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 March 31, 2016

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 May 2, 2016 was 43,762,691.

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
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)

	March 31, 2016	December 31, 2015
	(Unaudited)	*(Audited)*
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 95,462	$ 111,323
Interest-bearing deposits in other banks	37,227	29,670
Federal funds sold	650	1,667
Total cash and cash equivalents	133,339	142,660
Securities available for sale, at fair value	939,409	903,292
Securities held to maturity, at carrying value	204,444	205,374
Restricted stock, at cost	58,211	51,828
Loans held for sale	25,109	36,030
Loans held for investment, net of deferred fees and costs	5,780,502	5,671,462
Less allowance for loan losses	34,399	34,047
Net loans held for investment	5,746,103	5,637,415
Premises and equipment, net	125,357	126,028
Other real estate owned, net of valuation allowance	14,246	15,299
Core deposit intangibles, net	21,430	23,310
Goodwill	293,522	293,522
Bank owned life insurance	175,033	173,687
Other assets	96,408	84,846
Total assets	$ 7,832,611	$ 7,693,291
LIABILITIES		
Noninterest-bearing demand deposits	$ 1,363,243	$ 1,372,937
Interest-bearing deposits	4,582,739	4,590,999
Total deposits	5,945,982	5,963,936
Securities sold under agreements to repurchase	91,977	84,977
Other short-term borrowings	466,000	304,000
Long-term borrowings	291,662	291,198
Other liabilities	56,012	53,813
Total liabilities	6,851,633	6,697,924
Commitments and contingencies (Note 6)		
STOCKHOLDERS' EQUITY		
Common stock, $1.33 par value, shares authorized 100,000,000; issued and outstanding, 43,854,381 shares and 44,785,674 shares, respectively.	57,850	59,159
Additional paid-in capital	610,084	631,822
Retained earnings	306,685	298,134
Accumulated other comprehensive income	6,359	6,252
Total stockholders' equity	980,978	995,367
Total liabilities and stockholders' equity	$ 7,832,611	$ 7,693,291

See accompanying notes to consolidated financial statements.

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

	Three Months Ended	
	March 31, 2016	March 31, 2015
Interest and dividend income:		
Interest and fees on loans	**$ 62,947**	$ 60,452
Interest on deposits in other banks	**47**	17
Interest and dividends on securities:		
Taxable	**4,316**	3,807
Nontaxable	**3,439**	3,324
Total interest and dividend income	**70,749**	67,600
Interest expense:		
Interest on deposits	**4,195**	3,321
Interest on federal funds purchased	**2**	1
Interest on short-term borrowings	**621**	249
Interest on long-term borrowings	**2,200**	2,060
Total interest expense	**7,018**	5,631
Net interest income	**63,731**	61,969
Provision for credit losses	**2,604**	1,750
Net interest income after provision for credit losses	**61,127**	60,219
Noninterest income:		
Service charges on deposit accounts	**4,734**	4,214
Other service charges and fees	**4,156**	3,584
Fiduciary and asset management fees	**2,138**	2,219
Mortgage banking income, net	**2,146**	2,379
Gains on securities transactions, net	**143**	193
Bank owned life insurance income	**1,372**	1,135
Other operating income	**1,225**	1,330
Total noninterest income	**15,914**	15,054
Noninterest expenses:		
Salaries and benefits	**28,048**	27,492
Occupancy expenses	**4,976**	5,133
Furniture and equipment expenses	**2,636**	2,813
Printing, postage, and supplies	**1,139**	1,370
Communications expense	**1,089**	1,179
Technology and data processing	**3,814**	3,255
Professional services	**1,989**	1,348
Marketing and advertising expense	**1,938**	1,687
FDIC assessment premiums and other insurance	**1,362**	1,398
Other taxes	**1,618**	1,551
Loan-related expenses	**599**	684
OREO and credit-related expenses	**569**	1,186
Amortization of intangible assets	**1,880**	2,222
Training and other personnel costs	**744**	721
Other expenses	**1,871**	1,801
Total noninterest expenses	**54,272**	53,840
Income before income taxes	**22,769**	21,433
Income tax expense	**5,808**	5,732
Net income	**$ 16,961**	$ 15,701
Basic earnings per common share	**$ 0.38**	$ 0.35
Diluted earnings per common share	**$ 0.38**	$ 0.35
Dividends declared per common share	**$ 0.19**	$ 0.15
Basic weighted average number of common shares outstanding	**44,251,276**	45,105,969
Diluted weighted average number of common shares outstanding	**44,327,229**	45,187,516

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2016	**2015**
Net income	**$ 16,961**	$ 15,701
Other comprehensive income (loss):		
Cash flow hedges:		
Change in fair value of cash flow hedges	**(2,681)**	(1,490)
Reclassification adjustment for losses (gains) included in net income (net of tax, $76 and $146 for the three months ended March 31, 2016 and 2015, respectively)	**141**	272
AFS securities:		
Unrealized holding gains (losses) arising during period (net of tax, $1,633 and $2,037 for the three months ended March 31, 2016 and 2015, respectively)	**3,032**	3,783
Reclassification adjustment for losses (gains) included in net income (net of tax, $50 and $68 for the three months ended March 31, 2016 and 2015, respectively)	**(93)**	(125)
HTM securities:		
Accretion of unrealized gain for AFS securities transferred to HTM (net of tax, $157 and $0 for the three months ended March 31, 2016 and 2015, respectively)	**(292)**	-
Other comprehensive income (loss)	**107**	2,440
Comprehensive income	**$ 17,068**	$ 18,141

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Dollars in thousands, except share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance - December 31, 2014	$ 59,795	$ 643,443	$ 261,676	$ 12,255	$ 977,169
Net income - 2015			15,701		15,701
Other comprehensive income (net of taxes of $2,115)				2,440	2,440
Dividends on common stock ($0.15 per share)			(6,431)		(6,431)
Stock purchased under stock repurchase plan (102,843 shares)	(137)	(2,250)			(2,387)
Issuance of common stock under Dividend Reinvestment Plan (15,781 shares)	21	307	(328)		-
Issuance of common stock under Equity Compensation Plans (7,686 shares)	10	137			147
Issuance of common stock for services rendered (4,576 shares)	6	94			100
Vesting of restricted stock, including tax effects, under Equity Compensation Plans (19,271 shares)	26	(239)			(213)
Stock-based compensation expense		390			390
Balance - March 31, 2015	$ 59,721	$ 641,882	$ 270,618	$ 14,695	$ 986,916
Balance - December 31, 2015	$ 59,159	$ 631,822	$ 298,134	$ 6,252	$ 995,367
Net income - 2016			16,961		16,961
Other comprehensive income (net of taxes of $1,502)				107	107
Dividends on common stock ($0.19 per share)			(8,410)		(8,410)
Stock purchased under stock repurchase plan (1,040,612 shares)	(1,384)	(22,344)			(23,728)
Issuance of common stock under Equity Compensation Plans (21,804 shares)	29	288			317
Issuance of common stock for services rendered (4,400 shares)	6	94			100
Vesting of restricted stock, including tax effects, under Equity Compensation Plans (30,299 shares)	40	(417)			(377)
Stock-based compensation expense		641			641
Balance - March 31, 2016	$ 57,850	$ 610,084	$ 306,685	$ 6,359	$ 980,978

See accompanying notes to consolidated financial statements.

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Dollars in thousands)

	2016	2015
Operating activities:		
Net income	$ **16,961**	$ 15,701
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation of premises and equipment	**2,511**	2,705
Writedown of OREO	**126**	590
Amortization, net	**2,958**	3,625
Amortization (accretion) related to acquisition, net	**734**	371
Provision for credit losses	**2,604**	1,750
Losses (gains) on securities transactions, net	**(143)**	(193)
Decrease (increase) in loans held for sale, net	**10,921**	(3,529)
Losses (gains) on sales of other real estate owned, net	**(7)**	(38)
Losses (gains) on sales of premises, net	**45**	57
Stock-based compensation expenses	**641**	390
Issuance of common stock for services	**100**	100
Net decrease (increase) in other assets	**(14,594)**	(1,031)
Net increase (decrease) in other liabilities	**(441)**	80
Net cash and cash equivalents provided by (used in) operating activities	**22,416**	20,578
Investing activities:		
Purchases of securities available for sale	**(83,735)**	(29,863)
Proceeds from sales of securities available for sale	**14,532**	12,499
Proceeds from maturities, calls and paydowns of securities available for sale	**29,151**	34,133
Net decrease (increase) in loans held for investment	**(110,513)**	(44,401)
Net decrease (increase) in premises and equipment	**(1,885)**	(2,346)
Proceeds from sales of other real estate owned	**1,339**	2,714
Improvements to other real estate owned	**-**	(56)
Cash paid for equity-method investments	**-**	(355)
Net cash and cash equivalents provided by (used in) investing activities	**(151,111)**	(27,675)
Financing activities:		
Net increase (decrease) in noninterest-bearing deposits	**(9,694)**	75,557
Net increase (decrease) in interest-bearing deposits	**(8,260)**	(43,024)
Net increase (decrease) in short-term borrowings	**169,000**	(12,959)
Net increase (decrease) in long-term borrowings	**526**	509
Cash dividends paid - common stock	**(8,410)**	(6,431)
Repurchase of common stock	**(23,728)**	(2,387)
Issuance of common stock	**317**	147
Vesting of restricted stock, including tax effects	**(377)**	(213)
Net cash and cash equivalents provided by (used in) financing activities	**119,374**	11,199
Increase (decrease) in cash and cash equivalents	**(9,321)**	4,102
Cash and cash equivalents at beginning of the period	**142,660**	133,260
Cash and cash equivalents at end of the period	$ **133,339**	$ 137,362
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	$ **6,998**	$ 6,925
Income taxes	**10,500**	3,000
Supplemental schedule of noncash investing and financing activities		
Unrealized (losses) gains on securities available for sale	$ **4,522**	$ 5,627
Changes in fair value of interest rate swap loss	**(2,540)**	(1,218)
Transfers between loans and other real estate owned	**405**	124
Transfers from bank premises to other real estate owned	**-**	402

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 2015 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to current period presentation.

