	$ 14,673	46,297	$ 0.32
For the six months ended June 30, 2015			
Net income, basic	**$ 31,049**	**45,117**	**$ 0.69**
Add: potentially dilutive common shares - stock awards	**-**	**81**	**-**
Diluted	**$ 31,049**	**45,198**	**$ 0.69**
For the six months ended June 30, 2014			
Net income, basic	$ 22,382	46,584	$ 0.48
Add: potentially dilutive common shares - stock awards	-	103	-
Diluted	$ 22,382	46,687	$ 0.48

13. SEGMENT REPORTING DISCLOSURES

The Company has two reportable segments: a traditional full service community bank segment and a mortgage loan origination business segment. The community bank segment includes one subsidiary bank, the Bank, which provides loan, deposit, investment, and trust services to retail and commercial customers throughout its 131 retail locations in Virginia. The mortgage segment includes UMG, which provides a variety of mortgage loan products principally in Virginia, North Carolina, South Carolina, Maryland, and the Washington D.C. metro area. These loans are originated and sold primarily in the secondary market through purchase commitments from investors, which serves to mitigate the Company's exposure to interest rate risk.

Profit and loss is measured by net income after taxes including realized gains and losses on the Company's investment portfolio. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Inter-segment transactions are recorded at cost and eliminated as part of the consolidation process.

Both of the Company's reportable segments are service-based. The mortgage business is a primarily fee-based business while the bank is driven principally by net interest income. The bank segment provides a distribution and referral network through its customers for the mortgage loan origination business. The mortgage segment offers a more limited referral network for the bank segment.

The community bank segment provides the mortgage segment with the short-term funds needed to originate mortgage loans through a warehouse line of credit and charges the mortgage banking segment interest at the three month LIBOR rate plus 0.15% with no floor, effective January 1, 2015. During the three and six months ended June 30, 2014, the interest rate on the warehouse line of credit was the three-month LIBOR rate plus 1.5% with a floor of 2.0%. These transactions are eliminated in the consolidation process. A management fee for operations and administrative support services is charged to all subsidiaries and eliminated in the consolidated totals.

Information about reportable segments and reconciliation of such information to the consolidated financial statements for the three and six months ended June 30, 2015 and 2014 is as follows (dollars in thousands):

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
SEGMENT FINANCIAL INFORMATION

	Community Bank	Mortgage	Eliminations	Consolidated
Three Months Ended June 30, 2015				
Net interest income	**$ 63,441**	**$ 375**	**$ -**	**$ 63,816**
Provision for credit losses	**3,700**	**49**	**-**	**3,749**
Net interest income after provision for credit losses	**59,741**	**326**	**-**	**60,067**
Noninterest income	**13,523**	**2,860**	**(171)**	**16,212**
Noninterest expenses	**52,365**	**3,047**	**(171)**	**55,241**
Income before income taxes	**20,899**	**139**	**-**	**21,038**
Income tax expense	**5,646**	**44**	**-**	**5,690**
Net income	**$ 15,253**	**$ 95**	**$ -**	**$ 15,348**
Total assets	**$ 7,495,564**	**$ 55,563**	**$ (53,421)**	**$ 7,497,706**
Three Months Ended June 30, 2014				
Net interest income	$ 63,401	$ 314	$ -	$ 63,715
Provision for credit losses	1,500	-	-	1,500
Net interest income after provision for credit losses	61,901	314	-	62,215
Noninterest income	13,422	3,028	(170)	16,280
Noninterest expenses	54,841	4,296	(170)	58,967
Income (loss) before income taxes	20,482	(954)	-	19,528
Income tax expense (benefit)	5,207	(352)	-	4,855
Net income (loss)	$ 15,275	$ (602)	$ -	$ 14,673
Total assets	$ 7,304,704	$ 77,299	$ (75,297)	$ 7,306,706
Six Months Ended June 30, 2015				
Net interest income	**$ 125,164**	**$ 621**	**$ -**	**$ 125,785**
Provision for credit losses	**5,450**	**49**	**-**	**5,499**
Net interest income after provision for credit losses	**119,714**	**572**	**-**	**120,286**
Noninterest income	**26,371**	**5,236**	**(341)**	**31,266**
Noninterest expenses	**103,337**	**6,085**	**(341)**	**109,081**
Income (loss) before income taxes	**42,748**	**(277)**	**-**	**42,471**
Income tax expense (benefit)	**11,527**	**(105)**	**-**	**11,422**
Net income (loss)	**$ 31,221**	**$ (172)**	**$ -**	**$ 31,049**
Total assets	**$ 7,495,564**	**$ 55,563**	**$ (53,421)**	**$ 7,497,706**
Six Months Ended June 30, 2014				
Net interest income	$ 126,927	$ 546	$ -	$ 127,473
Provision for credit losses	1,500	-	-	1,500
Net interest income after provision for credit losses	125,427	546	-	125,973
Noninterest income	25,081	5,328	(341)	30,068
Noninterest expenses	117,587	9,006	(341)	126,252
Income (loss) before income taxes	32,921	(3,132)	-	29,789
Income tax expense (benefit)	8,557	(1,150)	-	7,407
Net income (loss)	$ 24,364	$ (1,982)	$ -	$ 22,382
Total assets	$ 7,304,704	$ 77,299	$ (75,297)	$ 7,306,706

Review Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of Union Bankshares Corporation

We have reviewed the consolidated balance sheet of Union Bankshares Corporation (the “Company”) as of June, 30, 2015, and the related consolidated statements of income, comprehensive income and cash flows for the three- and six-month periods ended June 30, 2015 and 2014. These financial statements are the responsibility of the Company's management. The consolidated financial statements of the Company as of June 30, 2014, and for the three- and six-month periods then ended, were reviewed by other auditors whose report dated August 6, 2014 stated that based on their review they were not aware of any material modifications that should be made to those statements for them to be in conformity with U.S. generally accepted accounting principles. The consolidated balance sheet of the Company as of December 31, 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the year then ended (not presented herein) were audited by other auditors whose report dated February 27, 2015 expressed an unqualified opinion on those statements.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the 2015 consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Richmond, Virginia

August 6, 2015

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

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 its subsidiaries (collectively, the "Company"). This discussion and analysis should be read with the consolidated financial statements, the notes to the financial statements, and the other financial data included in this report, as well as the Company's Annual Report on Form 10-K and management's discussion and analysis for the year ended December 31, 2014. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends affecting the Company. Results of operations for the three and six months ended June 30, 2015 and 2014 are not necessarily indicative of results that may be attained for any other period. Amounts are rounded for presentation purposes while some of the percentages presented are computed based on unrounded amounts.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualified words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," or words of similar meaning or other statements concerning opinions or judgment of the Company and its management about future events. Although the Company believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance, or achievements of the Company will not differ materially from any projected future results, performance, or achievements expressed or implied by such forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of and changes in: general economic and bank industry conditions, the interest rate environment, legislative and regulatory requirements, competitive pressures, new products and delivery systems, inflation, stock and bond markets, accounting standards or interpretations of existing standards, mergers and acquisitions, technology, and consumer spending and savings habits. More information is available on the Company's website, *http://investors.bankatunion.com* and on the Securities and Exchange Commission's website,*www.sec.gov*. The information on the Company's website is not a part of this Form 10-Q. The Company does not intend or assume any obligation to update or revise any forward-looking statements that may be made from time to time by or on behalf of the Company.

CRITICAL ACCOUNTING POLICIES

General

The accounting and reporting policies of the Company are in accordance with U.S. GAAP and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions, and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses, and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company's consolidated financial position and/or results of operations.

The more critical accounting and reporting policies include the Company's accounting for the allowance for loan losses, mergers and acquisitions, and goodwill and intangible assets. The Company's accounting policies are fundamental to understanding the Company's consolidated financial position and consolidated results of operations. Accordingly, the Company's significant accounting policies are discussed in detail in Note 1 "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" contained in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The following is a summary of the Company's critical accounting policies that are highly dependent on estimates, assumptions, and judgments.

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 incurred losses in the portfolio. Loans are charged against the allowance when management believes the collectability 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 make adjustments to the allowance based on their judgments about information available to them at the time of their examination.

The Company performs regular credit reviews of the loan portfolio to review the credit quality and adherence to its underwriting standards. The credit reviews consist of reviews by its Loan Review group and reviews performed by an independent third party. Upon origination, each commercial loan is assigned a risk rating ranging from one to nine, with loans closer to one having less risk. This risk rating scale is the Company's primary credit quality indicator. Consumer loans are generally not risk rated; the primary credit quality indicator for this portfolio segment is delinquency status. The Company has various committees that review and ensure that the allowance for loan losses methodology is in accordance with U.S. GAAP and loss factors used appropriately reflect the risk characteristics of the loan portfolio.

The Company's ALL consists of specific and general components.

Specific Reserve Component – The specific reserve component relates to impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Upon being identified as impaired, for loans not considered to be collateral dependent, an allowance is established when the discounted cash flows of the impaired loan are lower than the carrying value of that loan. Nonaccrual loans under $100,000 and other impaired loans under $500,000 are aggregated based on similar risk characteristics. The level of credit impairment within the pool(s) is determined based on historical loss factors for loans with similar risk characteristics, taking into consideration environmental factors specifically related to the underlying pool. The impairment of collateral dependent loans is measured based on the fair value of the underlying collateral (based on independent appraisals), less selling costs, compared to the carrying value of the loan. If the Company determines that the value of an impaired collateral dependent loan is less than the recorded investment in the loan, it either recognizes an impairment reserve as a specific component to be provided for in the allowance for loan losses or charges off the deficiency if it is determined that such amount represents a confirmed loss. Typically, a loss is confirmed when the Company is moving towards foreclosure (or final disposition) of the underlying collateral, the collateral deficiency has not improved for two consecutive quarters, or when there is a payment default of 180 days, whichever occurs first.

The Company obtains independent appraisals from a pre-approved list of independent, third party appraisal firms located in the market in which the collateral is located. The Company's approved appraiser list is continuously maintained to ensure the list only includes such appraisers that have the experience, reputation, character, and knowledge of the respective real estate market. At a minimum, it is ascertained that the appraiser is currently licensed in the state in which the property is located, experienced in the appraisal of properties similar to the property being appraised, has knowledge of current real estate market conditions and financing trends, and is reputable. The Company's internal Real Estate Valuation Group, which reports to the Risk and Compliance Group, performs either a technical or administrative review of all appraisals obtained. A technical review will ensure the overall quality of the appraisal, while an administrative review ensures that all of the required components of an appraisal are present. Generally, independent appraisals are updated every 12 to 24 months or more frequently as necessary. The Company's impairment analysis documents the date of the appraisal used in the analysis, whether the officer preparing the report deems it current, and, if not, allows for internal valuation adjustments with justification. Adjustments to appraisals generally include discounts for continued market deterioration subsequent to the appraisal date. Any adjustments from the appraised value to carrying value are documented in the impairment analysis, which is reviewed and approved by senior credit administration officers and the Special Assets Loan Committee. External appraisals are the primary source to value collateral dependent loans; however, the Company may also utilize values obtained through broker price opinions or other valuations sources. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. Impairment analyses are updated, reviewed, and approved on a quarterly basis at or near the end of each reporting period.

General Reserve Component – The general reserve component covers non-impaired loans and is derived from an estimate of credit losses adjusted for various environmental factors applicable to both commercial and consumer loan segments. The estimate of credit losses is a function of the product of net charge-off historical loss experience to the loan balance of the loan portfolio averaged during the preceding twelve quarters, as management has determined this to adequately reflect the losses inherent in the loan portfolio. The environmental factors consist of national, local, and portfolio characteristics and are applied to both the commercial and consumer segments. The following table shows the types of environmental factors management considers:

ENVIRONMENTAL FACTORS

Portfolio	National	Local
Experience and ability of lending team	Interest rates	Level of economic activity
Depth of lending team	Inflation	Unemployment
Pace of loan growth	Unemployment	Competition
Franchise expansion	Gross domestic product	Military/government impact
Execution of loan risk rating process	General market risk and other concerns	
Degree of oversight / underwriting standards	Legislative and regulatory environment	
Value of real estate serving as collateral		
Delinquency levels in portfolio		
Charge-off levels in portfolio		
Credit concentrations / nature and volume of the portfolio		

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. A loan that is classified substandard or worse is considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The impaired loan policy is the same for each of the seven classes within the commercial portfolio segment.