Loans
The Company originates commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial and residential real estate loans (including acquisition and development loans and residential construction loans) throughout its market area. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in those markets.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

As of January 1, 2016, the Company enhanced the loan portfolio segmentation to better align with how the Company manages credit risk and to better align with industry practice. Below is a summary of the new loan segmentation.

Construction and Land Development – construction loans generally made to commercial and residential builders for specific construction projects. The successful repayment of these types of loans is generally dependent upon (a) a commitment for permanent financing from the Company, or (b) from the sale of the constructed property. These loans carry more risk than both types of commercial real estate term loans due to the dynamics of construction projects, changes in interest rates, the long-term financing market, and state and local government regulations. As in commercial real estate term lending, the Company manages risk by using specific underwriting policies and procedures for these types of loans and by avoiding excessive concentrations to any one business or industry.

Also, included in this category are loans generally made to residential home builders to support their lot and home inventory needs. Repayment relies upon the successful performance of the underlying residential real estate project. This type of lending carries a higher level of risk as compared to other commercial lending. This class of lending manages risks related to residential real estate market conditions, a functioning first and secondary market in which to sell residential properties, and the borrower's ability to manage inventory and run projects. The Company manages this risk by lending to experienced builders and developers, by using specific underwriting policies and procedures for these types of loans, and by avoiding excessive concentrations with any particular customer or geographic region.

Commercial Real Estate – Owner Occupied - term loans made to support owner occupied real estate properties that rely upon the successful operation of the business occupying the property for repayment. General market conditions and economic activity may affect these types of loans. In addition to using specific underwriting policies and procedures for these types of loans, the Company manages risk by avoiding concentrations to any one business or industry.

Commercial Real Estate – Non-Owner Occupied - term loans typically made to borrowers to support income producing properties that rely upon the successful operation of the property for repayment. General market conditions and economic activity may impact the performance of these types of loans. In addition to using specific underwriting policies and procedures for these types of loans, the Company manages risk by diversifying the lending to various lines of businesses, such as retail, office, office warehouse, and hotel as well as avoiding concentrations to any one business or industry.

Residential 1-4 Family – loans generally made to both commercial and residential borrowers. Mortgage loan portfolios carry risks associated with the creditworthiness of the borrower or the tenant and changes in loan-to-value ratios. The Company manages these risks through policies and procedures such as limiting loan-to-value ratios at origination, experienced underwriting, requiring standards for appraisers, and not making subprime loans.

Multi-Family Real Estate – loans made to real estate investors to support permanent financing for multifamily family residential income producing properties that rely on the successful operation of the property for repayment. This management mainly involves property maintenance and collection of rents due from tenants. This type of lending carries a lower level of risk as compared to other commercial lending. In addition, underwriting requirements for multifamily are stricter than for other non-owner-occupied property types. The Company manages this risk by avoiding concentrations with any particular customer.

Commercial and Industrial – generally support the Company's borrowers' need for equipment/vehicle purchases and other short-term or seasonal cash flow needs. Repayment relies upon the successful operation of the business. This type of lending carries a lower level of commercial credit risk as compared to other commercial lending. The Company manages this risk by using general underwriting policies and procedures for these types of loans and by avoiding concentrations to any one business or industry.

HELOC – the consumer HELOC portfolio carries risks associated with the creditworthiness of the borrower and changes in loan-to-value ratios. The Company manages these risks through policies and procedures such as limiting loan-to-value ratios at origination, experienced underwriting, requiring standards for appraisers, and not making subprime loans.

Auto – the consumer indirect auto lending portfolio generally carries certain risks associated with the values of the collateral that management must mitigate. The Company focuses its indirect auto lending on one to two year old used vehicles where substantial depreciation has already occurred thereby minimizing the risk of significant loss of collateral values in the future. This type of lending places reliance on computer-based loan approval systems to supplement other underwriting standards.

Consumer and all other - portfolios carry risks associated with the creditworthiness of the borrower and changes in the economic environment. The Company manages these risks through policies and procedures such as experienced underwriting, maximum debt to income ratios, and minimum borrower credit scores. Also included in this category are loans that generally support small business lines of credit and agricultural lending neither of which are a material source of business for the Company.

Affordable Housing Entities

The Company invests in private investment funds that make equity investments in multifamily affordable housing properties that provide affordable housing tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt. For the three months ended March 31, 2016 and 2015, the Company recognized amortization of $130,000 and $175,000, respectively, and tax credits of $210,000 and $257,000, 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 $8.3 million and $8.5 million as of March 31, 2016 and December 31, 2015, respectively. The Company recorded a liability of $5.5 million for the related unfunded commitments as of March 31, 2016, which are expected to be paid from 2016 to 2019.

Adoption of New Accounting Standards

In February 2015, the FASB issued revised guidance to simplify the consolidation assessment required to evaluate whether organizations should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures. The guidance also removed the indefinite deferral of specialized guidance for certain investment funds. The Company adopted ASU No. 2015-02, "*Amendments to the Consolidation Analysis*" during the first quarter of 2016. The adoption of ASU 2015-02 did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements
In January 2016, the FASB issued ASU No. 2016-01, "*Recognition and Measurement of Financial Assets and Financial Liabilities*." This ASU requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. The ASU provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The ASU also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is only permitted for the provision related to instrument-specific credit risk. The Company is currently assessing the impact ASU 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." This ASU requires lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to today's accounting. The guidance also eliminates the real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact ASU 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-05, "*Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*." This ASU clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, be considered a termination of the derivative instrument or a change in a critical term of the hedging relationship. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU 2016-05 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, "*Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*" This ASU clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to perform only the four-step decision sequence in ASC 815-15-25-42 (as amended by the ASU). The entity does not have to separately assess whether the event that triggers its ability to exercise the contingent option is itself indexed only to interest rates or credit risk. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU 2016-06 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "*Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*." This ASU simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively and early adoption is permitted. The Company does not expect the adoption of ASU 2016-07 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, "*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*." This ASU amends the principal-versus-agent implementation guidance and illustrations in the FASB's new revenue standard (ASU 2014-09) and clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. The ASU has the same effective date as the new revenue standard (as amended by the one-year deferral and the early adoption provisions in ASU 2015-14). In addition, entities are required to adopt the ASU by using the same transition method they used to adopt the new revenue standard. The Company is currently assessing the impact ASU 2016-08 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "*Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*" This ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted; however, if the Company elects to early adopt, then all amendments must be adopted in the same period. The Company is currently assessing the impact ASU 2016-09 will have on its consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, "*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*." This ASU amends certain aspects of the FASB's new revenue standard, specifically the standard's guidance on identifying performance obligations and the implementation guidance on licensing. The amendments in this update affect the guidance in ASU 2014-09, *Revenue from Contracts with Customers*, which is not yet effective. The ASU has the same effective date as the new revenue standard (as amended by the one-year deferral and the early adoption provisions in ASU 2015-14). The Company is currently assessing the impact ASU 2016-10 will have on its consolidated financial statements.

2. SECURITIES

Available for Sale

The amortized cost, gross unrealized gains and losses, and estimated fair values of securities available for sale as of March 31, 2016 and December 31, 2015 are summarized as follows (dollars in thousands):

	Amortized	Gross Unrealized		Estimated
	Cost	Gains	(Losses)	Fair Value
March 31, 2016				
Obligations of states and political subdivisions	**$ 254,851**	**$ 11,267**	**$ (149)**	**$ 265,969**
Corporate bonds	**95,468**	**287**	**(1,989)**	**93,766**
Mortgage-backed securities	**561,466**	**8,502**	**(1,406)**	**568,562**
Other securities	**11,085**	**27**	**-**	**11,112**
Total available for sale securities	**$ 922,870**	**$ 20,083**	**$ (3,544)**	**$ 939,409**
December 31, 2015				
Obligations of states and political subdivisions	$ 257,740	$ 10,479	$ (140)	$ 268,079
Corporate bonds	77,628	55	(1,704)	75,979
Mortgage-backed securities	544,823	6,127	(2,779)	548,171
Other securities	11,085	-	(22)	11,063
Total available for sale securities	$ 891,276	$ 16,661	$ (4,645)	$ 903,292

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 as of March 31, 2016 and December 31, 2015. 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
March 31, 2016						
Obligations of states and political subdivisions	**$ 8,407**	**$ (62)**	**$ 2,337**	**$ (87)**	**$ 10,744**	**$ (149)**
Mortgage-backed securities	**167,203**	**(1,073)**	**27,198**	**(333)**	**194,401**	**(1,406)**
Corporate bonds and other securities	**21,536**	**(606)**	**28,194**	**(1,383)**	**49,730**	**(1,989)**
Total available for sale	**$ 197,146**	**$ (1,741)**	**$ 57,729**	**$ (1,803)**	**$ 254,875**	**$ (3,544)**
December 31, 2015						
Obligations of states and political subdivisions	$ 8,114	$ (70)	$ 4,950	$ (70)	$ 13,064	$ (140)
Mortgage-backed securities	287,113	(2,442)	21,660	(337)	308,773	(2,779)
Corporate bonds and other securities	36,157	(751)	19,558	(975)	55,715	(1,726)
Total available for sale	$ 331,384	$ (3,263)	$ 46,168	$ (1,382)	$ 377,552	$ (4,645)

As of March 31, 2016, there were $57.7 million, or 18 issues, of individual available for sale securities that had been in a continuous loss position for more than 12 months. These securities had an unrealized loss of $1.8 million and consisted of municipal obligations, mortgage-backed securities, and corporate bonds. As of December 31, 2015, there were $46.2 million, or 20 issues, of individual securities that had been in a continuous loss position for more than 12 months. These securities had an unrealized loss of $1.4 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 March 31, 2016 and December 31, 2015 for the reasons set out below:

Mortgage-backed securities. This category's unrealized losses are primarily the result of interest rate fluctuations. Because 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 likely 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.

Obligations of 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 bonds. 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 March 31, 2016 and December 31, 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.

	March 31, 2016		December 31, 2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 9,703**	**$ 9,792**	$ 8,380	$ 8,370
Due after one year through five years	**94,153**	**96,641**	65,326	66,996
Due after five years through ten years	**316,897**	**323,902**	296,864	301,920
Due after ten years	**502,117**	**509,074**	520,706	526,006
Total securities available for sale	**$ 922,870**	**$ 939,409**	$ 891,276	$ 903,292

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 March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016	December 31, 2015
	Estimated Fair Value	Estimated Fair Value
Public deposits	**$ 182,313**	$ 184,635
Repurchase agreements	**120,351**	126,120
Other purposes (1)	**25,486**	26,546
Total pledged securities	**$ 328,150**	$ 337,301

(1) *The "Other purposes" category consists of borrowings, derivatives, and accounts held at the Bank.*

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 $6.4 million as of March 31, 2016.

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 March 31, 2016 and December 31, 2015 are summarized as follows (dollars in thousands):

	Carrying Value [1]	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
March 31, 2016				
Obligations of states and political subdivisions	**$ 204,444**	**$ 7,436**	**$ (1,531)**	**$ 210,349**
December 31, 2015				
Obligations of states and political subdivisions	$ 205,374	$ 5,748	$ (1,685)	$ 209,437

[1] *The carrying value includes $6.4 million of net unrealized gains 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 securities with unrealized losses that are not deemed to be other-than-temporarily impaired as of March 31, 2016 and December 31, 2015. 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
March 31, 2016						
Obligations of states and political subdivisions	**$ 3,210**	**$ (1,531)**	**$ -**	**$ -**	**$ 3,210**	**$ (1,531)**
December 31, 2015						
Obligations of states and political subdivisions	$ 7,056	$ (1,685)	$ -	$ -	$ 7,056	$ (1,685)

The following table presents the amortized cost and estimated fair value of held to maturity securities as of March 31, 2016 and December 31, 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.

	March 31, 2016		December 31, 2015	
	Carrying Value [1]	Estimated Fair Value	Carrying Value [1]	Estimated Fair Value
Due in one year or less	**$ 1,477**	**$ 1,479**	$ 1,488	$ 1,491
Due after one year through five years	**7,907**	**8,046**	4,294	4,348
Due after five years through ten years	**49,884**	**51,178**	44,736	45,501
Due after ten years	**145,176**	**149,646**	154,856	158,097
Total securities held to maturity	**$ 204,444**	**$ 210,349**	$ 205,374	$ 209,437

[1] *The carrying value includes $6.4 million of net unrealized gains 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 March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016	December 31, 2015
	Estimated Fair Value	Estimated Fair Value
Public deposits	**$ 210,349**	$ 207,140
Total pledged securities	**$ 210,349**	$ 207,140

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 March 31, 2016 and December 31, 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. The Federal Reserve Bank required the Bank to maintain stock with a par value equal to 6% of its outstanding capital at both March 31, 2016 and December 31, 2015. Restricted equity securities consist of Federal Reserve Bank stock in the amount of $23.8 million for both March 31, 2016 and December 31, 2015 and FHLB stock in the amount of $34.4 million and $28.0 million as of March 31, 2016 and December 31, 2015, 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 March 31, 2016, and in accordance with the guidance, no OTTI was recognized. For the year ended December 31, 2015, the Company determined that a municipal security in the available for sale portfolio incurred credit-related OTTI of $300,000. During the quarter ended March 31, 2016, the municipal security was sold. As a result, the Company recognized an additional loss on sale of the previously written down security.

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 during the three months ended March 31, 2016 and 2015 (dollars in thousands). The Company did not sell any investment securities that are held to maturity.

	Three months ended	
	March 31, 2016	March 31, 2015
Realized gains (losses):		
Gross realized gains	**$ 239**	**$ 193**
Gross realized losses	**(96)**	**-**
Net realized gains	**$ 143**	**$ 193**
Proceeds from sales of securities	**$ 14,532**	**$ 12,499**

3. 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 March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016	December 31, 2015
Construction and Land Development	**$ 776,698**	$ 749,720
Commercial Real Estate - Owner Occupied	**849,202**	860,086
Commercial Real Estate - Non-Owner Occupied	**1,296,251**	1,270,480
Multifamily Real Estate	**323,270**	322,528
Commercial & Industrial	**453,208**	435,365
Residential 1-4 Family	**978,478**	978,469
Auto	**241,737**	234,061
HELOC	**517,122**	516,726
Consumer and all other	**344,536**	304,027
Total loans held for investment, net[(1)]	**$ 5,780,502**	$ 5,671,462

[(1)] Loans, as presented, are net of deferred fees and costs totaling $3.6 million and $3.0 million as of March 31, 2016 and December 31, 2015, respectively.

The following table shows the aging of the Company's loan portfolio, by segment, at March 31, 2016 (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
Construction and Land Development	$ 2,676	$ 724	$ 544	$ 5,137	$ 2,156	$ 765,461	$ 776,698
Commercial Real Estate - Owner Occupied	1,787	963	196	27,260	2,816	816,180	849,202
Commercial Real Estate - Non-Owner Occupied	24	276	723	13,636	-	1,281,592	1,296,251
Multifamily Real Estate	155	-	-	2,132	-	320,983	323,270
Commercial & Industrial	985	284	422	1,571	810	449,136	453,208
Residential 1-4 Family	13,711	1,111	2,247	18,305	5,696	937,408	978,478
Auto	1,519	126	53	-	162	239,877	241,737
HELOC	1,870	388	1,315	1,535	973	511,041	517,122
Consumer and all other	736	1,996	223	529	479	340,573	344,536
Total Loans Held For Investment	$ 23,463	$ 5,868	$ 5,723	$ 70,105	$ 13,092	$ 5,662,251	$ 5,780,502

The following table shows the aging of the Company's loan portfolio, by segment, at December 31, 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
Construction and Land Development	$ 3,155	$ 380	$ 128	$ 5,986	$ 2,113	$ 737,958	$ 749,720
Commercial Real Estate - Owner Occupied	1,714	118	103	27,388	3,904	826,859	860,086
Commercial Real Estate - Non-Owner Occupied	771	-	723	13,519	100	1,255,367	1,270,480
Multifamily Real Estate	-	-	272	1,555	-	320,701	322,528
Commercial & Industrial	1,056	27	124	1,813	429	431,916	435,365
Residential 1-4 Family	15,023	6,774	3,638	21,159	3,563	928,312	978,469
Auto	2,312	233	60	-	192	231,264	234,061
HELOC	2,589	1,112	762	1,791	1,348	509,124	516,726
Consumer and all other	1,167	689	19	526	287	301,339	304,027
Total Loans Held For Investment	$ 27,787	$ 9,333	$ 5,829	$ 73,737	$ 11,936	$ 5,542,840	$ 5,671,462

The following table shows the PCI loan portfolios, by segment and their delinquency status, at March 31, 2016 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Construction and Land Development	$ 354	$ 239	$ 4,544	$ 5,137
Commercial Real Estate - Owner Occupied	1,401	1,425	24,434	27,260
Commercial Real Estate - Non-Owner Occupied	745	205	12,686	13,636
Multifamily Real Estate	-	-	2,132	2,132
Commercial & Industrial	196	39	1,336	1,571
Residential 1-4 Family	1,917	1,048	15,340	18,305
HELOC	163	546	826	1,535
Consumer and all other	-	-	529	529
Total	$ 4,776	$ 3,502	$ 61,827	$ 70,105

The following table shows the PCI loan portfolios, by segment and their delinquency status, at December 31, 2015 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current	Total
Construction and Land Development	$ 369	$ 241	$ 5,376	$ 5,986
Commercial Real Estate - Owner Occupied	1,139	1,412	24,837	27,388
Commercial Real Estate - Non-Owner Occupied	755	202	12,562	13,519
Multifamily Real Estate	-	-	1,555	1,555
Commercial & Industrial	209	21	1,583	1,813
Residential 1-4 Family	2,143	1,923	17,093	21,159
HELOC	410	458	923	1,791
Consumer and all other	-	-	526	526
Total	$ 5,025	$ 4,257	$ 64,455	$ 73,737

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 segment at March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016			December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a specific allowance						
Construction and Land Development	$ 28,854	$ 29,141	$ -	$ 33,250	$ 33,731	$ -
Commercial Real Estate - Owner Occupied	14,081	15,627	-	7,781	8,983	-
Commercial Real Estate - Non-Owner Occupied	3,931	3,931	-	5,328	5,325	-
Multifamily Real Estate	3,803	3,803	-	3,828	3,828	-
Commercial & Industrial	1,233	1,559	-	711	951	-
Residential 1-4 Family	10,196	11,113	-	7,564	8,829	-
Auto	-	-	-	7	7	-
HELOC	1,944	2,054	-	1,786	2,028	-
Consumer and all other	716	819	-	211	211	-
Total impaired loans without a specific allowance	$ 64,758	$ 68,047	$ -	$ 60,466	$ 63,893	$ -
Loans with a specific allowance						
Construction and Land Development	$ 1,925	$ 2,139	$ 500	$ 3,167	$ 3,218	$ 538
Commercial Real Estate - Owner Occupied	1,945	1,983	81	3,237	3,239	358
Commercial Real Estate - Non-Owner Occupied	272	272	1	907	907	75
Commercial & Industrial	2,068	2,242	467	1,952	1,949	441
Residential 1-4 Family	4,362	4,541	414	6,065	6,153	418
Auto	162	214	1	192	199	1
HELOC	889	942	28	769	925	76
Consumer and all other	53	361	1	363	512	95
Total impaired loans with a specific allowance	$ 11,676	$ 12,694	$ 1,493	$ 16,652	$ 17,102	$ 2,002
Total impaired loans	$ 76,434	$ 80,741	$ 1,493	$ 77,118	$ 80,995	$ 2,002

The following table shows the year-to-date average balance and interest income recognized for the Company's impaired loans, excluding PCI loans related to the StellarOne acquisition, by segment for the three months ended March 31, 2016 and 2015 (dollars in thousands):

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	YTD Average Investment	Interest Income Recognized	YTD Average Investment	Interest Income Recognized
Construction and Land Development	$ 30,569	$ 484	$ 49,087	$ 556
Commercial Real Estate - Owner Occupied	16,510	157	23,757	265
Commercial Real Estate - Non-Owner Occupied	4,214	41	18,664	147
Multifamily Real Estate	3,817	60	4,596	69
Commercial & Industrial	3,663	37	6,054	50
Residential 1-4 Family	15,301	106	14,566	116
Auto	218	-	4	-
HELOC	2,933	21	1,411	7
Consumer and all other	982	6	1,177	11
Total impaired loans without a specific allowance	$ 78,207	$ 912	$ 119,316	$ 1,221

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 $13.0 million and $12.7 million as of March 31, 2016 and December 31, 2015, 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 March 31, 2016, the recorded investment in restructured loans prior to modifications was not materially impacted by the modification.