For the consumer loan portfolio segment, large groups of smaller balance homogeneous loans are collectively evaluated for impairment. This evaluation subjects each of the Company's homogenous pools to a historical loss factor derived from net charge-offs experienced over the preceding twelve quarters. The Company applies payments received on impaired loans to principal and interest based on the contractual terms until they are placed on nonaccrual status. All payments received are then applied to reduce the principal balance and recognition of interest income is terminated.

Business Combinations and Acquired Loans

The Company's merger and acquisition strategy focuses on high-growth areas with strong market demographics and targets organizations that have a comparable corporate culture, strong performance, and good asset quality, among other factors.

Business combinations are accounted for under ASC 805, *Business Combinations*, using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. To determine the fair values, the Company will continue to rely on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Under the acquisition method of accounting, the Company will identify the acquirer and the closing date and apply applicable recognition principles and conditions. If they are necessary to implement its plan to exit an activity of an acquiree, costs that the Company expects, but is not obligated, to incur in the future are not liabilities at the acquisition date, nor are costs to terminate the employment of or relocate an acquiree's employees. The Company does not recognize these costs as part of applying the acquisition method. Instead, the Company recognizes these costs as expenses in its post-combination financial statements in accordance with other applicable U.S. GAAP.

Acquisition-related costs are incremental costs the Company incurs to effect a business combination. Those costs include advisory, legal, accounting, valuation, and other professional or consulting fees. Some other examples of acquisition-related costs to the Company include systems conversions, integration planning consultants, and advertising costs. The Company will account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities will be recognized in accordance with other applicable U.S. GAAP. These acquisition-related costs are included within the Consolidated Statements of Income classified within the noninterest expense caption.

Loans acquired in a business combination are recorded at fair value on the date of the acquisition. Loans acquired with deteriorated credit quality are accounted for in accordance with ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and are initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Loans acquired in business combinations with evidence of credit deterioration are not considered to be impaired unless they deteriorate further subsequent to the acquisition. Certain acquired loans, including performing loans and revolving lines of credit (consumer and commercial), are accounted for in accordance with ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, where the discount is accreted through earnings based on estimated cash flows over the estimated life of the loan.

Goodwill and Intangible Assets
The Company follows ASC 350, *Intangibles – Goodwill and Other,* which prescribes the accounting for goodwill and intangible assets subsequent to initial recognition. Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected April 30th as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives, which range from 4 to 14 years, to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the Company’s Consolidated Balance Sheets.

The Company performed its annual impairment testing in the second quarter of 2015 and determined that there was no impairment to its goodwill or intangible assets.

Long-lived assets, including purchased intangible assets subject to amortization, such as the core deposit intangible asset, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Management concluded that no circumstances indicating an impairment of these assets existed as of the balance sheet date.

ABOUT UNION BANKSHARES CORPORATION

Headquartered in Richmond, Union Bankshares Corporation is the largest community banking organization headquartered in Virginia and operates in all major banking markets of the Commonwealth. Union Bankshares Corporation is the holding company for Union Bank & Trust, which provides banking, trust, and wealth management services and has a statewide presence of 124 bank branches and approximately 200 ATMs. Non-bank affiliates of the holding company include: Union Investment Services, Inc., which provides full brokerage services; Union Mortgage Group, Inc., which provides a full line of mortgage products; and Union Insurance Group, LLC, which offers various lines of insurance products.

The Company announced that, effective February 16, 2015, it had changed its subsidiary bank’s name from “Union First Market Bank” to “Union Bank & Trust”.

Shares of the Company's common stock are traded on the NASDAQ Global Select Market under the symbol UBSH. Additional information is available on the Company's website at *http://investors.bankatunion.com*. The information contained on the Company's website is not a part of or incorporated into this report.

RESULTS OF OPERATIONS

Executive Overview

For the quarter ended June 30, 2015, the Company reported net income of $15.3 million and earnings per share of $0.34. These results represent an increase of $675,000, or 4.6%, from $14.7 million in earnings from the second quarter of 2014. Excluding after-tax acquisition-related expenses of $3.0 million incurred during the second quarter of 2014, operating earnings(1) declined $2.4 million, primarily a result of an increase in provision for loan losses and $1.3 million in nonrecurring branch closure costs, partially offset by higher net interest income and noninterest income. Operating earnings per share(1) were $0.34 and $0.38 for the quarters ended June 30, 2015 and 2014, respectively.

For the six months ended June 30, 2015, the Company reported net income of $31.0 million and earnings per share of $0.69. These results represent an increase of $8.6 million, or 38.7%, from $22.4 million for the first six months of 2014. Excluding after-tax acquisition-related expenses of $12.1 million incurred during the first six months of 2014, operating earnings(1) declined $3.4 million, primarily a result of an increase in provision for loan losses and higher noninterest expenses, partially offset by higher noninterest income. Operating earnings per share(1) were $0.69 and $0.74 for the six months ended June 30, 2015 and 2014, respectively.

- Net income for the second quarter of 2015 for the community bank segment was $15.3 million, or $0.34 per share, compared to operating earnings(1) of $18.3 million, or $0.40 per share, in the second quarter of 2014. Net income for the community bank segment for the six months ended June 30, 2015 was $31.2 million, or $0.69 per share.
- The mortgage segment reported net income of $95,000 for the quarter ended June 30, 2015, an improvement of $697,000 from a loss of $602,000, or $0.01 per share, for the second quarter of 2014. The mortgage segment had a net loss of $172,000 for the six months ended June 30, 2015 compared to a net loss of $2.0 million for the six months ended June 30, 2014. The improvement was largely a result of cost control initiatives in personnel costs, loan production costs, and other operating expenses.
- Loans grew $277.3 million, or 5.3%, from June 30, 2014, while year-to-date average loan balances increased $141.4 million, or 2.7%, from June 30, 2014. Period end loan balances grew $164.4 million, or 6.1% (annualized), from December 31, 2014.
- Deposits grew $49.9 million, or 0.9%, from June 30, 2014, while year-to-date average deposit balances increased $5.5 million, or 0.1%, from June 30, 2014. Period end deposit balances grew $145.7 million, or 5.2% (annualized), from December 31, 2014.
- Asset quality continued to improve due to reductions in nonperforming assets and past due loan levels.

(1) These supplementary measures are provided because the Company believes they may be valuable to investors. Fora reconciliation of the non-GAAP measures operating earnings, EPS, ROA, ROTCE, and efficiency ratio, see "NON-GAAP MEASURES" included in this Item 2.

Net Interest Income

	For the Three Months Ended June 30,		
	2015	2014	Change
	(Dollars in thousands)		
Average interest-earning assets	$ 6,676,440	$ 6,460,798	$ 215,642
Interest income (FTE)	$ 72,145	$ 70,735	$ 1,410
Yield on interest-earning assets	4.33%	4.39%	(6)bps
Core yield on interest-earning assets (1)	4.27%	4.40%	(13)bps
Average interest-bearing liabilities	$ 5,134,310	$ 5,094,175	$ 40,135
Interest expense	$ 6,038	$ 4,919	$ 1,119
Cost of interest-bearing liabilities	0.47%	0.39%	8bps
Core cost of interest-bearing liabilities (1)	0.53%	0.59%	(6)bps
Cost of funds	0.36%	0.30%	6bps
Core cost of funds (1)	0.41%	0.46%	(5)bps
Net Interest Income (FTE)	$ 66,107	$ 65,816	$ 291
Net Interest Margin (FTE)	3.97%	4.09%	(12)bps
Core Net Interest Margin (FTE) (1)	3.86%	3.94%	(8)bps

(1) *Core metrics exclude the impact of acquisition accounting accretion and amortization adjustments in net interest income.*

For the second quarter of 2015, tax-equivalent net interest income was $66.1 million, an increase of $291,000 from the second quarter of 2014, primarily driven by higher loan fees, increased interest income on higher commercial loan balances, and lower interest expense as growth in low cost deposits outpaced the net run-off in higher cost certificates of deposit. These improvements were partially offset by the impact of declines in net interest margin and lower net accretion related to acquisition accounting. The second quarter 2015 tax-equivalent net interest margin decreased by 12 basis points to 3.97% compared to 4.09% in the comparable quarter in the prior year. Core tax-equivalent net interest margin (which excludes the 11 basis point impact of acquisition accounting accretion in the second quarter of 2015 and 15 basis points in the second quarter of 2014) decreased by 8 basis points to 3.86% in the second quarter of 2015 from 3.94% in the second quarter of 2014. The decrease in core tax-equivalent net interest margin was driven by the 13 basis point decline in interest-earning asset yields outpacing the 5 basis point reduction in cost of funds. The decline in interest-earning asset yields was primarily driven by lower loan yields, as new and renewed loans were originated and re-priced at lower rates, and by lower investment securities yields, as cash flows from securities were reinvested at lower yields. Net accretion related to acquisition accounting decreased $513,000 from the second quarter of 2014 to $1.8 million in the second quarter of 2015.

	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014	Change
	(Dollars in thousands)		
Average interest-earning assets	$ 6,626,704	$ 6,446,641	$ 180,063
Interest income (FTE)	$ 141,907	$ 140,907	$ 1,000
Yield on interest-earning assets	4.32%	4.41%	(9)bps
Core yield on interest-earning assets (1)	4.27%	4.43%	(16)bps
Average interest-bearing liabilities	$ 5,115,281	$ 5,101,507	$ 13,774
Interest expense	$ 11,670	$ 9,369	$ 2,301
Cost of interest-bearing liabilities	0.46%	0.37%	9bps
Core cost of interest-bearing liabilities (1)	0.54%	0.59%	(5)bps
Cost of funds	0.36%	0.30%	6bps
Core cost of funds (1)	0.42%	0.46%	(4)bps
Net Interest Income (FTE)	$ 130,237	$ 131,538	$ (1,301)
Net Interest Margin (FTE)	3.96%	4.11%	(15)bps
Core Net Interest Margin (FTE) (1)	3.85%	3.97%	(12)bps

(1) *Core metrics exclude the impact of acquisition accounting accretion and amortization adjustments in net interest income.*

For the six months ended June 30, 2015, tax-equivalent net interest income was $130.2 million, a decrease of $1.3 million from the same period of 2014, primarily driven by the impact of declines in net interest margin and lower net accretion related to acquisition accounting. The year-to-date tax-equivalent net interest margin decreased by 15 basis points to 3.96% compared to 4.11% in the prior year. Core tax-equivalent net interest margin (which excludes the 11 basis point impact of acquisition accounting in 2015 and 14 basis points in 2014) decreased by 12 basis points from 3.97% for the six months ended June 30, 2014 to 3.85% for the six months ended June 30, 2015. The decrease in core tax-equivalent net interest margin was driven by the 16 basis point decline in interest-earning asset yields outpacing the 4 basis point reduction in the cost of funds. The decline in interest-earning asset yields was primarily driven by lower loan yields, as new and renewed loans were originated and re-priced at lower rates, and by lower investment securities yields, as cash flows from securities were reinvested at lower yields. Net accretion related to acquisition accounting decreased $1.1 million from the first six months of 2014 to $3.7 million in the first six months of 2015.

The Company continues to believe that net interest margin will decline modestly over the next several quarters as decreases in interest-earning asset yields are projected to outpace any further declines in interest-bearing liabilities rates.