The following table provides a summary, by segment, 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 March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016			December 31, 2015		
	No. of Loans	**Recorded Investment**	**Outstanding Commitment**	No. of Loans	Recorded Investment	Outstanding Commitment
Performing						
Construction and Land Development	**6**	**$ 3,320**	**$ -**	6	$ 3,349	$ -
Commercial Real Estate - Owner Occupied	**6**	**2,223**	**-**	5	1,530	-
Commercial Real Estate - Non-Owner Occupied	**2**	**2,390**	**-**	2	2,390	-
Commercial & Industrial	**4**	**229**	**-**	5	261	-
Residential 1-4 Family	**26**	**3,249**	**-**	27	3,173	-
Consumer and all other	**1**	**75**	**-**	1	77	-
Total performing	**45**	**$ 11,486**	**$ -**	46	$ 10,780	$ -
Nonperforming						
Construction and Land Development	**2**	**$ 215**	**$ -**	2	$ 321	$ -
Commercial Real Estate - Owner Occupied	**1**	**132**	**-**	1	137	-
Commercial & Industrial	**-**	**-**	**-**	1	2	-
Residential 1-4 Family	**6**	**1,123**	**-**	6	1,142	-
HELOC	**-**	**-**	**-**	1	319	-
Total nonperforming	**9**	**$ 1,470**	**$ -**	11	$ 1,921	$ -
Total performing and nonperforming	**54**	**$ 12,956**	**$ -**	57	$ 12,701	$ -

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 months ended March 31, 2016 and 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.

The following table shows, by segment and modification type, TDRs that occurred during the three months ended March 31, 2016 and 2015 (dollars in thousands):

	Three months ended March 31, 2016		**Three months ended March 31, 2015**	
	No. of Loans	**Recorded Investment at Period End**	**No. of Loans**	**Recorded Investment at Period End**
Term modification, at a market rate				
Commercial Real Estate - Owner Occupied	1	$ 709	-	$ -
Commercial & Industrial	-	-	1	19
Residential 1-4 Family	1	378	-	-
Total loan term extended at a market rate	2	$ 1,087	1	$ 19
Total	**2**	**$ 1,087**	**1**	**$ 19**

The following table shows the allowance for loan loss activity, balances for allowance for loan losses, and loan balances based on impairment methodology by segment for the three months ended and as of March 31, 2016. The table below includes the provision for loan losses. As discussed in Note 1 "Accounting Policies," the Company enhanced its loan segmentation for purposes of the allowance calculation as well as its disclosures. The impact of this enhancement is reflected in the provision amounts in the table below. In addition, a $100,000 provision was recognized during the three months ended March 31, 2016 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):

	Allowance for loan losses				
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations	Balance, end of period
Construction and Land Development	$ 6,040	$ 19	$ (93)	$ 5,055	$ 11,021
Commercial Real Estate - Owner Occupied	4,614	46	(772)	(477)	3,411
Commercial Real Estate - Non-Owner Occupied	6,929	-	-	(2,445)	4,484
Multifamily Real Estate	1,606	-	-	(204)	1,402
Commercial & Industrial	3,163	238	(617)	1,441	4,225
Residential 1-4 Family	5,414	243	(153)	471	5,975
Auto	1,703	84	(365)	(615)	807
HELOC	2,934	83	(409)	(1,325)	1,283
Consumer and all other	1,644	115	(571)	603	1,791
Total	**$ 34,047**	**$ 828**	**$ (2,980)**	**$ 2,504**	**$ 34,399**

	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Total	
	Loans	ALL	Loans	ALL	Loans	ALL	Loans	ALL
Construction and Land Development	$ 30,779	$ 500	$ 740,782	$ 10,521	$ 5,137	$ -	$ 776,698	$ 11,021
Commercial Real Estate - Owner Occupied	16,026	81	805,916	3,330	27,260	-	849,202	3,411
Commercial Real Estate - Non-Owner Occupied	4,203	1	1,278,412	4,483	13,636	-	1,296,251	4,484
Multifamily Real Estate	3,803	-	317,335	1,402	2,132	-	323,270	1,402
Commercial & Industrial	3,301	467	448,336	3,758	1,571	-	453,208	4,225
Residential 1-4 Family	14,558	414	945,615	5,561	18,305	-	978,478	5,975
Auto	162	1	241,575	806	-	-	241,737	807
HELOC	2,833	28	512,754	1,255	1,535	-	517,122	1,283
Consumer and all other	769	1	343,238	1,790	529	-	344,536	1,791
Total loans held for investment, net	**$ 76,434**	**$ 1,493**	**$ 5,633,963**	**$ 32,906**	**$ 70,105**	**$ -**	**$ 5,780,502**	**$ 34,399**

The following table shows the allowance for loan loss activity, balances for allowance for loan losses, and loan balances based on impairment methodology by segment for the three months ended and as of March 31, 2015. 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):

	Allowance for loan losses				
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations	Balance, end of period
Construction and Land Development	$ 4,856	$ 64	$ -	$ (111)	$ 4,809
Commercial Real Estate - Owner Occupied	4,640	2	(33)	260	4,869
Commercial Real Estate - Non-Owner Occupied	7,256	40	(2,253)	894	5,937
Multifamily Real Estate	1,374	-	-	81	1,455
Commercial & Industrial	2,610	97	(671)	781	2,817
Residential 1-4 Family	5,607	159	(250)	(330)	5,186
Auto	1,297	82	(183)	131	1,327
HELOC	2,675	42	(60)	(52)	2,605
Consumer and all other	2,069	186	(379)	96	1,972
Total	**$ 32,384**	**$ 672**	**$ (3,829)**	**$ 1,750**	**$ 30,977**

	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Total	
	Loans	ALL	Loans	ALL	Loans	ALL	Loans	ALL
Construction and Land Development	$ 48,624	$ 132	$ 599,428	$ 4,677	$ 9,529	$ -	$ 657,581	$ 4,809
Commercial Real Estate - Owner Occupied	24,577	526	842,641	4,343	31,004	-	898,222	4,869
Commercial Real Estate - Non-Owner Occupied	14,949	146	1,148,867	5,791	16,648	-	1,180,464	5,937
Multifamily Real Estate	4,591	-	291,039	1,455	3,021	-	298,651	1,455
Commercial & Industrial	5,743	440	400,873	2,377	3,251	-	409,867	2,817
Residential 1-4 Family	13,484	432	932,790	4,754	24,654	-	970,928	5,186
Auto	1	-	211,292	1,327	-	-	211,293	1,327
HELOC	1,226	12	511,635	2,593	1,889	-	514,750	2,605
Consumer and all other	910	16	243,739	1,956	1,350	-	245,999	1,972
Total loans held for investment, net	**$ 114,105**	**$ 1,704**	**$ 5,182,304**	**$ 29,273**	**$ 91,346**	**$ -**	**$ 5,387,755**	**$ 30,977**

The Company uses a risk rating system and past due status as the primary credit quality indicators for the loan categories. The risk rating system on a scale of 0 through 9 is used to determine risk level as used in the calculation of the allowance for loan losses; on those loans without a risk rating, the Company uses past due status to determine risk level. The risk levels, as described below, do not necessarily follow the regulatory definitions of risk levels with the same name. A general description of the characteristics of the risk levels follows:

Pass is determined by the following criteria:

- Risk rated 0 loans have little or no risk and are generally secured by General Obligation Municipal Credits;
- 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; or
- Loans that are not risk rated but that are 0 to 29 days past due.

Special Mention is determined by the following criteria:

- 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; or
- Loans that are not risk rated but that are 30 to 89 days past due.

Substandard is determined by the following criteria:

- 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; or
- Loans that are not risk rated but that are 90 to 149 days past due.

Doubtful is determined by the following criteria:

- 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;
- 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; or
- Loans that are not risk rated but that are over 149 days past due.