The following tables show 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 (dollars in thousands):

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

	For the Three Months Ended June 30,					
	2015			2014		
	Average Balance	Interest Income / Expense	Yield / Rate (1)	Average Balance	Interest Income / Expense	Yield / Rate (1)
			(Dollars in thousands)			
Assets:						
Securities:						
Taxable	**$ 720,939**	**$ 3,860**	**2.15%**	$ 727,829	$ 3,860	2.13%
Tax-exempt	**422,404**	**5,179**	**4.92%**	405,978	5,198	5.14%
Total securities	**1,143,343**	**9,039**	**3.17%**	1,133,807	9,058	3.20%
Loans, net (2) (3)	**5,448,126**	**62,687**	**4.62%**	5,246,710	61,125	4.67%
Loans held for sale	**43,307**	**395**	**3.66%**	52,895	543	4.12%
Federal funds sold	**572**	**-**	**0.17%**	522	-	0.17%
Money market investments	**1**	**-**	**0.00%**	1	-	0.00%
Interest-bearing deposits in other banks	**41,091**	**24**	**0.23%**	26,863	9	0.13%
Total earning assets	**6,676,440**	**$ 72,145**	**4.33%**	6,460,798	$ 70,735	4.39%
Allowance for loan losses	**(31,675)**			(30,822)		
Total non-earning assets	**814,681**			844,380		
Total assets	**$ 7,459,446**			$ 7,274,356		
Liabilities and Stockholders' Equity:						
Interest-bearing deposits:						
Transaction and money market accounts	**$ 2,632,835**	**$ 1,201**	**0.18%**	$ 2,574,630	$ 1,150	0.18%
Regular savings	**564,348**	**262**	**0.19%**	557,366	264	0.19%
Time deposits (4)	**1,233,904**	**2,217**	**0.72%**	1,411,665	1,136	0.32%
Total interest-bearing deposits	**4,431,087**	**3,680**	**0.33%**	4,543,661	2,550	0.23%
Other borrowings (5)	**703,223**	**2,358**	**1.34%**	550,514	2,369	1.73%
Total interest-bearing liabilities	**5,134,310**	**$ 6,038**	**0.47%**	5,094,175	$ 4,919	0.39%
Noninterest-bearing liabilities:						
Demand deposits	**1,278,876**			1,149,435		
Other liabilities	**55,167**			52,495		
Total liabilities	**6,468,353**			6,296,105		
Stockholders' equity	**991,093**			978,251		
Total liabilities and stockholders' equity	**$ 7,459,446**			$ 7,274,356		
Net interest income		**$ 66,107**			$ 65,816	
Interest rate spread (6)			3.86%			4.00%
Cost of funds			0.36%			0.30%
Net interest margin (7)			3.97%			4.09%

(1) *Rates and yields are annualized and calculated from actual, not rounded, amounts in thousands, which appear above.*
(2) *Nonaccrual loans are included in average loans outstanding.*
(3) *Interest income on loans includes $1.1 million and ($219,000) for the three months ended June 30, 2015 and 2014, respectively, in accretion (amortization) of the fair market value adjustments related to acquisitions.*
(4) *Interest expense on certificates of deposits includes $614,000 and $2.5 million for the three months ended June 30, 2015 and 2014, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(5) *Interest expense on borrowings includes $137,000 and $75,000 for the three months ended June 30, 2015 and 2014, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(6) *Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 35%.*
(7) *Core net interest margin excludes purchase accounting adjustments and was 3.86% and 3.94% for the three months ended June 30, 2015 and 2014, respectively.*

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

	For the Six Months Ended June 30,					
	2015			2014		
	Average Balance	Interest Income / Expense	Yield / Rate (1)	Average Balance	Interest Income / Expense	Yield / Rate (1)
			(Dollars in thousands)			
Assets:						
Securities:						
Taxable	**$ 725,646**	**$ 7,667**	**2.13%**	$ 705,847	$ 7,508	2.15%
Tax-exempt	**417,841**	**10,293**	**4.97%**	399,454	10,243	5.17%
Total securities	**1,143,487**	**17,960**	**3.17%**	1,105,301	17,751	3.24%
Loans, net (2) (3)	**5,404,643**	**123,214**	**4.60%**	5,263,225	122,174	4.68%
Loans held for sale	**40,901**	**691**	**3.41%**	51,340	961	3.77%
Federal funds sold	**681**	**1**	**0.19%**	396	-	0.17%
Money market investments	**1**	**-**	**0.00%**	1	-	0.00%
Interest-bearing deposits in other banks	**36,991**	**41**	**0.22%**	26,378	21	0.16%
Total earning assets	**6,626,704**	**$ 141,907**	**4.32%**	6,446,641	$ 140,907	4.41%
Allowance for loan losses	**(32,330)**			(30,873)		
Total non-earning assets	**816,958**			846,165		
Total assets	**$ 7,411,332**			$ 7,261,933		
Liabilities and Stockholders' Equity:						
Interest-bearing deposits:						
Transaction and money market accounts	**$ 2,612,526**	**$ 2,361**	**0.18%**	$ 2,561,043	$ 2,289	0.18%
Regular savings	**559,876**	**529**	**0.19%**	553,145	510	0.19%
Time deposits (4)	**1,251,531**	**4,110**	**0.66%**	1,437,228	2,007	0.28%
Total interest-bearing deposits	**4,423,933**	**7,000**	**0.32%**	4,551,416	4,806	0.21%
Other borrowings (5)	**691,348**	**4,670**	**1.36%**	550,091	4,563	1.68%
Total interest-bearing liabilities	**5,115,281**	**$ 11,670**	**0.46%**	5,101,507	$ 9,369	0.37%
Noninterest-bearing liabilities:						
Demand deposits	**1,251,201**			1,118,242		
Other liabilities	**58,006**			54,498		
Total liabilities	**6,424,488**			6,274,247		
Stockholders' equity	**986,844**			987,686		
Total liabilities and stockholders' equity	**$ 7,411,332**			$ 7,261,933		
Net interest income		**$ 130,237**			$ 131,538	
Interest rate spread (6)			3.86%			4.04%
Cost of funds			0.36%			0.30%
Net interest margin (7)			3.96%			4.11%

(1) *Rates and yields are annualized and calculated from actual, not rounded, amounts in thousands, which appear above.*
(2) *Nonaccrual loans are included in average loans outstanding.*
(3) *Interest income on loans includes $1.7 million and ($765,000) for the six months ended June 30, 2015 and 2014, respectively, in accretion (amortization) of the fair market value adjustments related to acquisitions.*
(4) *Interest expense on certificates of deposits includes $1.7 million and $5.4 million for the six months ended June 30, 2015 and 2014, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(5) *Interest expense on borrowings includes $275,000 and $151,000 for the six months ended June 30, 2015 and 2014, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(6) *Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 35%.*
(7) *Core net interest margin excludes purchase accounting adjustments and was 3.85% and 3.97% for the six months ended June 30, 2015 and 2014, respectively.*

The Volume Rate Analysis table below presents changes in interest income and interest expense and distinguishes between the changes related to increases or decreases in average outstanding balances of interest-earning assets and interest-bearing liabilities (volume), and the changes related to increases or decreases in average interest rates on such assets and liabilities (rate). Changes attributable to both volume and rate have been allocated proportionally. Results, on a taxable equivalent basis, are as follows (dollars in thousands):

	Three Months Ended June 30, 2015 vs. June 30, 2014 Increase (Decrease) Due to Change in:			Six Months Ended June 30, 2015 vs. June 30, 2014 Increase (Decrease) Due to Change in:		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Earning Assets:						
Securities:						
Taxable	**$ (34)**	**$ 34**	**$ -**	$ 224	$ (65)	$ 159
Tax-exempt	**208**	**(227)**	**(19)**	460	(410)	50
Total securities	**174**	**(193)**	**(19)**	684	(475)	209
Loans, net (1)	**2,295**	**(733)**	**1,562**	3,229	(2,189)	1,040
Loans held for sale	**(92)**	**(56)**	**(148)**	(183)	(87)	(270)
Federal funds sold	**-**	**-**	**-**	1	-	1
Interest-bearing deposits in other banks	**6**	**9**	**15**	11	9	20
Total earning assets	**$ 2,383**	**$ (973)**	**$ 1,410**	$ 3,742	$ (2,742)	$ 1,000
Interest-Bearing Liabilities:						
Interest-bearing deposits:						
Transaction and money market accounts	**$ 27**	**$ 24**	**$ 51**	$ 47	$ 25	$ 72
Regular savings	**3**	**(5)**	**(2)**	16	3	19
Time Deposits (2)	**(159)**	**1,240**	**1,081**	(289)	2,392	2,103
Total interest-bearing deposits	**(129)**	**1,259**	**1,130**	(226)	2,420	2,194
Other borrowings (3)	**579**	**(590)**	**(11)**	1,059	(952)	107
Total interest-bearing liabilities	**450**	**669**	**1,119**	833	1,468	2,301
Change in net interest income	**$ 1,933**	**$ (1,642)**	**$ 291**	$ 2,909	$ (4,210)	$ (1,301)

(1) *The rate-related change in interest income on loans includes the impact of higher accretion of the acquisition-related fair market value adjustments of $1.3 million and $2.5 million for the three- and six-month change, respectively.*
(2) *The rate-related change in interest expense on time deposits includes the impact of lower accretion of the acquisition-related fair market value adjustments of $1.8 million and $3.7 million for the three- and six-month change, respectively.*
(3) *The rate-related change in interest expense on other borrowings includes the impact of higher accretion of the acquisition-related fair market value adjustments of $62,000 and $124,000 for the three- and six-month change, respectively.*

The Company's fully taxable equivalent net interest margin includes the impact of acquisition accounting fair value adjustments. The 2015 and remaining estimated discount/premium and net accretion impact are reflected in the following table (dollars in thousands):

	Accretion		Accretion (Amortization)	
	Loan	**Certificates of Deposit**	**Borrowings**	**Total**
For the quarter ended March 31, 2015	$ 639	$ 1,075	$ 137	$ 1,851
For the quarter ended June 30, 2015	1,052	614	137	1,803
For the remaining six months of 2015	2,096	154	25	2,275
For the years ending:				
2016	3,658	-	271	3,929
2017	3,505	-	170	3,675
2018	2,999	-	(143)	2,856
2019	2,351	-	(286)	2,065
2020	1,909	-	(301)	1,608
Thereafter	10,808	-	(5,622)	5,186

Noninterest Income

	For the Three Months Ended June 30,		Change	
	2015	2014	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	$ 4,622	$ 4,525	$ 97	2.1%
Other service charges, commissions and fees	4,051	4,164	(113)	-2.7%
Fiduciary and asset management fees	2,312	2,330	(18)	-0.8%
Gains on sales of mortgage loans, net of commissions	2,574	3,030	(456)	-15.0%
Gains on securities transactions, net	404	426	(22)	-5.2%
Bank owned life insurance income	1,134	1,183	(49)	-4.1%
Other operating income	1,115	622	493	79.3%
Total noninterest income	**$ 16,212**	**$ 16,280**	**$ (68)**	-0.4%
Mortgage segment operations	$ (2,860)	$ (3,028)	$ 168	-5.5%
Intercompany eliminations	171	170	1	0.6%
Community Bank segment	**$ 13,523**	**$ 13,422**	**$ 101**	0.8%

For the quarter ended June 30, 2015, noninterest income decreased $68,000, or 0.4%, to $16.2 million from $16.3 million in the second quarter of 2014. The majority of this decrease is related to lower gains of sales of mortgage loans, net of commissions, of $456,000 mostly related to lower mortgage loan originations. Mortgage loan origination volume decreased $54.8 million from $195.1 million in the second quarter of 2014 to $140.3 million in the second quarter of 2015. Customer-related noninterest income (service charges and fiduciary and asset management fees) as well as bank owned life insurance income remained relatively flat compared to the second quarter of 2014, decreasing only $34,000 and $49,000, respectively. These decreases were offset partially by an increase of $493,000 in other operating income primarily attributable to adjustments to required indemnification reserves at UMG and higher loan swap fees in the current quarter.

	For the Six Months Ended June 30,		Change	
	2015	2014	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	$ 8,835	$ 8,822	$ 13	0.1%
Other service charges, commissions and fees	7,634	7,508	126	1.7%
Fiduciary and asset management fees	4,531	4,633	(102)	-2.2%
Gains on sales of mortgage loans, net of commissions	4,952	5,328	(376)	-7.1%
Gains on securities transactions, net	597	455	142	31.2%
Bank owned life insurance income	2,269	2,272	(3)	-0.1%
Other operating income	2,448	1,050	1,398	133.1%
Total noninterest income	**$ 31,266**	**$ 30,068**	**$ 1,198**	4.0%
Mortgage segment operations	$ (5,236)	$ (5,328)	$ 92	-1.7%
Intercompany eliminations	341	341	-	0.0%
Community Bank segment	**$ 26,371**	**$ 25,081**	**$ 1,290**	5.1%

For the six months ended June 30, 2015, noninterest income increased $1.2 million, or 4.0%, to $31.3 million from $30.1 million in the first six months of 2014. Other operating income increased $1.4 million primarily driven by higher loan swap fees in 2015 and gains from the dissolution of a limited partnership in the first quarter of 2015. Gains on sales of securities increased $142,000 compared to the first six months of 2014. These increases were partially offset by declines in gains on sales of mortgage loans, net of commissions, of $376,000, primarily driven by lower mortgage loan originations. Mortgage loan origination volume decreased $65.2 million from $344.2 million in the first six months of 2014 to $279.0 million in the first six months of 2015.

Noninterest expense

	For the Three Months Ended June 30,		Change	
	2015	2014	$	%
	(Dollars in thousands)			
Noninterest expense:				
Salaries and benefits	$ 25,561	$ 27,616	$ (2,055)	-7.4%
Occupancy expenses	5,173	5,102	71	1.4%
Furniture and equipment expenses	2,989	2,637	352	13.3%
Technology and data processing	3,216	2,792	424	15.2%
Professional services	1,669	1,442	227	15.7%
Marketing and advertising expense	2,372	1,692	680	40.2%
OREO and credit-related expenses (1)	1,965	2,244	(279)	-12.4%
Acquisition-related expenses	-	4,661	(4,661)	-100.0%
Branch closure expenses	1,280	-	1,280	NM
Other operating expenses	11,016	10,781	235	2.2%
Total noninterest expense	**$ 55,241**	**$ 58,967**	**$ (3,726)**	-6.3%
Mortgage segment operations	$ (3,047)	$ (4,296)	$ 1,249	-29.1%
Intercompany eliminations	171	170	1	0.6%
Community Bank segment	**$ 52,365**	**$ 54,841**	**$ (2,476)**	-4.5%

NM - Not Meaningful

(1) OREO related costs include foreclosure related expenses, gains/losses on the sale of OREO, valuation reserves, and asset resolution related legal expenses.

For the quarter ended June 30, 2015, noninterest expense decreased $3.7 million to $55.3 million from $59.0 million when compared to the second quarter of 2014, largely driven by acquisition expenses incurred in the second quarter of 2014. Excluding acquisition-related costs of $4.7 million in 2014, noninterest expense increased $935,000, or 1.7%. The increase in noninterest expense is primarily due to $1.3 million in costs related to branch closures, $680,000 in increased marketing expenses related to advertising costs, $424,000 in higher technology and data processing fees, and $352,000 in higher furniture and equipment expenses related to increased equipment maintenance costs. These increases were partially offset by declines in salaries and benefits costs of $2.1 million, or 7.4%, due to cost control initiatives at the mortgage company as well as cost savings from the StellarOne acquisition being realized in the current year. OREO and credit-related expenses decreased $279,000, or 12.4%, related to lower OREO and foreclosure expenses, decreased legal-related fees, and smaller valuation adjustments in the current quarter.

	For the Six Months Ended June 30,		Change	
	2015	2014	$	%
	(Dollars in thousands)			
Noninterest expense:				
Salaries and benefits	$ 53,052	$ 56,830	$ (3,778)	-6.6%
Occupancy expenses	10,305	10,282	23	0.2%
Furniture and equipment expenses	5,803	5,505	298	5.4%
Technology and data processing	6,471	5,866	605	10.3%
Professional services	3,017	2,497	520	20.8%
Marketing and advertising expense	4,060	2,757	1,303	47.3%
OREO and credit-related expenses (1)	3,152	3,694	(542)	-14.7%
Acquisition-related expenses	-	17,829	(17,829)	-100.0%
Branch closure expenses	1,280	-	1,280	NM
Other operating expenses	21,941	20,992	949	4.5%
Total noninterest expense	**$ 109,081**	**$ 126,252**	**$ (17,171)**	-13.6%
Mortgage segment operations	$ (6,085)	$ (9,006)	$ 2,921	-32.4%
Intercompany eliminations	341	341	-	0.0%
Community Bank segment	**$ 103,337**	**$ 117,587**	**$ (14,250)**	-12.1%

NM - Not Meaningful

(1) OREO related costs include foreclosure related expenses, gains/losses on the sale of OREO, valuation reserves, and asset resolution related legal expenses.

For the six months ended June 30, 2015, noninterest expense decreased $17.2 million to $109.1 million from $126.3 million when compared to the first six month of 2014, largely driven by acquisition expenses incurred in 2014. Excluding acquisition-related costs of $17.8 million, noninterest expense increased $658,000, or 0.6%. The increase in noninterest expense is primarily due to $1.3 million in costs related to branch closures, $1.3 million in increased marketing expenses related to advertising costs, $605,000 in higher technology and data processing fees, $520,000 in higher professional fees related to legal and consulting fees, and higher fraud-related losses of $519,000. These increases were partially offset by declines in salaries and benefits costs of $3.8 million, or 6.6%, due to cost control initiatives at the mortgage company as well as cost savings from the StellarOne acquisition being realized in the current year. OREO and credit-related expenses decreased $542,000, or 14.7%, related to lower OREO and foreclosure expenses and decreased legal-related fees.

SEGMENT INFORMATION

Community Bank Segment

For the three months ended June 30, 2015, the community bank segment reported net income of $15.3 million, which was consistent with the second quarter of 2014. Excluding after-tax acquisition-related costs of $3.0 million in the second quarter of 2014, net income decreased $3.1 million, or 16.7%. Net interest income remained consistent with the same period last year at $63.4 million. The provision for loan losses for the quarter ended June 30, 2015 was $3.5 million, an increase of $2.0 million compared to the same quarter a year ago. The increase in the provision for loan losses in the current periods compared to the same periods in the prior year was primarily driven by higher loan balances in 2015.

Noninterest income increased $101,000, or 0.8%, from $13.4 million in the second quarter of 2014 to $13.5 million in the second quarter of 2015. The majority of this increase is related to higher loan swap fees. Noninterest expense decreased $2.4 million from $54.8 million in the second quarter of 2014 to $52.4 million in the current quarter. Excluding prior year second quarter acquisition-related costs of $4.7 million, noninterest expense increased $2.2 million, or 4.4%, compared to the second quarter of 2014. Salaries and benefits declined $1.3 million, or 5.2%, primarily due to cost savings from the StellarOne acquisition being realized in the current quarter and lower profit-sharing expense in the current quarter. Furniture and equipment expenses increased $399,000 mostly due to higher equipment maintenance costs. Other expenses increased primarily related to $1.3 million in costs related to branch closures, increased marketing expenses of $692,000 related to advertising costs, higher technology and data processing fees of $493,000, higher professional fees of $290,000 related to legal and consulting fees, and higher printing costs of $282,000. The community banking segment's operating efficiency ratio was 66.1% compared to 63.6% for the second quarter of 2014.

For the six months ended June 30, 2015, the community bank segment reported net income of $31.2 million, an increase of $6.8 million from $24.4 million for the first six months of 2014. Excluding after-tax acquisition-related costs of $12.1 million in the first six months of 2014, net income decreased $5.2 million, or 14.3%. Net interest income decreased $1.8 million from the same period last year, largely a result of lower core net interest margin and lower net accretion related to acquisition accounting. The provision for loan losses increased $3.8 million compared to the first six months of 2014, primarily driven by higher loan balances in 2015 and an increase in net charge-offs in 2015, primarily due to a net recovery in the first quarter of 2014.

Noninterest income increased $1.3 million, or 5.1%, from $25.1 million in the first six months of 2014 to $26.4 million in the first six months of 2015. The majority of this increase is related to higher loan swap fees in 2015 and gains from the dissolution of a limited partnership in the first quarter of 2015. Noninterest expense decreased $14.3 million from $117.6 in the first six months of 2014 to $103.3 million in 2015. Excluding the prior year acquisition-related costs of $17.8 million, noninterest expense increased $3.5 million, or 3.6%, compared to the first six months of 2014. Salaries and benefits declined $1.8 million, or 3.5%, primarily due to cost savings from the StellarOne acquisition being realized in the current year and lower profit-sharing expense in the current year. Other operating expenses increased primarily related to $1.3 million in costs related to upcoming branch closures, increased marketing expenses of $1.3 million related to advertising costs, higher technology and data processing fees of $754,000, higher professional fees of $625,000 related to legal and consulting fees, higher fraud-related losses of $521,000, and higher printing costs of $452,000. The community banking segment's operating efficiency ratio was 66.3% compared to 63.9% for the first six months of 2014.

Mortgage Segment

The mortgage segment reported net income of $95,000 for the second quarter of 2015, an improvement of $697,000 from a loss of $602,000 in the second quarter of 2014. The improvement was due to a reduction in noninterest expense of $1.2 million, largely a result of cost control initiatives in personnel costs, loan production costs, and other operating expenses. Gains on sales of mortgage loans, net of commissions, decreased $456,000, or 15.0%, from the second quarter of 2014, mostly related to lower mortgage loan originations. Mortgage loan origination volume decreased $54.8 million from $195.1 million in the second quarter of 2014 to $140.3 million in the second quarter of 2015. Other operating income increased $275,000 related to adjustments to required indemnification reserves.

The mortgage segment reported a net loss of $172,000 for the first six months of 2015, an improvement of $1.8 million from a loss of $2.0 million in the first six months of 2014. The improvement was due to a reduction in noninterest expense of $2.9 million, largely a result of cost control initiatives in personnel costs, loan production costs, and other operating expenses. Gains on sales of mortgage loans, net of commissions, declined $376,000, or 7.1 %, primarily driven by lower mortgage loan originations. Mortgage loan origination volume decreased $65.2 million from $344.2 million in the first six months of 2014 to $279.0 million in the first six months of 2015.

Income Taxes

The provision for income taxes is based upon the results of operations, adjusted for the effect of certain tax-exempt income and non-deductible expenses. In addition, certain items of income and expense are reported in different periods for financial reporting and tax return purposes. The tax effects of these temporary differences are recognized currently in the deferred income tax provision or benefit. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted marginal tax rate.

In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of temporary differences, projected future taxable income, and tax planning strategies. Management continues to believe that it is not likely that the Company will realize its deferred tax asset related to net operating losses generated at the state level and accordingly has established a valuation allowance. The Company's bank subsidiary is not subject to a state income tax in its primary place of business (Virginia). The Company's other subsidiaries are subject to state income taxes and have generated losses for state income tax purposes which the Company is currently unable to utilize. State net operating loss carryovers will begin to expire after 2026.

The effective tax rate for the three months ended June 30, 2015 and 2014 was 27.0% and 24.9%, respectively; the effective tax rate for the six months ended June 30, 2015 and 2014 was 26.9% and 24.9%, respectively. The increase in the effective tax rate is primarily related to tax-exempt interest income on the investment portfolio and tax-exempt bank-owned life insurance income being a larger percentage of pre-tax income during 2014 due to elevated merger-related costs included in pre-tax income.

BALANCE SHEET

Assets

At June 30, 2015, total assets were $7.5 billion, an increase of $139.1 million from December 31, 2014. The following is a general discussion of changes in certain of the more significant asset line items of the Company's Consolidated Balance Sheets.

- Investment in securities decreased from $1.2 billion at December 31, 2014 to $1.1 billion at June 30, 2015, mainly due to a decrease in mortgage backed securities, restricted stock, and corporate issues, partially offset by increases in securities issued by states and political subdivisions. For additional information on the Company's investments, please refer to "Securities" below or Note 3 "Securities" in Part I, Item 1 – Financial Statements, of this report.
- Total loans, net of deferred fees and costs, were $5.5 billion at June 30, 2015, an increase of $164.4 million, or 6.1% (annualized), from December 31, 2014. The increase was primarily driven by a 9.2% (annualized) growth in the commercial loan portfolio, partially offset by a decline in mortgage loans and equity lines. Loans grew $277.3 million, or 5.3%, from June 30, 2014, while year-to-date average loan balances increased $141.4 million, or 2.7%, from June 30, 2014. For additional information on the Company's loan activity, please refer to "Loan Portfolio" below or Note 4 "Loans and Allowance for Loan Losses" in Part I, Item 1 – Financial Statements, of this report.