The following table shows the recorded investment in all loans, excluding PCI loans, by segment with their related risk level as of March 31, 2016 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 698,360	$ 43,994	$ 29,207	$ -	$ 771,561
Commercial Real Estate - Owner Occupied	791,197	22,297	6,685	1,763	821,942
Commercial Real Estate - Non-Owner Occupied	1,253,617	24,794	4,204	-	1,282,615
Multifamily Real Estate	315,361	1,975	3,802	-	321,138
Commercial & Industrial	434,139	14,668	2,740	90	451,637
Residential 1-4 Family	918,919	30,514	8,170	2,570	960,173
Auto	239,838	1,688	77	134	241,737
HELOC	509,833	3,283	1,535	936	515,587
Consumer and all other	339,759	3,573	223	452	344,007
Total	$ 5,501,023	$ 146,786	$ 56,643	$ 5,945	$ 5,710,397

The following table shows the recorded investment in all loans, excluding PCI loans, by segment with their related risk level as of December 31, 2015 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 663,067	$ 52,650	$ 27,980	$ 37	$ 743,734
Commercial Real Estate - Owner Occupied	800,979	20,856	8,931	1,932	832,698
Commercial Real Estate - Non-Owner Occupied	1,228,956	22,341	5,664	-	1,256,961
Multifamily Real Estate	315,128	2,017	3,828	-	320,973
Commercial & Industrial	414,333	16,724	2,396	99	433,552
Residential 1-4 Family	912,839	34,728	8,037	1,706	957,310
Auto	230,670	3,109	194	88	234,061
HELOC	507,514	4,801	1,611	1,009	514,935
Consumer and all other	299,014	3,996	231	260	303,501
Total	$ 5,372,500	$ 161,222	$ 58,872	$ 5,131	$ 5,597,725

The following table shows the recorded investment in only PCI loans by segment with their related risk level as of March 31, 2016 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 1,539	$ 1,918	$ 1,441	$ 239	$ 5,137
Commercial Real Estate - Owner Occupied	5,495	15,014	6,751	-	27,260
Commercial Real Estate - Non-Owner Occupied	5,943	6,457	1,236	-	13,636
Multifamily Real Estate	357	1,775	-	-	2,132
Commercial & Industrial	127	326	1,098	20	1,571
Residential 1-4 Family	8,794	5,470	3,593	448	18,305
HELOC	826	163	-	546	1,535
Consumer and all other	52	408	69	-	529
Total	$ 23,133	$ 31,531	$ 14,188	$ 1,253	$ 70,105

The following table shows the recorded investment in only PCI loans by segment with their related risk level as of December 31, 2015 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and Land Development	$ 2,059	$ 1,778	$ 1,908	$ 241	$ 5,986
Commercial Real Estate - Owner Occupied	5,260	15,530	6,598	-	27,388
Commercial Real Estate - Non-Owner Occupied	4,442	7,827	1,250	-	13,519
Multifamily Real Estate	356	1,199	-	-	1,555
Commercial & Industrial	144	359	1,289	21	1,813
Residential 1-4 Family	9,098	6,380	4,605	1,076	21,159
HELOC	923	410	20	438	1,791
Consumer and all other	57	379	90	-	526
Total	$ 22,339	$ 33,862	$ 15,760	$ 1,776	$ 73,737

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 Three Months Ended March 31,	
	2016	**2015**
Balance at beginning of period	$ 22,139	$ 28,956
Additions	-	-
Accretion	(1,390)	(1,501)
Reclass of nonaccretable difference due to improvement in expected cash flows	1,266	2,695
Other, net [1]	(1,510)	(5,619)
Balance at end of period	$ 20,505	$ 24,531

[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 $70.1 million at March 31, 2016 and $73.7 million at December 31, 2015. The outstanding balance of the Company's PCI loan portfolio totaled $86.3 million at March 31, 2016 and $90.3 million at December 31, 2015. The carrying value of the Company's acquired performing loan portfolio, accounted for under ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, totaled $1.3 billion at March 31, 2016 and $1.4 billion at December 31, 2015; the remaining discount on these loans totaled $20.0 million at March 31, 2016 and $20.8 million at December 31, 2015.

4. 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 finite lives and amortizes them over their estimated useful lives. 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
March 31, 2016			
Amortizable core deposit intangibles	**$ 76,185**	**$ 54,755**	**$ 21,430**
December 31, 2015			
Amortizable core deposit intangibles	$ 76,185	$ 52,875	$ 23,310
March 31, 2015			
Amortizable core deposit intangibles	$ 76,185	$ 46,652	$ 29,533

Amortization expense of core deposit intangibles for the three months ended March 31, 2016 and 2015, and for the year ended December 31, 2015 totaled $1.9 million, $2.2 million, and $8.4 million, respectively. As of March 31, 2016, the estimated remaining amortization expense of core deposit intangibles is as follows (dollars in thousands):

For the remaining nine months of 2016	**$**	**5,052**
For the year ending December 31, 2017		**5,590**
For the year ending December 31, 2018		**4,144**
For the year ending December 31, 2019		**3,093**
For the year ending December 31, 2020		**2,028**
For the year ending December 31, 2021		**1,035**
Thereafter		**488**
Total estimated amortization expense	**$**	**21,430**

5. 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 March 31, 2016 and December 31, 2015 (dollars in thousands):

		March 31, 2016		**December 31, 2015**
Securities sold under agreements to repurchase	**$**	**91,977**	**$**	**84,977**
Other short-term borrowings		**466,000**		**304,000**
Total short-term borrowings	**$**	**557,977**	**$**	**388,977**
Maximum month-end outstanding balance	**$**	**574,050**	**$**	**445,761**
Average outstanding balance during the period		**525,503**		**379,783**
Average interest rate during the period		**0.48%**		**0.25%**
Average interest rate at end of period		**0.36%**		**0.27%**
Other short-term borrowings:				
Federal funds purchased	**$**	**3,000**	**$**	**-**
FHLB	**$**	**447,000**	**$**	**304,000**
Other lines of credit		**16,000**		**-**

The Bank maintains federal funds lines with several correspondent banks; the remaining available balance was $172.0 million and $175.0 million at March 31, 2016 and December 31, 2015, 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 at March 31, 2016 and December 31, 2015, 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 $6.9 million at March 31, 2016. The trust preferred capital notes currently qualify for Tier 1 capital of the Company for regulatory purposes.

	Trust Preferred Capital Securities(1)	Investment(1)	Spread to 3-Month LIBOR	Rate	Maturity
Trust Preferred Capital Note - Statutory Trust I	$ 22,500,000	$ 696,000	2.75%	3.38%	6/17/2034
Trust Preferred Capital Note - Statutory Trust II	36,000,000	1,114,000	1.40%	2.03%	6/15/2036
VFG Limited Liability Trust I Indenture	20,000,000	619,000	2.73%	3.36%	3/18/2034
FNB Statutory Trust II Indenture	12,000,000	372,000	3.10%	3.73%	6/26/2033
Total	$ 90,500,000	$ 2,801,000			

(1) *The total of the trust preferred capital securities and investments in the respective trusts represents the principal asset of the Company's junior subordinated debt securities with like maturities and like interest rates to the capital securities. The Company's investment in the trusts is reported in "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 March 31, 2016, the carrying value of the subordinated debt was $17.5 million, with a remaining fair value discount of $41,000.

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 months ended March 31, 2016 and 2015 was $463,000 and $447,000, respectively.

In connection with the StellarOne acquisition, the Company assumed $70.0 million in long-term borrowings with the FHLB of which there is $60.0 million remaining at March 31, 2016 that had a remaining fair value premium of $1.1 million.

As of March 31, 2016, the Company had long-term 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%	1.07%	8/23/2022	**$ 55,000**
Adjustable Rate Credit	0.45%	1.08%	11/23/2022	**65,000**
Adjustable Rate Credit	0.45%	1.08%	11/23/2022	**10,000**
Adjustable Rate Credit	0.45%	1.08%	11/23/2022	**10,000**
Fixed Rate	-	3.62%	11/28/2017	**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**
				$ 200,000

As of December 31, 2015, the Company had long-term 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%	1.05%	8/23/2022	**$ 55,000**
Adjustable Rate Credit	0.45%	1.07%	11/23/2022	**65,000**
Adjustable Rate Credit	0.45%	1.07%	11/23/2022	**10,000**
Adjustable Rate Credit	0.45%	1.07%	11/23/2022	**10,000**
Fixed Rate	-	3.62%	11/28/2017	**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**
				$ 200,000

The carrying value of the loans and securities pledged as collateral for FHLB advances totaled $1.9 billion as of March 31, 2016 and December 31, 2015, respectively.

As of March 31, 2016, 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 nine months in 2016	$ -	$ 17,500	$ 40,000	$ 271	$ (1,418)	**$ 56,353**
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)**
2021	-	-	-	(316)	(2,119)	**(2,435)**
Thereafter	93,301	-	140,000	(5,306)	(1,707)	**226,288**
Total Long-term borrowings	$ 93,301	$ 17,500	$ 200,000	$ (5,911)	$ (13,228)	**$ 291,662**

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

	March 31, 2016	December 31, 2015
Commitments with off-balance sheet risk:		
Commitments to extend credit [1]	$ 1,506,231	$ 1,557,350
Standby letters of credit	74,814	139,371
Mortgage loan rate lock commitments	62,975	50,369
Total commitments with off-balance sheet risk	$ 1,644,020	$ 1,747,090
Commitments with balance sheet risk:		
Loans held for sale	$ 25,109	$ 36,030
Total other commitments	**$ 1,669,129**	**$ 1,783,120**

(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 March 31, 2016 and December 31, 2015, the aggregate amount of daily average required reserves was approximately $48.3 million and $48.7 million, respectively.

As of March 31, 2016, the Company had approximately $38.1 million in deposits in other financial institutions, of which $15.1 million and $9.8 million serve as collateral for the cash flow hedges and loan swaps, respectively, as discussed in Note 7 "Derivatives". The Company had approximately $11.7 million in deposits in other financial institutions that were uninsured at March 31, 2016. 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 7 "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 March 31, 2016 and December 31, 2015, the Company's indemnification reserve for such mortgage loans was $423,000 and $450,000, respectively.

7. 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 certain derivatives as hedging instruments in a qualifying hedge accounting relationship (cash flow or fair value hedge). The remaining are classified as free standing derivatives consisting of customer accommodation loan swaps and interest rate lock commitments that do not qualify for hedge accounting.

Cash Flow Hedges
The Company designates derivatives as cash flow hedges when they are used to manage exposure to variability in cash flows related to forecasted transactions on variable rate borrowings such as trust preferred capital notes, FHLB borrowings, and prime commercial loans. The Company uses interest rate swap agreements as part of its hedging strategy by exchanging a notional amount, equal to the principal amount of the borrowings, for fixed-rate interest based on benchmarked interest rates.

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.