Liabilities and Stockholders' Equity

At June 30, 2015, total liabilities were $6.5 billion, an increase of $128.1 million from December 31, 2014. The following is a general discussion of changes in certain of the more significant line items in the liability and stockholders' equity sections of the Company's Consolidated Balance Sheets.

- Total deposits at June 30, 2015 were $5.8 billion, an increase of $145.7 million, or 5.2% (annualized), when compared to $5.6 billion at December 31, 2014, and were one of the predominate sources that funded asset growth for the first two quarters of 2015. Deposits grew $49.9 million, or 0.9%, from June 30, 2014, while year-to-date average deposit balances increased $5.5 million, or 0.1%, from June 30, 2014. The Company continues to experience a shift from time deposits into noninterest bearing demand accounts, driven by the Company's focus on acquiring low cost funding sources and customer preference for liquidity in response to current market conditions. For further discussion on this topic, see "Deposits" below.
- The Company's short term borrowings generally include secured financing transactions, such as customer repurchase agreements, advances from the FHLB, and other lines of credit. Short-term borrowings at June 30, 2015 were $380.7 million, a decrease of $6.7 million from December 31, 2014, primarily due to declines in FHLB advances, partially offset by increases in customer repurchase agreements. For additional information on the Company's borrowings activity, please refer to Note 6 "Borrowings" in Part I, Item 1 – Financial Statements, of this report.

At June 30, 2015, stockholders' equity was $988.1 million, an increase of $10.9 million from $977.2 million reported at December 31, 2014. The Company's capital ratios continue to exceed the minimum capital requirements for regulatory purposes. The total capital ratios at June 30, 2015 and December 31, 2014 were 12.83% and 13.38%, respectively. The Tier 1 capital ratios were 12.31% and 12.76% at June 30, 2015 and December 31, 2014, respectively. The Company's common equity to total asset ratios at June 30, 2015 and December 31, 2014 were 13.18% and 13.28%, respectively, while its tangible common equity to tangible assets ratios were 9.30% and 9.27%, respectively, at the same dates.

On January 30, 2014, the Company's Board of Directors authorized a share repurchase program to purchase up to $65.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. The repurchase program is authorized through December 31, 2015. During the six months ended June 30, 2015, approximately 181,000 common shares were repurchased and approximately $8.3 million remained available under the program.

Also, the Company paid a cash dividend of $0.17 per share during the second quarter of 2015, a $0.02 per share increase from the prior quarter, or 13%, and a $0.03 per share, or 21%, increase over the prior year quarterly dividend rate. The dividends paid year-to-date of $0.32 per share represent a $0.04 per share, or 14%, increase over the first six months of 2014.

Securities
At June 30, 2015, the Company had total investments in the amount of $1.1 billion, or 15.2% of total assets, as compared to $1.2 billion, or 15.7% of total assets, at December 31, 2014. The Company seeks to diversify its portfolio to minimize risk. It focuses on purchasing mortgage-backed securities for cash flow and reinvestment opportunities and securities issued by states and political subdivisions due to the tax benefits and the higher yield offered from these securities. The majority of the Company's mortgage-backed securities are investment grade. The investment portfolio has a high percentage of municipals and mortgage-backed securities; therefore a higher taxable equivalent yield exists on the portfolio compared to its peers. The Company does not engage in structured derivative or hedging activities within the investment portfolio.

During the second quarter of 2015, the Company transferred securities, which it intends and has the ability to hold until maturity, with a fair value of $201.8 million on the date of transfer, from securities available for sale to securities held to maturity. The Company transferred these securities to held to maturity to reduce the impact of price volatility on capital and in consideration of changes to the regulatory environment. The securities included net pre-tax unrealized gains of $8.1 million at the date of transfer with a remaining balance of $7.8 million as of June 30, 2015.

The table below sets forth a summary of the securities available for sale, securities held to maturity, and restricted stock, at fair value for the following periods (dollars in thousands):

	June 30, 2015	December 31, 2014
Available for Sale:		
U.S. government and agency securities	**$ 8,380**	$ 8,454
Obligations of states and political subdivisions	**247,641**	445,647
Corporate and other bonds	**75,154**	78,680
Mortgage-backed securities	**546,994**	559,329
Other securities	**10,193**	10,004
Total securities available for sale, at fair value	**888,362**	1,102,114
Held to Maturity:		
Obligations of states and political subdivisions	**201,072**	-
Federal Reserve Bank stock	**23,809**	23,834
Federal Home Loan Bank stock	**26,362**	31,020
Total restricted stock	**50,171**	54,854
Total investments	**$ 1,139,605**	$ 1,156,968

During each quarter and at year end, the Company conducts an assessment of the securities portfolio for OTTI consideration. No OTTI was recognized in 2014 or for the first six months of 2015. The Company monitors the portfolio, which is subject to liquidity needs, market rate changes, and credit risk changes, to determine whether adjustments are needed. 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.

The following table summarizes the contractual maturity of securities available for sale at fair value and their weighted average yields as of June 30, 2015 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
U.S. government and agency securities:					
Amortized cost	$ 1,057	$ 2,987	$ 4,087	$ 18	$ 8,149
Fair value	1,068	3,012	4,117	183	8,380
Weighted average yield (1)	3.00	1.97	2.01	-	2.12
Mortgage backed securities:					
Amortized cost	44	28,949	104,624	406,048	539,665
Fair value	45	29,167	106,137	411,645	546,994
Weighted average yield (1)	4.20	2.04	2.17	2.14	2.14
Obligations of states and political subdivisions:					
Amortized cost	9,595	25,277	99,096	107,355	241,323
Fair value	9,669	26,582	102,853	108,537	247,641
Weighted average yield (1)	4.22	4.64	4.94	4.61	4.73
Corporate bonds and other securities:					
Amortized cost	11,508	65	26,532	47,627	85,732
Fair value	11,520	65	26,388	47,374	85,347
Weighted average yield (1)	1.86	4.50	2.84	1.61	2.03
Total securities available for sale:					
Amortized cost	22,204	57,278	234,339	561,048	874,869
Fair value	22,302	58,826	239,495	567,739	888,362
Weighted average yield (1)	2.94	3.19	3.41	2.57	2.84

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

The following table summarizes the contractual maturity of securities held to maturity at carrying value and their weighted average yields as of June 30, 2015 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
Obligations of states and political subdivisions:					
Carrying Value	$ 1,322	$ 5,268	$ 31,977	$ 162,505	$ 201,072
Fair value	1,334	5,276	31,709	161,156	199,475
Weighted average yield (1)	2.23	0.33	2.90	3.26	3.12

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

As of June 30, 2015, the Company maintained a diversified municipal bond portfolio with approximately 75% of its holdings in general obligation issues and the remainder backed by revenue bonds. Issuances within the State of Texas represented 14%, the State of Washington represented 12%, and the Commonwealth of Virginia represented 10% of the municipal portfolio; no other state had a concentration above 10%. Approximately 99% of municipal holdings are considered investment grade by Moody's or Standard & Poor's. The non-investment grade securities are principally insured Texas municipalities with no underlying rating. When purchasing municipal securities, the Company focuses on strong underlying ratings for general obligation issuers or bonds backed by essential service revenues.

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, money market investments, federal funds sold, securities available for sale, loans held for sale, and loans maturing or re-pricing within one year. Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary through federal funds lines with several correspondent banks, a line of credit with the FHLB, the purchase of brokered certificates of deposit, and a corporate line of credit with a large correspondent bank. Management considers the Company's overall liquidity to be sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

As of June 30, 2015, the cash, interest-bearing deposits in other banks, money market investments, federal funds sold, loans held for sale, and loans that mature within one year totaled $1.8 billion, or 26.4 %, of total earning assets. As of June 30, 2015, approximately $1.6 billion, or 28.8%, of total loans are scheduled to mature within one year based on contractual maturity, adjusted for expected prepayments.

Loan Portfolio

Loans, net of deferred fees and costs, were $5.5 billion at June 30, 2015, $5.3 billion at December 31, 2014, and $5.2 billion at June 30, 2014. Loans secured by real estate continue to represent the Company's largest category, comprising 83.7% of the total loan portfolio at June 30, 2015.

The following table presents the Company's composition of loans, net of deferred fees and costs, in dollar amounts and as a percentage of total gross loans as of the quarter ended (dollars in thousands):

	June 30, 2015		**March 31, 2015**		**December 31, 2014**		**September 30, 2014**		**June 30, 2014**	
Loans secured by real estate:										
Residential 1-4 family	**$ 937,557**	**17.0%**	$ 916,557	17.0%	$ 925,371	17.3%	$ 931,672	18.0%	$ 940,121	18.0%
Commercial	**2,092,228**	**38.0%**	2,078,688	38.6%	2,051,943	38.3%	1,994,138	38.5%	2,052,530	39.3%
Construction, land development and other land loans	**671,233**	**12.2%**	657,581	12.2%	656,418	12.3%	611,737	11.8%	613,027	11.7%
Second mortgages	**54,224**	**1.0%**	54,371	1.0%	57,650	1.1%	61,372	1.2%	66,477	1.3%
Equity lines of credit	**512,499**	**9.3%**	515,187	9.6%	523,808	9.8%	514,705	10.0%	517,411	9.9%
Multifamily	**316,474**	**5.7%**	298,651	5.5%	297,289	5.6%	280,116	5.4%	257,819	4.9%
Farm land	**25,061**	**0.5%**	27,029	0.5%	26,043	0.5%	28,724	0.6%	29,528	0.6%
Total real estate loans	**4,609,276**	**83.7%**	4,548,064	84.4%	4,538,522	84.9%	4,422,464	85.5%	4,476,913	85.7%
Commercial Loans	**426,024**	**7.7%**	409,867	7.6%	374,080	7.0%	362,361	7.0%	373,406	7.1%
Consumer installment loans										
Personal	**354,485**	**6.4%**	335,649	6.2%	333,126	6.2%	308,719	6.0%	299,663	5.7%
Credit cards	**26,349**	**0.5%**	24,691	0.5%	24,225	0.5%	23,736	0.5%	23,432	0.4%
Total consumer installment loans	**380,834**	**6.9%**	360,340	6.7%	357,351	6.7%	332,455	6.5%	323,095	6.1%
All other loans	**94,251**	**1.7%**	69,484	1.3%	76,043	1.4%	53,723	1.0%	59,655	1.1%
Gross loans	**$ 5,510,385**	**100.0%**	$ 5,387,755	100.0%	$ 5,345,996	100.0%	$ 5,171,003	100.0%	$ 5,233,069	100.0%

The following table presents the remaining maturities, based on contractual maturity, by loan type and by rate type (variable or fixed), as of June 30, 2015 (dollars in thousands):

			Variable Rate			Fixed Rate		
	Total Maturities	**Less than 1 year**	**Total**	**1-5 years**	**More than 5 years**	**Total**	**1-5 years**	**More than 5 years**
Loans secured by real estate:								
Residential 1-4 family	**$ 937,557**	$ 92,066	$ 348,838	$ 18,783	$ 330,055	$ 496,653	$ 276,092	$ 220,561
Commercial	**2,092,228**	183,833	616,270	153,594	462,676	1,292,125	980,688	311,437
Construction, land development and other land loans	**671,233**	369,086	183,503	159,586	23,917	118,644	101,723	16,921
Second mortgages	**54,224**	5,173	8,511	2,634	5,877	40,540	13,935	26,605
Equity lines of credit	**512,499**	37,612	474,278	48,814	425,464	609	472	137
Multifamily	**316,474**	34,601	84,543	27,761	56,782	197,330	136,932	60,398
Farm land	**25,061**	5,313	9,935	5,621	4,314	9,813	9,551	262
Total real estate loans	**4,609,276**	727,684	1,725,878	416,793	1,309,085	2,155,714	1,519,393	636,321
Commercial Loans	**426,024**	152,381	115,920	101,664	14,256	157,723	121,674	36,049
Consumer installment loans								
Personal	**354,485**	74,428	3,183	2,969	214	276,874	123,005	153,869
Credit cards	**26,349**	26,349	-	-	-	-	-	-
Total consumer installment loans	**380,834**	100,777	3,183	2,969	214	276,874	123,005	153,869
All other loans	**94,251**	9,285	20,853	16,602	4,251	64,113	17,729	46,384
Gross loans	**$ 5,510,385**	$ 990,127	$ 1,865,834	$ 538,028	$ 1,327,806	$ 2,654,424	$ 1,781,801	$ 872,623

While the current economic environment is challenging, the Company remains committed to originating soundly underwritten loans to qualifying borrowers within its markets. The Company is focused on providing community-based financial services and discourages the origination of portfolio loans outside of its principal trade areas. As reflected in the loan table, at June 30, 2015, the largest component of the Company's loan portfolio consisted of real estate loans, concentrated in commercial, construction, and residential 1-4 family. The risks attributable to these concentrations are mitigated by the Company's credit underwriting and monitoring processes, including oversight by a centralized credit administration function and credit policy and risk management committee, as well as seasoned bankers focusing their lending to borrowers with proven track records in markets with which the Company is familiar. UMG serves as a mortgage brokerage operation, selling the majority of its loan production in the secondary market or selling loans to meet the Bank's current asset/liability management needs.