The terms and conditions of the interest rate swaps vary and amounts receivable or payable are recognized as accrued under the terms of the agreements. The Company assesses the effectiveness of each hedging relationship on a periodic basis using statistical regression analysis. The Company also measures the ineffectiveness of each hedging relationship using the change in variable cash flows method which compares the cumulative changes in cash flows of the hedging instrument relative to cumulative changes in the hedged item's cash flows. In accordance with ASC 815, *Derivatives and Hedging*, the effective portions of the derivatives' unrealized gains or losses are recorded as a component of other comprehensive income. Based on the Company's assessment its cash flow hedges are highly effective, but to the extent that any ineffectiveness exists in the hedge relationships, the amounts would be recorded in interest income and interest expense in the Company's Consolidated Statements of Income.

Fair Value Hedge
Derivatives are designated as fair value hedges when they are used to manage exposure to changes in the fair value of certain financial assets and liabilities, referred to as the hedged items, which fluctuate in value as a result of movements in interest rates. 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 pays a fixed interest rate to the counterparty and receives a floating rate from the same counterparty calculated on the aggregate notional amount. At March 31, 2016 and December 31, 2015, the aggregate notional amount of the related hedged items was $61.2 million for both periods, with fair value amounts of $3.3 million and $689,000, respectively.

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. Statistical regression analysis is used 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. The Company's fair value hedges continue to be highly effective and had no material impact on the Consolidated Statements of Income, but if any ineffectiveness exists, portions of the unrealized gains or losses would be recorded in interest income and interest expense in 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 a third party 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.

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 in the secondary market 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 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 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 "Mortgage banking income, net" in the Company's Consolidated Statements of Income.

The following table summarizes key elements of the Company's derivative instruments as of March 31, 2016 and December 31, 2015, segregated by derivatives that are considered accounting hedges and those that are not (dollars in thousands):

	March 31, 2016					December 31, 2015				
		Derivative [2]					Derivative [2]			
	Notional or Contractual Amount [1]	**Positions**	**Assets**	**Liabilities**	**Collateral Pledged [3]**	Notional or Contractual Amount [1]	Positions	Assets	Liabilities	Collateral Pledged [3]
Derivatives designated as accounting hedges:										
Interest rate contracts:										
Cash flow hedges	**$ 263,000**	**11**	**$ 1,797**	**$ 15,279**	**$ 18,562**	$ 263,000	11	$ 946	$ 10,352	$ 14,449
Fair value hedges	**61,150**	**4**	**-**	**3,418**	**-**	61,150	4	-	888	-
Total	**324,150**	**15**	**1,797**	**18,697**	**18,562**	324,150	15	946	11,240	14,449
Derivatives not designated as accounting hedges:										
Interest rate contracts:										
Loan Swaps	**153,107**	**74**	**7,540**	**7,540**	**11,296**	138,969	68	3,758	3,758	5,983
Other contracts:										
Interest rate lock commitments	**62,975**	**258**	**1,252**	**-**	**-**	50,369	199	701	-	-
Total	**216,082**	**332**	**8,792**	**7,540**	**11,296**	189,338	267	4,459	3,758	5,983
Total derivatives	**$ 540,232**	**347**	**$ 10,589**	**$ 26,237**	**$ 29,858**	$ 513,488	282	$ 5,405	$ 14,998	$ 20,432

(1) *Notional amounts are not recorded on the balance sheet and are generally used only as a basis on which interest and other payments are determined.*
(2) *Balances represent fair value of derivative financial instruments.*
(3) *Collateral pledged is comprised of both cash and securities.*

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) for the three months ended March 31, 2016 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 - December 31, 2015	$ 7,777	$ 4,432	$ (5,957)	$ 6,252
Other comprehensive income (loss)	3,032	(292)	(2,681)	59
Amounts reclassified from accumulated other comprehensive income	(93)	-	141	48
Net current period other comprehensive income (loss)	2,939	(292)	(2,540)	107
Balance - March 31, 2016	$ 10,716	$ 4,140	$ (8,497)	$ 6,359

The change in accumulated other comprehensive income (loss) for the three months ended March 31, 2015 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 - December 31, 2014	$ 17,439	$ (5,184)	$ 12,255
Other comprehensive income (loss)	3,783	(1,490)	2,293
Amounts reclassified from accumulated other comprehensive income	(125)	272	147
Net current period other comprehensive income (loss)	3,658	(1,218)	2,440
Balance - March 31, 2015	$ 21,097	$ (6,402)	$ 14,695

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 gains of $143,000 and $193,000 for the three months ended March 31, 2016 and 2015, respectively, related to the sale of securities. The tax effect of these transactions during the three months ended March 31, 2016 and 2015 were $50,000 and $68,000, 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 $217,000 and $418,000 for the three months ended March 31, 2016 and 2015, respectively. The tax effect of these transactions during the three months ended March 31, 2016 and 2015 were $76,000 and $146,000, respectively, which were included as a component of income tax expense.

9. 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 7 "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 March 31, 2016 and December 31, 2015. As of March 31, 2016, the interest rate lock commitments are recorded as a component of "Other Assets" 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 primarily 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 March 31, 2016 and December 31, 2015.

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.

Loans held for sale
Loans held for sale are carried at fair 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). 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.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis at March 31, 2016 and December 31, 2015 (dollars in thousands):

	Fair Value Measurements at March 31, 2016 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:				
Obligations of states and political subdivisions	$ -	$ 265,969	$ -	$ 265,969
Corporate and other bonds	-	93,766	-	93,766
Mortgage-backed securities	-	568,562	-	568,562
Other securities	-	11,112	-	11,112
Loans held for sale	-	25,109	-	25,109
Derivatives:				
Interest rate swap	-	7,540	-	7,540
Cash flow hedges	-	1,797	-	1,797
Interest rate lock commitments	-	-	1,252	1,252
LIABILITIES				
Derivatives:				
Interest rate swap	$ -	$ 7,540	$ -	$ 7,540
Cash flow hedges	-	15,279	-	15,279
Fair value hedges	-	3,418	-	3,418

	Fair Value Measurements at December 31, 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:				
Obligations of states and political subdivisions	$ -	$ 268,079	$ -	$ 268,079
Corporate and other bonds	-	75,979	-	75,979
Mortgage-backed securities	-	548,171	-	548,171
Other securities	-	11,063	-	11,063
Loans held for sale	-	36,030	-	36,030
Derivatives:				
Interest rate swap	-	3,758	-	3,758
Cash flow hedges	-	946	-	946
Interest rate lock commitments	-	-	701	701
LIABILITIES				
Derivatives:				
Interest rate swap	$ -	$ 3,758	$ -	$ 3,758
Cash flow hedges	-	10,352	-	10,352
Fair value hedges	-	888	-	888

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.

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). For the periods ending March 31, 2016 and December 31, 2015, the Level 3 weighted averages related to impaired loans were 0.0% and 7.0%, respectively. 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. For the periods ending March 31, 2016 and December 31, 2015, the Level 3 weighted averages related to OREO were approximately 31.0% and 32.0%, respectively.

Total valuation expenses related to OREO properties for the three months ended March 31, 2016 and 2015 totaled $126,000 and $590,000, respectively.

The following tables summarize the Company's financial assets that were measured at fair value on a nonrecurring basis at March 31, 2016 and December 31, 2015 (dollars in thousands):

	Fair Value Measurements at March 31, 2016 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Balance
ASSETS				
Impaired loans	$ -	$ -	$ 4,191	$ 4,191
Other real estate owned	-	-	14,246	14,246

	Fair Value Measurements at December 31, 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				
Impaired loans	$ -	$ -	$ 2,214	$ 2,214
Other real estate owned	-	-	15,299	15,299

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 primarily 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 March 31, 2016 and December 31, 2015.

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.

The carrying values and estimated fair values of the Company's financial instruments at March 31, 2016 and December 31, 2015 are as follows (dollars in thousands):

		Fair Value Measurements at March 31, 2016 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	$ 133,339	$ 133,339	$ -	$ -	$ 133,339
Securities available for sale	939,409	-	939,409	-	939,409
Held to maturity securities	204,444	-	210,349	-	210,349
Restricted stock	58,211	-	58,211	-	58,211
Loans held for sale	25,109	-	25,109	-	25,109
Net loans	5,746,103	-	-	5,781,970	5,781,970
Derivatives:					
Interest rate lock commitments	1,252	-	-	1,252	1,252
Interest rate swap	7,540	-	7,540	-	7,540
Cash flow hedges	1,797	-	1,797	-	1,797
Accrued interest receivable	22,018	-	22,018	-	22,018
Bank owned life insurance	175,033	-	175,033	-	175,033
LIABILITIES					
Deposits	$ 5,945,982	$ -	$ 5,944,634	$ -	$ 5,944,634
Borrowings	849,638	-	827,558	-	827,558
Accrued interest payable	1,660	-	1,660	-	1,660
Derivatives:					
Interest rate swap	7,540	-	7,540	-	7,540
Cash flow hedges	15,279	-	15,279	-	15,279
Fair value hedges	3,418	-	3,418	-	3,418

	Carrying Value	Fair Value Measurements at December 31, 2015 using 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	$ 142,660	$ 142,660	$ -	$ -	$ 142,660
Securities available for sale	903,292	-	903,292	-	903,292
Held to maturity securities	205,374	-	209,437	-	209,437
Restricted stock	51,828	-	51,828	-	51,828
Loans held for sale	36,030	-	36,030	-	36,030
Net loans	5,637,415	-	-	5,671,155	5,671,155
Derivatives:					
Interest rate lock commitments	701	-	-	701	701
Interest rate swap	3,758	-	3,758	-	3,758
Cash flow hedges	946	-	946	-	946
Accrued interest receivable	20,760	-	20,760	-	20,760
Bank owned life insurance	173,687	-	173,687	-	173,687
LIABILITIES					
Deposits	$ 5,963,936	$ -	$ 5,957,484	$ -	$ 5,957,484
Borrowings	680,175	-	659,364	-	659,364
Accrued interest payable	1,578	-	1,578	-	1,578
Derivatives:					
Interest rate swap	3,758	-	3,758	-	3,758
Cash flow hedges	10,352	-	10,352	-	10,352
Fair value hedges	888	-	888	-	888

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.

10. 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 76,583 and 159,460 shares underlying anti-dilutive awards for the three months ended March 31, 2016 and 2015, 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 months ended March 31, 2016 and 2015 (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 March 31, 2016			
Net income, basic	**$ 16,961**	**44,251**	**$ 0.38**
Add: potentially dilutive common shares - stock awards	**-**	**76**	**-**
Diluted	**$ 16,961**	**44,327**	**$ 0.38**
For the three months ended March 31, 2015			
Net income, basic	$ 15,701	45,106	$ 0.35
Add: potentially dilutive common shares - stock awards	-	82	-
Diluted	$ 15,701	45,188	$ 0.35

11. 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 124 retail locations in Virginia. The mortgage segment includes UMG, which provides a variety of mortgage loan products principally in Virginia, North 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. The interest rate on the warehouse line of credit for both the three months ended March 31, 2016 and 2015 was the three month LIBOR rate plus 0.15% with no floor. These transactions are eliminated in the consolidation process.

During 2015, the mortgage segment began originating loans with the intent that they be held for investment purposes. The community bank segment provides the mortgage segment with the long-term funds needed to originate these loans through a long-term funding facility and charges the mortgage segment interest. The interest charged is determined by the community bank segment based on the cost of funds available to the community bank segment for similar durations of the loans being funded by the mortgage segment.

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 months ended March 31, 2016 and 2015 is as follows (dollars in thousands):

UNION BANKSHARES CORPORATION AND SUBSIDIARIES
SEGMENT FINANCIAL INFORMATION

	Community Bank	Mortgage	Eliminations	Consolidated
Three Months Ended March 31, 2016				
Net interest income	**$ 63,425**	**$ 306**	**$ -**	**$ 63,731**
Provision for credit losses	**2,500**	**104**	**-**	**2,604**
Net interest income after provision for credit losses	**60,925**	**202**	**-**	**61,127**
Noninterest income	**13,608**	**2,477**	**(171)**	**15,914**
Noninterest expenses	**51,844**	**2,599**	**(171)**	**54,272**
Income before income taxes	**22,689**	**80**	**-**	**22,769**
Income tax expense	**5,782**	**26**	**-**	**5,808**
Net income	**$ 16,907**	**$ 54**	**$ -**	**$ 16,961**
Total assets	**$ 7,825,652**	**$ 55,069**	**$ (48,110)**	**$ 7,832,611**
Three Months Ended March 31, 2015				
Net interest income	$ 61,723	$ 246	$ -	$ 61,969
Provision for credit losses	1,750	-	-	1,750
Net interest income after provision for credit losses	59,973	246	-	60,219
Noninterest income	12,848	2,376	(170)	15,054
Noninterest expenses	50,972	3,038	(170)	53,840
Income (loss) before income taxes	21,849	(416)	-	21,433
Income tax expense (benefit)	5,881	(149)	-	5,732
Net income (loss)	$ 15,968	$ (267)	$ -	$ 15,701
Total assets	$ 7,382,266	$ 55,380	$ (49,087)	$ 7,388,559

12. SUBSEQUENT EVENTS

On April 5, 2016, Union Bankshares Corporation announced that its subsidiary bank, Union Bank & Trust, entered into an agreement to acquire Old Dominion Capital Management, Inc., a Charlottesville, Virginia based registered investment advisor with nearly $300 million in assets under management.

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 March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the three-month periods ended March 31, 2016 and 2015. These financial statements are the responsibility of the Company's management.

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 consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, not presented herein and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 25, 2016. In our opinion, the accompanying consolidated balance sheet of the Company as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Richmond, Virginia
May 5, 2016

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, 2015. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends affecting the Company. Results of operations for the three months ended March 31, 2016 and 2015 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, information security, 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

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 Company evaluates its critical accounting estimates and assumptions on an ongoing basis and updates them, as needed. Management has discussed the Company’s critical accounting policies and estimates with the Audit Committee of the Board of Directors.

The critical accounting and reporting policies include the Company’s accounting for the allowance for loan losses, acquired loans, 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, 2015.

The Company provides additional information on its critical accounting policies and estimates listed above under “MD&A—Critical Accounting Policies” in our 2015 Form 10-K.

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 121 bank branches and approximately 200 ATMs. Non-bank affiliates of the holding company include: Union Mortgage Group, Inc., which provides a full line of mortgage products, and Union Insurance Group, LLC, which offers various lines of insurance products.

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 March 31, 2016, the Company reported net income of $17.0 million and earnings per share of $0.38. These results represent an increase of $1.3 million, or 8.0%, from $15.7 million in earnings from the first quarter of 2015. Earnings per share of $0.38 for the current quarter represent an increase of $0.03, or 8.6%, in earnings per share from the first quarter of 2015. This increase is primarily attributable to increases in net interest income, resulting from higher average loan balances.

- Net income for the first quarter of 2016 for the community bank segment was $16.9 million, or $0.38 per share, compared to $16.0 million, or $0.36 per share, in the first quarter of 2015.
- The mortgage segment reported net income of $54,000 for the first quarter of 2016, an improvement of $321,000 from a loss of $267,000 in the first quarter of 2015. The improvement was largely a result of cost control initiatives in personnel costs.
- Net income for the first quarter of 2016 included after-tax branch closure costs of approximately $195,000 related to the previously announced 2016 branch closures.
- Adjusted for the sale of the credit card portfolio that occurred in the third quarter of 2015, loans held for investment grew $417.4 million, or 7.8%, from March 31, 2015, while average loan balances increased $373.8 million, or 7.0%, from the prior year. Period end loan balances grew $109.0 million, or 7.7% (annualized), from December 31, 2015.
- Deposits grew $275.8 million, or 4.9%, from March 31, 2015, while average deposit balances increased $259.5 million, or 4.6%, from the prior year. Period end deposit balances decreased $18.0 million, or 1.2% (annualized), from December 31, 2015.
- Asset quality continued to improve due to reductions in nonperforming assets and past due loan levels.

Net Interest Income

	For the Three Months Ended March 31,		
	2016	2015	Change
	(Dollars in thousands)		
Average interest-earning assets	$ 6,968,988	$ 6,576,415	$ 392,573
Interest income (FTE)	$ 73,238	$ 69,761	$ 3,477
Yield on interest-earning assets	4.23%	4.30%	(7)bps
Core yield on interest-earning assets (1)	4.16%	4.26%	(10)bps
Average interest-bearing liabilities	$ 5,379,799	$ 5,096,040	$ 283,759
Interest expense	$ 7,018	$ 5,631	$ 1,387
Cost of interest-bearing liabilities	0.52%	0.45%	7bps
Core cost of interest-bearing liabilities (1)	0.53%	0.54%	(1)bps
Cost of funds	0.41%	0.35%	6bps
Core cost of funds (1)	0.40%	0.42%	(2)bps
Net Interest Income (FTE)	$ 66,220	$ 64,130	$ 2,090
Net Interest Margin (FTE)	3.82%	3.95%	(13)bps
Core Net Interest Margin (FTE) (1)	3.76%	3.84%	(8)bps

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

For the first quarter of 2016, tax-equivalent net interest income was $66.2 million, an increase of $2.1 million from the first quarter of 2015, primarily driven by higher average loan balances. Net accretion related to acquisition accounting decreased $705,000 from the first quarter of 2015 to $1.1 million in the first quarter of 2016. The first quarter 2016 tax-equivalent net interest margin decreased by 13 basis points to 3.82% compared to 3.95% in the comparable quarter in the prior year. Core tax-equivalent net interest margin (which excludes the 6 basis point impact of acquisition accounting accretion in the first quarter of 2016 and 11 basis points in the first quarter of 2015) decreased by 8 basis points to 3.76% in the first quarter of 2016 from 3.84% in the first quarter of 2015. The decrease in core tax-equivalent net interest margin was driven by the 10 basis point decline in interest-earning asset yields outpacing the 2 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.

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 March 31,					
	2016			2015		
	Average Balance	Interest Income / Expense	Yield / Rate (1)	Average Balance	Interest Income / Expense	Yield / Rate (1)
			(Dollars in thousands)			
Assets:						
Securities:						
Taxable	**$ 743,724**	**$ 4,316**	**2.33%**	$ 730,404	$ 3,807	2.11%
Tax-exempt	**443,426**	**5,291**	**4.80%**	413,228	5,114	5.02%
Total securities	**1,187,150**	**9,607**	**3.25%**	1,143,632	8,921	3.16%
Loans, net (2) (3)	**5,709,998**	**63,326**	**4.46%**	5,360,676	60,527	4.58%
Loans held for sale	**27,304**	**257**	**3.79%**	38,469	296	3.12%
Federal funds sold	**813**	**1**	**0.47%**	792	-	0.20%
Money market investments	**-**	**-**	**0.00%**	1	-	0.00%
Interest-bearing deposits in other banks	**43,723**	**47**	**0.44%**	32,845	17	0.20%
Total earning assets	**6,968,988**	**$ 73,238**	**4.23%**	6,576,415	$ 69,761	4.30%
Allowance for loan losses	**(35,034)**			(32,992)		
Total non-earning assets	**830,876**			819,260		
Total assets	**$ 7,764,830**			$ 7,362,683		
Liabilities and Stockholders' Equity:						
Interest-bearing deposits:						
Transaction and money market accounts	**$ 2,809,961**	**$ 1,393**	**0.20%**	$ 2,591,991	$ 1,160	0.18%
Regular savings	**580,923**	**217**	**0.15%**	555,356	268	0.20%
Time deposits (4)	**1,171,972**	**2,585**	**0.89%**	1,269,352	1,893	0.60%
Total interest-bearing deposits	**4,562,856**	**4,195**	**0.37%**	4,416,699	3,321	0.30%
Other borrowings (5)	**816,943**	**2,823**	**1.39%**	679,341	2,310	1.38%
Total interest-bearing liabilities	**5,379,799**	**$ 7,018**	**0.52%**	5,096,040	$ 5,631	0.45%
Noninterest-bearing liabilities:						
Demand deposits	**1,336,548**			1,223,218		
Other liabilities	**59,069**			60,877		
Total liabilities	**6,775,416**			6,380,135		
Stockholders' equity	**989,414**			982,548		
Total liabilities and stockholders' equity	**$ 7,764,830**			$ 7,362,683		
Net interest income		**$ 66,220**			$ 64,130	
Interest rate spread (6)			3.71%			3.85%
Cost of funds			0.41%			0.35%
Net interest margin (7)			3.82%			3.95%