Asset Quality

Overview

During the first six months of 2015, the Company experienced declines in total past due and nonaccrual loan and OREO balances from December 31, 2014. The decline in OREO balances was mostly attributable to sales of closed bank premises and foreclosed residential real estate property and land during the period. The loan loss provision increased from the same period in the prior year driven by higher loan balances in 2015 and an increase in net charge-offs in 2015, primarily due to a net recovery in the first quarter of 2014. The allowance for loan losses to total loans ratios (both unadjusted and adjusted for acquisition accounting) decreased from both December 31, 2014 and June 30, 2014. All nonaccrual and past due loan metrics discussed below exclude PCI loans totaling $87.8 million (net of fair value mark).

Troubled Debt Restructurings

The total recorded investment in TDRs as of June 30, 2015 was $22.1 million, a decrease of $4.7 million, or 17.4%, from $26.8 million at December 31, 2014 and a decline of $12.0 million, or 35.3%, from $34.2 million at June 30, 2014. Of the $22.1 million of TDRs at June 30, 2015, $19.9 million, or 89.9%, were considered performing while the remaining $2.2 million were considered nonperforming. The decrease in the TDR balance from December 31, 2014 is primarily attributable to $664,000 being removed from TDR status, $50,000 transferred to OREO, $4.4 million in net payments, and $522,000 in charge-offs, partially offset by $1.0 million in additions. Loans removed from TDR status represent restructured loans with a market rate of interest at the time of the restructuring. These loans have performed in accordance with their modified terms for twelve consecutive months and were no longer considered impaired. Loans removed from TDR status are collectively evaluated for impairment; due to the significant improvement in the expected future cash flows, these loans are grouped based on their primary risk characteristics, typically using the Company's internal risk rating system as its primary credit quality indicator. Impairment is measured based on historical loss experience taking into consideration environmental factors. The significant majority of these loans have been subject to new credit decisions due to the improvement in the expected future cash flows, the financial condition of the borrower, and other factors considered during re-underwriting. The TDR activity during the quarter did not have a material impact on the Company's allowance for loan losses, financial condition, or results of operations.

Nonperforming Assets

At June 30, 2015, nonperforming assets totaled $31.7 million, a decrease of $15.6 million, or 33.0%, from December 31, 2014 and a decrease of $29.9 million, or 48.5%, from a year ago. In addition, NPAs as a percentage of total outstanding loans decreased 31 basis points to 0.58% in the current quarter from 0.89% as of December 31, 2014 and declined 60 basis points from 1.18% a year earlier.

The following table shows a summary of assets quality balances and related ratios as of and for the quarters ended (dollars in thousands):

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Nonaccrual loans, excluding PCI loans	**$ 9,521**	$ 17,385	$ 19,255	$ 20,279	$ 23,099
Foreclosed properties	**18,917**	21,727	23,058	28,783	33,739
Former bank premises	**3,305**	3,707	5,060	8,971	4,755
Total nonperforming assets	**31,743**	42,819	47,373	58,033	61,593
Loans past due 90 days and accruing interest	**10,903**	7,932	10,047	16,118	6,870
Total nonperforming assets and loans past due 90 days and accruing interest	**$ 42,646**	$ 50,751	$ 57,420	$ 74,151	$ 68,463
Performing Restructurings	**$ 19,880**	$ 21,336	$ 22,829	$ 26,243	$ 30,561
Balances					
Allowance for loan losses	**$ 32,344**	$ 30,977	$ 32,384	$ 32,109	$ 31,379
Average loans, net of deferred fees and costs	**5,448,126**	5,360,676	5,220,223	5,196,116	5,246,710
Loans, net of deferred fees and costs	**5,510,385**	5,387,755	5,345,996	5,171,003	5,233,069
Ratios					
NPAs to total loans	**0.58%**	0.79%	0.89%	1.12%	1.18%
NPAs & loans 90 days past due to total loans	**0.77%**	0.94%	1.07%	1.43%	1.31%
NPAs to total loans & OREO	**0.57%**	0.79%	0.88%	1.11%	1.17%
NPAs & loans 90 days past due to total loans & OREO	**0.77%**	0.94%	1.07%	1.42%	1.30%
ALL to nonaccrual loans	**339.71%**	178.18%	168.18%	158.34%	135.85%
ALL to nonaccrual loans & loans 90 days past due	**158.36%**	122.36%	110.52%	88.22%	104.70%

Nonperforming assets at June 30, 2015 included $9.5 million in nonaccrual loans (excluding PCI loans), a net decrease of $9.7 million, or 50.6%, from December 31, 2014 and a decline of $13.6 million, or 58.8%, from June 30, 2014. The following table shows the activity in nonaccrual loans for the quarter ended (dollars in thousands):

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Beginning Balance	$ 17,385	$ 19,255	$ 20,279	$ 23,099	$ 14,722
Net customer payments	(4,647)	(2,996)	(4,352)	(1,654)	(1,088)
Additions	581	4,379	7,413	1,099	11,087
Charge-offs	(2,171)	(3,107)	(1,839)	(604)	(137)
Loans returning to accruing status	(919)	(53)	(2,246)	(723)	(523)
Transfers to OREO	(708)	(93)	-	(938)	(962)
Ending Balance	$ 9,521	$ 17,385	$ 19,255	$ 20,279	$ 23,099

The majority of the additions to nonaccrual loans in the first quarter of 2015 were attributable to three credit relationships. During the second quarter of 2015, the decline in nonaccrual loans was largely due to payments received in settlements, sales of collateral, and liquidation of customer assets.

The following table presents the composition of nonaccrual loans (excluding PCI loans) and the coverage ratio, which is the allowance for loan losses expressed as a percentage of nonaccrual loans, at the quarters ended (dollars in thousands):

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Raw Land and Lots	$ 403	$ 1,059	$ 2,359	$ 5,074	$ 5,921
Commercial Construction	1,907	1,953	968	672	1,065
Commercial Real Estate	3,825	7,609	6,962	1,821	851
Single Family Investment Real Estate	782	1,302	2,070	4,202	5,737
Commercial and Industrial	1,074	2,540	3,286	3,005	3,794
Other Commercial	65	69	74	62	121
Consumer	1,465	2,853	3,536	5,443	5,610
Total	$ 9,521	$ 17,385	$ 19,255	$ 20,279	$ 23,099
Coverage Ratio	339.71%	178.18%	168.18%	158.34%	135.85%

Nonperforming assets at June 30, 2015 also included $22.2 million in OREO, a decrease of $5.9 million, or 21.0%, from December 31, 2014 and a decrease of $16.3 million, or 42.3%, from the prior year. The following table shows the activity in OREO for the quarters ended (dollars in thousands):

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Beginning Balance	$ 25,434	$ 28,118	$ 37,754	$ 38,494	$ 35,487
Additions of foreclosed property	904	158	367	2,553	1,619
Additions of former bank premises	-	402	63	4,814	6,052
Capitalized improvements	243	56	424	203	59
Valuation adjustments	(710)	(590)	(381)	(6,192)	(817)
Proceeds from sales	(3,511)	(2,748)	(11,362)	(2,216)	(3,913)
Gains (losses) from sales	(138)	38	1,253	98	7
Ending Balance	$ 22,222	$ 25,434	$ 28,118	$ 37,754	$ 38,494

During the first six months of 2015, the majority of sales of OREO were related to closed bank premises and foreclosed residential real estate and land.

The following table presents the composition of the OREO portfolio at the quarter ended (dollars in thousands):

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Land	$ 7,254	$ 8,412	$ 8,726	$ 9,054	$ 11,378
Land Development	7,013	7,192	7,162	7,585	10,509
Residential Real Estate	3,217	4,794	5,736	6,696	6,019
Commercial Real Estate	1,433	1,329	1,434	5,448	5,833
Former Bank Premises (1)	3,305	3,707	5,060	8,971	4,755
Total	$ 22,222	$ 25,434	$ 28,118	$ 37,754	$ 38,494

(1) *Includes closed branch property and land previously held for branch sites.*

Past Due Loans
At June 30, 2015, total accruing past due loans, excluding PCI loans, were $33.5 million, or 0.61% of total loans, compared to $48.1 million, or 0.90%, at December 31, 2014 and $43.2 million, or 0.83%, a year ago. At June 30, 2015, loans past due 90 days or more and accruing interest, excluding PCI loans, totaled $10.9 million, or 0.20% of total loans, compared to $10.0 million, or 0.19%, at December 31, 2014 and $6.9 million, or 0.13%, a year ago.

Charge-offs and delinquencies
For the quarter ended June 30, 2015, net charge-offs were $2.2 million, or 0.16% on an annualized basis, compared to $1.0 million, or 0.08%, for the same quarter last year. For the six months ended June 30, 2015, net charge-offs were $5.3 million, or 0.20% on an annualized basis, compared to $256,000, or 0.01% annualized. Of the $5.3 million in loans charged off in the first six months of 2015, $4.3 million, or 81.1%, related to loans specifically reserved for in the prior period. The increase in charge-offs is partially attributable to a net recovery in the first quarter of 2014 largely related to one recovery of $1.2 million on a commercial loan previously charged off.

Provision
The provision for loan losses for the quarter ended June 30, 2015 was $3.5 million, an increase of $2.0 million compared to the same quarter a year ago. During the six months ended June 30, 2015, the provision for loan losses was $5.3 million, an increase of $3.8 million compared to the first six months of 2014. The increase in the provision for loan losses in the current periods compared to the same periods in the prior year was primarily driven by higher loan balances in 2015 and an increase in net charge-offs in 2015, primarily due to a net recovery in the first quarter of 2014. Additionally, a $200,000 provision was recognized during the current quarter for unfunded loan commitments.

Allowance for Loan Losses
The allowance for loan losses of $32.3 million at June 30, 2015 was consistent with the allowance for loan losses at December 31, 2014. The ALL as a percentage of the total loan portfolio, adjusted for acquisition accounting (non-GAAP), was 1.02% at June 30, 2015, a decrease from 1.08% at December 31, 2014 and 1.11% at June 30, 2014. The allowance for loan losses as a percentage of the total loan portfolio was 0.59% at June 30, 2015, 0.61% at December 31, 2014, and 0.60% at June 30, 2014. In acquisition accounting, there is no carryover of previously established allowance for loan losses, as acquired loans are recorded at fair value.

Due to the large decline in nonaccrual loans, the nonaccrual loan coverage ratio significantly increased to 339.7% at June 30, 2015, compared to 168.2% at December 31, 2014, and 135.8% at June 30, 2014. The current level of the allowance for loan losses reflects specific reserves related to nonperforming loans, current risk ratings on loans, net charge-off activity, loan growth, delinquency trends, and other credit risk factors that the Company considers important in assessing the adequacy of the allowance for loan losses.

The following table summarizes activity in the allowance for loan losses during the quarters ended (dollars in thousands):

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Balance, beginning of period	$ 30,977	$ 32,384	$ 32,109	$ 31,379	$ 30,907
Loans charged-off:					
Commercial	1,022	671	879	132	476
Real estate	1,722	2,596	3,584	1,138	695
Consumer	461	562	365	495	369
Total loans charged-off	3,205	3,829	4,828	1,765	1,540
Recoveries:					
Commercial	120	97	59	108	84
Real estate	720	308	318	411	193
Consumer	183	267	226	176	235
Total recoveries	1,023	672	603	695	512
Net charge-offs	2,182	3,157	4,225	1,070	1,028
Provision for loan losses	3,549	1,750	4,500	1,800	1,500
Balance, end of period	$ 32,344	$ 30,977	$ 32,384	$ 32,109	$ 31,379
Allowance for loan losses to loans	0.59%	0.57%	0.61%	0.62%	0.60%
ALL to loans, adjusted for acquisition accounting (Non-GAAP)	1.02%	1.03%	1.08%	1.12%	1.11%
Net charge-offs to total loans	0.16%	0.24%	0.31%	0.08%	0.08%
Provision to total loans	0.26%	0.13%	0.33%	0.14%	0.11%

The following table shows both an allocation of the allowance for loan losses among loan categories based upon the loan portfolio's composition and the ratio of the related outstanding loan balances to total loans as of the quarters ended (dollars in thousands):

	June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014		June 30, 2014	
	$	**%(1)**	**$**	**%(1)**	**$**	**%(1)**	**$**	**%(1)**	**$**	**%(1)**
Commercial	$ 2,490	7.7%	$ 2,354	7.6%	$ 2,266	7.0%	$ 2,250	7.0%	$ 2,239	7.1%
Real estate	27,072	83.7%	26,145	84.4%	27,493	84.9%	27,461	85.5%	26,876	85.7%
Consumer	2,782	8.6%	2,478	8.0%	2,625	8.1%	2,398	7.5%	2,264	7.2%
Total	$ 32,344	100.0%	$ 30,977	100.0%	$ 32,384	100.0%	$ 32,109	100.0%	$ 31,379	100.0%

(1) The percent represents the loan balance divided by total loans.

Deposits

As of June 30, 2015, total deposits were $5.8 billion, an increase of $145.7 million, or 2.6%, from December 31, 2014. Total interest-bearing deposits consist of NOW, money market, savings, and time deposit account balances. Total time deposit balances of $1.2 billion accounted for 27.8% of total interest-bearing deposits at June 30, 2015. The Company continues to experience a shift from time deposits into lower cost transaction accounts (NOW, money market, savings and noninterest bearing demand accounts), driven by the Company's focus on acquiring low cost funding sources and customer preference for liquidity in response to current market conditions.

The following table presents the deposit balances by major categories as of the quarters ended (dollars in thousands):

	June 30, 2015		December 31, 2014	
Deposits:	**Amount**	**% of total deposits**	**Amount**	**% of total deposits**
Non-interest bearing	**$ 1,289,676**	**22.3%**	$ 1,199,378	21.3%
NOW accounts	**1,378,129**	**23.8%**	1,332,029	23.6%
Money market accounts	**1,303,792**	**22.5%**	1,261,520	22.4%
Savings accounts	**565,584**	**9.8%**	548,526	9.7%
Time deposits of $100,000 and over	**547,492**	**9.5%**	550,842	9.8%
Other time deposits	**699,801**	**12.1%**	746,475	13.2%
Total Deposits	**$ 5,784,474**	**100.0%**	$ 5,638,770	100.0%

The Company may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions. The Company utilizes this funding source when rates are more favorable than other funding sources. As of June 30, 2015 and December 31, 2014, none were purchased and included in certificates of deposit on the Company's Consolidated Balance Sheets. Maturities of time deposits as of June 30, 2015 are as follows (dollars in thousands):

	Within 3 Months	3 - 12 Months	Over 12 Months	Total
Maturities of time deposits of $100,000 and over	$ 73,194	$ 169,702	$ 304,596	$ 547,492
Maturities of other time deposits	92,894	269,471	337,436	699,801
Total time deposits	$ 166,088	$ 439,173	$ 642,032	$ 1,247,293

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 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.

In July 2013, the Federal Reserve issued a final rule that makes technical changes to its market risk capital rule to align it with the Basel III regulatory capital framework and meet certain requirements of the Dodd-Frank Act. Effective January 1, 2015, the final rule requires the Company to comply with the following minimum capital ratios: (i) a new common equity Tier 1 capital ratio of 4.5% of risk-weighted assets; (ii) a Tier 1 capital ratio of 6.0% of risk-weighted assets (increased from the prior requirement of 4.0%); (iii) a total capital ratio of 8.0% of risk-weighted assets (unchanged from prior requirement); and (iv) a leverage ratio of 4.0% of total assets (unchanged from the prior requirement). These are the initial capital requirements applicable to the Company. All such capital requirements will be phased in over a four-year period; the next phase does not take effect until January 1, 2016. The capital requirements contained in the final rule also include changes in the risk weights of assets to better reflect credit risk and other risk exposures.

Beginning January 1, 2015, the Company calculates its regulatory capital under the U.S. Basel III Standardized Approach. The Company calculated regulatory capital measures for periods prior to 2015 under previous regulatory requirements. The table summarizes the Company's regulatory capital and related ratios for the periods presented (dollars in thousands):

	June 30, 2015	December 31, 2014	June 30, 2014
Tier 1 capital	$ 775,286	$ 734,755	$ 727,159
Tier 2 capital	32,624	35,830	35,433
Total risk-based capital	807,910	770,585	762,592
Risk-weighted assets	6,298,404	5,758,071	5,625,362
Capital ratios:			
Common equity Tier 1 capital ratio	10.87%	N/A	N/A
Tier 1 capital ratio	12.31%	12.76%	12.93%
Total capital ratio	12.83%	13.38%	13.56%
Leverage ratio (Tier 1 capital to average assets)	10.82%	10.62%	10.47%
Common equity to total assets	13.18%	13.28%	13.36%
Tangible common equity to tangible assets	9.30%	9.27%	9.22%

NON-GAAP MEASURES

In reporting the Company's results as of and for the periods ended June 30, 2015 and 2014, the Company has provided supplemental performance measures on an operating or tangible basis. Operating measures exclude acquisition costs unrelated to the Company's normal operations. The Company believes these measures are useful to investors as they exclude non-operating adjustments resulting from acquisition activity and allow investors to see the combined economic results of the organization. Tangible common equity is used in the calculation of certain capital and per share ratios. The Company believes tangible common equity and the related ratios are meaningful measures of capital adequacy because they provide a meaningful base for period-to-period and company-to-company comparisons, which the Company believes will assist investors in assessing the capital of the Company and its ability to absorb potential losses.

These measures are a supplement to U.S. GAAP used to prepare the Company's financial statements and should not be viewed as a substitute for U.S. GAAP measures. In addition, the Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies.

The following table reconciles these non-GAAP measures from their respective U.S. GAAP basis measures for each of the periods presented (dollars in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating Earnings				
Net Income (GAAP)	$ 15,348	$ 14,673	$ 31,049	$ 22,382
Plus: Merger and conversion related expense, after tax	-	3,043	-	12,059
Net operating earnings (non-GAAP)	$ 15,348	$ 17,716	$ 31,049	$ 34,441
Operating earnings per share - Basic	$ 0.34	$ 0.38	$ 0.69	$ 0.74
Operating earnings per share - Diluted	0.34	0.38	0.69	0.74
Operating ROA	0.83%	0.98%	0.84%	0.96%
Operating ROE	6.21%	7.26%	6.34%	7.03%
Operating ROTCE	9.20%	11.04%	9.43%	10.66%
Community Bank Segment Operating Earnings				
Net Income (GAAP)	$ 15,253	$ 15,275	$ 31,221	$ 24,364
Plus: Merger and conversion related expense, after tax	-	3,043	-	12,059
Net operating earnings (non-GAAP)	$ 15,253	$ 18,318	$ 31,221	$ 36,423
Operating earnings per share - Basic	$ 0.34	$ 0.40	$ 0.69	$ 0.78
Operating earnings per share - Diluted	0.34	0.40	0.69	0.78
Operating ROA	0.82%	1.01%	0.85%	1.01%
Operating ROE	6.19%	7.56%	6.40%	7.52%
Operating ROTCE	9.18%	11.54%	9.52%	11.46%
Operating Efficiency Ratio FTE				
Net Interest Income (GAAP)	$ 63,816	$ 63,715	$ 125,785	$ 127,473
FTE adjustment	2,291	2,101	4,452	4,065
Net Interest Income (FTE)	$ 66,107	$ 65,816	$ 130,237	$ 131,538
Noninterest Income (GAAP)	16,212	16,280	31,266	30,068
Noninterest Expense (GAAP)	$ 55,241	$ 58,967	$ 109,081	$ 126,252
Merger and conversion related expense	-	4,661	-	17,829
Noninterest Expense (Non-GAAP)	$ 55,241	$ 54,306	$ 109,081	$ 108,423
Operating Efficiency Ratio FTE (non-GAAP)	67.11%	66.15%	67.54%	67.09%
Community Bank Segment Operating Efficiency Ratio FTE				
Net Interest Income (GAAP)	$ 63,441	$ 63,401	$ 125,164	$ 126,927
FTE adjustment	2,291	2,102	4,453	4,064
Net Interest Income (FTE)	$ 65,732	$ 65,503	$ 129,617	$ 130,991
Noninterest Income (GAAP)	13,523	13,422	26,371	25,081
Noninterest Expense (GAAP)	$ 52,365	$ 54,841	$ 103,337	$ 117,587
Merger and conversion related expense	-	4,661	-	17,829
Noninterest Expense (Non-GAAP)	$ 52,365	$ 50,180	$ 103,337	$ 99,758
Operating Efficiency Ratio FTE (non-GAAP)	66.07%	63.58%	66.25%	63.92%
Tangible Common Equity				
Ending equity	$ 988,134	$ 976,326	$ 988,134	$ 976,326
Less: Ending goodwill	293,522	296,876	293,522	296,876
Less: Ending core deposit intangibles	27,394	36,479	27,394	36,479
Ending tangible common equity	$ 667,218	$ 642,971	$ 667,218	$ 642,971
Average equity	$ 991,093	$ 978,251	$ 986,844	$ 987,686
Less: Average goodwill	293,522	296,876	293,522	296,876
Less: Average core deposit intangibles	28,432	37,962	29,508	39,199
Average tangible common equity	$ 669,139	$ 643,413	$ 663,814	$ 651,611

The allowance for loan losses ratio, adjusted for acquisition accounting (non-GAAP), includes an adjustment for the fair value mark on acquired performing loans. The acquired performing loans are reported net of the related fair value mark in loans, net of deferred fees and costs, on the Company's Consolidated Balance Sheets; therefore, the fair value mark is added back to the balance to represent the total loan portfolio. The adjusted allowance for loan losses, including the fair value mark, represents the total reserve on the Company's loan portfolio. The PCI loans, net of the respective fair value mark, are removed from the loans, net of deferred fees and costs, as these PCI loans are not covered by the allowance established by the Company unless changes in expected cash flows indicate that one of the PCI loan pools is impaired, at which time an allowance for PCI loans will be established. U.S. GAAP requires the acquired allowance for loan losses not be carried over in an acquisition or merger. The Company believes the presentation of the allowance for loan losses ratio, adjusted for acquisition accounting, is useful to investors because the acquired loans were purchased at a market discount with no allowance for loan losses carried over to the Company, and the fair value mark on the purchased performing loans represents the allowance associated with those purchased loans. The Company believes that this measure is a better reflection of the reserves on the Company's loan portfolio. The following table shows the allowance for loan losses as a percentage of the total loan portfolio, adjusted for acquisition accounting, as of the quarters ended (dollars in thousands):

	June 30, 2015	December 31, 2014	June 30, 2014
Allowance for loan losses	$ 32,344	$ 32,384	$ 31,379
Remaining fair value mark on acquired performing loans	23,010	24,340	25,632
Adjusted allowance for loan losses	$ 55,354	$ 56,724	$ 57,011
Loans, net of unearned income	$ 5,510,385	$ 5,345,996	$ 5,233,069
Remaining fair value mark on acquired performing loans	23,010	24,340	25,632
Less: PCI loans, net of fair value mark	87,841	105,788	131,107
Adjusted loans, net of unearned income	$ 5,445,554	$ 5,264,548	$ 5,127,594
Allowance for loan losses ratio	0.59%	0.61%	0.60%
Allowance for loan losses ratio, adjusted for acquisition accounting	1.02%	1.08%	1.11%

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. The Company's market risk is composed primarily of interest rate risk. The ALCO of the Company is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to this risk. The Company's Board of Directors reviews and approves the guidelines established by ALCO.

Interest rate risk is monitored through the use of three complementary modeling tools: static gap analysis, earnings simulation modeling, and economic value simulation (net present value estimation). Each of these models measures changes in a variety of interest rate scenarios. While each of the interest rate risk models has limitations, taken together they represent a reasonably comprehensive view of the magnitude of interest rate risk in the Company, the distribution of risk along the yield curve, the level of risk through time, and the amount of exposure to changes in certain interest rate relationships. Static gap, which measures aggregate re-pricing values, is less utilized because it does not effectively measure the options risk impact on the Company and is not addressed here. Earnings simulation and economic value models, which more effectively measure the cash flow and optionality impacts, are utilized by management on a regular basis and are explained below.

The Company determines the overall magnitude of interest sensitivity risk and then formulates policies and practices 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 states of the national, regional, and local economies, and other financial and business risk factors. The Company uses simulation modeling to measure and monitor the effect of various interest rate scenarios and business strategies on net interest income. This modeling reflects interest rate changes and the related impact on net interest income and net income over specified time horizons.

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 analyses, such as the static gap analysis discussed above.

Assumptions used in the model are derived from historical trends and management's outlook and include loan and deposit growth rates and projected yields and rates. Such assumptions are monitored by management and periodically adjusted as appropriate. 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 reflected in the different rate scenarios.

The Company uses its simulation model to estimate earnings in rate environments where rates are instantaneously shocked up or down around a "most likely" rate scenario, based on implied forward rates. The analysis assesses the impact on net interest income over a 12 month time horizon after an immediate increase or "shock" in rates, of 100 basis points up to 300 basis points. The shock down 200 or 300 basis points analysis is not as meaningful as interest rates across most of the yield curve are at historic lows and cannot decrease another 200 or 300 basis points. The model, under all scenarios, does not drop the index below zero.

The following table represents the interest rate sensitivity on net interest income for the Company across the rate paths modeled for balances as of June 30, 2015 and 2014 (dollars in thousands):

	Change In Net Interest Income June 30,			
	2015		2014	
	%	$	%	$
Change in Yield Curve:				
+300 basis points	**5.38**	**14,441**	**5.18**	**13,737**
+200 basis points	**3.61**	**9,699**	**3.64**	**9,650**
+100 basis points	**1.50**	**4,014**	**1.54**	**4,092**
Most likely rate scenario	**-**	**-**	**-**	**-**
-100 basis points	**(1.50)**	**(4,019)**	**(1.68)**	**(4,454)**
-200 basis points	**(4.34)**	**(11,646)**	**(4.55)**	**(12,068)**
-300 basis points	**(4.82)**	**(12,949)**	**(5.36)**	**(14,194)**

Asset sensitivity indicates that in a rising interest rate environment the Company's net interest income would increase and in a decreasing interest rate environment the Company's net interest income would decrease. Liability sensitivity indicates that in a rising interest rate environment the Company's net interest income would decrease and in a decreasing interest rate environment the Company's net interest income would increase.

As of June 30, 2015, the Company is more asset sensitive when compared to June 30, 2014 due to changes in the composition of the balance sheet. In becoming more "asset sensitive," the Company expects net interest income to increase as market rates increase. In the decreasing interest rate environments, the Company shows a decline in net interest income as interest-earning assets re-price at lower rates and interest-bearing deposits remain at or near their floors. It should be noted that although net interest income simulation results are presented through the down 300 basis points interest rate environments, the Company does not believe the down 200 and 300 basis point scenarios are plausible given the current level of interest rates.

ECONOMIC VALUE SIMULATION

Economic value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Economic values are calculated based on discounted cash flow analysis. The net economic value of equity is the economic value of all assets minus the economic value of all liabilities. The change in net economic value over different rate environments is an indication of the longer-term earnings capability of the balance sheet. The same assumptions are used in the economic value simulation as in the earnings simulation. The economic value simulation uses instantaneous rate shocks to the balance sheet.

The following chart reflects the estimated change in net economic value over different rate environments using economic value simulation for the balances at the quarterly periods ended June 30, 2015 and 2014 (dollars in thousands):

	Change In Economic Value of Equity June 30,			
	2015		2014	
	%	$	%	$
Change in Yield Curve:				
+300 basis points	**(1.25)**	**(16,699)**	**(1.36)**	**(17,882)**
+200 basis points	**(0.10)**	**(1,293)**	**(0.15)**	**(1,911)**
+100 basis points	**0.54**	**7,171**	**0.33**	**4,272**
Most likely rate scenario	**-**	**-**	**-**	**-**
-100 basis points	**(3.31)**	**(44,315)**	**(2.57)**	**(33,735)**
-200 basis points	**(9.15)**	**(122,595)**	**(7.71)**	**(101,081)**
-300 basis points	**(10.45)**	**(140,095)**	**(8.63)**	**(113,170)**

The shock down 200 or 300 basis points analysis is not as meaningful since interest rates across most of the yield curve are at historic lows and cannot decrease another 200 or 300 basis points. While management considers this scenario highly unlikely, the natural floor increases the Company's sensitivity in rates down scenarios.

As of June 30, 2015, the Company's economic value of equity model projects that a sudden increase in market interest rates would result in a smaller change in the Company's estimated economic value of equity in the up 200 or 300 basis point scenarios indicating that the Company has generally become less sensitive to market rate increases over this range, compared to June 30, 2014. The model also indicates that the Company generally has become more sensitive to market interest rate declines as of June 30, 2015 compared to June 30, 2014. However, the Company believes the down 200 and 300 basis point scenarios are not plausible given the current low level of interest rates.

ITEM 4 – CONTROLS AND PROCEDURES

The Company maintains "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective at the reasonable assurance level. There was no change in the internal control over financial reporting that occurred during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – 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 of the Company.

ITEM 1A – RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Sales of Unregistered Securities

Director Stock Retainer

Beginning in the third quarter of 2014, non-employee members of the Company's Board of Directors could elect to receive, on a quarterly basis, either cash or Company common stock in lieu of an annual stock retainer for services as a director. Shares issued to non-employee directors of the Company's Board of Directors from authorized but unissued shares of the Company's common stock are compensation to such directors for their services to the applicable board. Such shares are considered exempt from registration as they are issued pursuant to Section 4(a)(2) of the Securities Act of 1933. The shares are also issued in a transaction that meets the requirements of Rule 16b-3(d) of the Exchange Act.

In the first six months of 2015, the Company issued the following stock retainer awards to non-employee directors of the Company, including shares exempt from registration as set forth above:

	Issue Date	Total number of shares issued	Price per share ($)	Valuation ($)
Union Bankshares Corporation Board of Directors (1)				
	March 2, 2015	4,576	21.87	100,077
	June 1, 2015	4,624	21.61	99,925
	Total	9,200		200,002

(1) The price per share is based on the per share closing sale price of the Company's common stock on the date prior to the issue date.

For the six months ended June 30, 2015, the aggregate amount of director services received by the Company for the stock issuances to non-employee directors of the Company was $200,002.

(b) Use of Proceeds – Not Applicable

(c) Issuer Purchases of Securities

Stock Repurchase Program

The following information describes the Company's common stock repurchases during 2014 and the six months ended June 30, 2015:

Period	Total number of shares purchased (1)	Average price paid per share ($)	Total number of shares purchased as part of publicly announced plan (2)	Approximate value of shares that may yet be purchased under the plan ($) (2)
January 1 - December 31, 2014	2,125,264	24.72	2,125,264	12,460,000
January 1 - January 31, 2015	102,843	23.17	102,843	10,077,000
February 1 - February 28, 2015	-	-	-	10,077,000
March 1 - March 31, 2015	-	-	-	10,077,000
April 1 - April 30, 2015	45,813	21.83	45,813	9,077,000
May 1 - May 31, 2015	-	-	-	9,077,000
June 1 - June 30, 2015	32,700	22.74	32,700	8,333,000
Total	2,306,620	24.57	2,306,620	

(1)*On January 30, 2014, the Company's Board of Directors authorized a share repurchase program to purchase up to $65.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. The repurchase program is authorized through December 31, 2015.*
(2)*For purposes of the Company's consolidated financial statements included in this Form 10-Q, the impact of these repurchases is recorded according to settlement dates.*

ITEM 6 – EXHIBITS

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

Exhibit No.	Description
10.12	Union Bankshares Corporation Stock and Incentive Plan (as amended and restated effective April 21, 2015) (incorporated by reference to Exhibit 99.1 to Form S-8 Registration Statement; SEC file no. 333-203580).
10.23	Form of Time-Based Restricted Stock Agreement under Union Bankshares Corporation Stock and Incentive Plan (incorporated by reference to Exhibit 10.23 to Current Report on Form 8-K filed on April 27, 2015).
10.24	Form of Performance Share Unit Agreement under Union Bankshares Corporation Stock and Incentive Plan (incorporated by reference to Exhibit 10.24 to Current Report on Form 8-K filed on April 27, 2015).
15.01	Letter regarding unaudited interim financial information.
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.00	Interactive data files formatted in eXtensible Business Reporting Language for the quarter ended June 30, 2015 pursuant to Rule 405 of Regulation S-T (1): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements.
	(1) These files are furnished and deemed not filed.

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)
Date: August 6, 2015	By: /s/ G. William Beale G. William Beale, President and Chief Executive Officer (principal executive officer)
Date: August 6, 2015	By: /s/ Robert M. Gorman Robert M. Gorman, Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

Exhibit 15.01

The Shareholders and Board of Directors of Union Bankshares Corporation

We are aware of the incorporation by reference in the Registration Statements (Form S-3 No. 333-198710, Form S-3 No. 333-165874, Form S-3 No. 333-144481, Form S-3 No. 33-78060, Form S-3 No. 333-102012, Form S-3 No. 333-81199, Form S-8 No. 333-203580, Form S-8 No. 333-193364, Form S-8 No. 333-175808, Form S-8 No. 333-113842 and Form S-8 No. 333-113839) of Union Bankshares Corporation of our report dated August 6, 2015 relating to the unaudited consolidated interim financial statements of Union Bankshares Corporation that are included in its Form 10-Q for the quarter ended June 30, 2015.

Under Rule 436(c) of the 1933 Act, our reports are not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the 1933 Act.

/s/ Ernst & Young LLP

Richmond, Virginia
August 6, 2015

Exhibit 31.01

CERTIFICATIONS
I, G. William Beale, certify that:

1. I have reviewed this report on Form 10-Q of Union Bankshares Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2015

/s/ G. William Beale
G. William Beale,
President and Chief Executive Officer

Exhibit 31.02

CERTIFICATIONS
I, Robert M. Gorman, certify that:

1. I have reviewed this report on Form 10-Q of Union Bankshares Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2015

/s/ Robert M. Gorman
Robert M. Gorman,
Executive Vice President and Chief Financial Officer

Exhibit 32.01

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Union Bankshares Corporation (the "Company") on Form 10-Q for the period ending June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge and belief: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ G. William Beale

G. William Beale, President and Chief Executive Officer

/s/ Robert M. Gorman

Robert M. Gorman, Executive Vice President and Chief Financial Officer

August 6, 2015

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Union Bankshares Corporation and will be retained by Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.