(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 $639,000 for the three months ended March 31, 2016 and 2015, respectively, in accretion of the fair market value adjustments related to acquisitions.
(4) Interest expense on certificates of deposits includes $0 and $1.1 million for the three months ended March 31, 2016 and 2015, respectively, in accretion of the fair market value adjustments related to acquisitions.
(5) Interest expense on borrowings includes $62,000 and $137,000 for the three months ended March 31, 2016 and 2015, 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 3.76% and 3.84% for the three months ended March 31, 2016 and 2015, 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 March 31, 2016 vs. March 31, 2015 Increase (Decrease) Due to Change in:		
	Volume	**Rate**	**Total**
Earning Assets:			
Securities:			
Taxable	$ 71	$ 438	$ 509
Tax-exempt	365	(188)	177
Total securities	436	250	686
Loans, net (1)	3,889	(1,090)	2,799
Loans held for sale	(92)	53	(39)
Federal funds sold	-	1	1
Interest-bearing deposits in other banks	7	23	30
Total earning assets	$ 4,240	$ (763)	$ 3,477
Interest-Bearing Liabilities:			
Interest-bearing deposits:			
Transaction and money market accounts	$ 102	$ 131	$ 233
Regular savings	12	(63)	(51)
Time Deposits (2)	(155)	847	692
Total interest-bearing deposits	(41)	915	874
Other borrowings (3)	475	38	513
Total interest-bearing liabilities	434	953	1,387
Change in net interest income	$ 3,806	$ (1,716)	$ 2,090

(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 $445,000.*
(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 $1.1 million.*
(3) *The rate-related change in interest expense on other borrowings includes the impact of lower accretion of the acquisition-related fair market value adjustments of $75,000.*

The Company's fully taxable equivalent net interest margin includes the impact of acquisition accounting fair value adjustments. The net accretion impact for the quarters ended March 31, 2015 and 2016 as well as the remaining estimated 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 March 31, 2016	1,084	-	62	1,146
For the remaining nine months of 2016	3,047	-	271	3,318
For the years ending:				
2017	4,018	-	170	4,188
2018	3,572	-	(143)	3,429
2019	2,718	-	(286)	2,432
2020	2,067	-	(301)	1,766
2021	1,879	-	(316)	1,563
Thereafter	8,910	-	(5,306)	3,604

Noninterest Income

	For the Three Months Ended March 31,		Change	
	2016	2015	$	%
	(Dollars in thousands)			
Noninterest income:				
Service charges on deposit accounts	$ 4,734	$ 4,214	$ 520	12.3%
Other service charges, commissions and fees	4,156	3,584	572	16.0%
Fiduciary and asset management fees	2,138	2,219	(81)	-3.7%
Mortgage banking income, net	2,146	2,379	(233)	-9.8%
Gains on securities transactions, net	143	193	(50)	-25.9%
Bank owned life insurance income	1,372	1,135	237	20.9%
Other operating income	1,225	1,330	(105)	-7.9%
Total noninterest income	**$ 15,914**	**$ 15,054**	**$ 860**	5.7%
Mortgage segment operations	$ (2,477)	$ (2,376)	$ (101)	4.3%
Intercompany eliminations	171	170	1	0.6%
Community Bank segment	**$ 13,608**	**$ 12,848**	**$ 760**	5.9%

For the quarter ended March 31, 2016, noninterest income increased $860,000, or 5.7%, to $15.9 million from $15.1 million in the first quarter of 2015. The main drivers of the increase in noninterest income include an increase in customer-related noninterest income (service charges on deposit accounts and other service charges), primarily due to higher overdraft fees and interchange fees, and an increase in income from bank owned life insurance. These increases were partially offset by a decrease in mortgage banking income driven by lower originations in the current quarter. Mortgage loan originations declined $40.5 million, or 29.2%, from $138.7 million in the first quarter of 2015 to $98.2 million for the quarter ended March 31, 2016.

Noninterest expense

	For the Three Months Ended March 31,		Change	
	2016	2015	$	%
	(Dollars in thousands)			
Noninterest expense:				
Salaries and benefits	$ 28,048	$ 27,492	$ 556	2.0%
Occupancy expenses	4,976	5,133	(157)	-3.1%
Furniture and equipment expenses	2,636	2,813	(177)	-6.3%
Technology and data processing	3,814	3,255	559	17.2%
Professional services	1,989	1,348	641	47.6%
Marketing and advertising expense	1,938	1,687	251	14.9%
OREO and credit-related expenses (1)	569	1,186	(617)	-52.0%
Other operating expenses	10,302	10,926	(624)	-5.7%
Total noninterest expense	**$ 54,272**	**$ 53,840**	**$ 432**	0.8%
Mortgage segment operations	$ (2,599)	$ (3,038)	$ 439	-14.5%
Intercompany eliminations	171	170	1	0.6%
Community Bank segment	**$ 51,844**	**$ 50,972**	**$ 872**	1.7%

(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 March 31, 2016, noninterest expense increased $432,000 to $54.3 million from $53.8 million when compared to the first quarter of 2015. The main drivers of the increase in noninterest expense include an increase in salaries and benefits expense of $556,000 primarily related to annual merit adjustments and increases in equity-based compensation, an increase in technology and software costs of $559,000 due to investments in infrastructure as the Company prepares for growth, and an increase in professional fees of $641,000 due to higher audit and project-related consulting expenses. These increases were offset by declines in OREO and credit-related costs of $617,000 related to lower valuation adjustments and OREO expenses, lower CDI amortization expense of $342,000, and decreases in printing and postage costs of $231,000.

SEGMENT INFORMATION

Community Bank Segment

For the three months ended March 31, 2016, the community bank segment reported net income of $16.9 million, which was $939,000 higher than net income in the first quarter of 2015. Net interest income increased $1.7 million from $61.7 million in the first quarter of 2015 to $63.4 million in the first quarter of 2016, primarily driven by loan growth. The provision for credit losses for the quarter ended March 31, 2016 was $2.5 million, an increase of $750,000 compared to the same quarter a year ago. The increase in the provision for loan losses in the current period compared to the same periods in the prior year was primarily driven by higher loan balances in 2016.

Noninterest income increased $760,000, or 5.9%, from $12.9 million in the first quarter of 2015 to $13.6 million in the first quarter of 2016. Customer-related noninterest income (service charges on deposit accounts and other service charges) increased $1.1 million primarily due to higher overdraft fees and interchange fees. Other increases in noninterest income were related to an increase in income from bank owned life insurance of $237,000 and an increase in loan interest-rate swap fees of $451,000. These increases in noninterest income were partially offset by a nonrecurring gain from the dissolution of a limited partnership that occurred in the first quarter of 2015.

Noninterest expense increased $872,000, or 1.7%, from $51.0 million in the first quarter of 2015 to $51.8 million in the current quarter. The increase in noninterest expense is driven by an increase in salaries and benefits expense primarily related to annual merit adjustments and increases in equity-based compensation, an increase in technology and software costs, and an increase in professional fees due to higher audit and project-related consulting expenses. Noninterest expense in the first quarter included branch closure costs of approximately $300,000 related to previously announced 2016 branch closures. These increases in noninterest expense were partially offset by decreases in OREO and credit related expenses and other operating expenses. The community banking segment’s efficiency ratio (tax-effected) was 65.3% compared to 66.4% for the first quarter of 2015.

Mortgage Segment

The mortgage segment reported net income of $54,000 for the first quarter of 2016, an improvement of $321,000 from a net loss of $267,000 in the first quarter of 2015. The improvement was due to a reduction in noninterest expense of $439,000, largely a result of cost control initiatives in personnel costs as well as volume-driven expenses. Mortgage banking income, net of commissions, declined $233,000 from the first quarter of 2015 due to lower origination volume of 29.2%.

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 March 31, 2016 and 2015 was 25.5% and 26.7%, respectively. The decrease in the effective tax rate is primarily related to increases in tax-exempt interest income on the investment portfolio and tax-exempt bank-owned life insurance income.

BALANCE SHEET

Assets

At March 31, 2016, total assets were $7.8 billion, an increase of $139.3 million, from $7.7 billion at December 31, 2015. The increase in assets was mostly related to loan growth.

Loans held for investment, net of deferred fees and costs, were $5.8 billion at March 31, 2016, an increase of $109.0 million, or 7.7% (annualized), from December 31, 2015. The increase was primarily driven by growth in construction/land development, non-owner occupied commercial real estate, and consumer loans. Average loans increased $97.6 million, or 7.0% (annualized), from December 31, 2015. For additional information on the Company's loan activity, please refer to "Loan Portfolio" below or Note 3 "Loans and Allowance for Loan Losses" in Part I, Item 1 – Financial Statements, of this report.

Liabilities and Stockholders' Equity

At March 31, 2016, total liabilities were $6.9 billion, an increase of $153.7 million from December 31, 2015.

- Total deposits at March 31, 2016 were $5.9 billion, a decrease of $18.0 million, or 1.2% (annualized), when compared to $6.0 billion at December 31, 2015, while average deposits decreased $6.0 million, or 0.4% (annualized), from December 31, 2015. The net decrease in deposits from year-end 2015 was primarily related to declines in noninterest-bearing deposits, NOW accounts, and time deposits, partially offset by increases in money markets and savings accounts. 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 March 31, 2016 were $558.0 million, an increase of $169.0 million from December 31, 2015, primarily due to an increase in FHLB advances. For additional information on the Company's borrowings activity, please refer to Note 5 "Borrowings" in Part I, Item 1 – Financial Statements, of this report.

At March 31, 2016, stockholders' equity was $981.0 million, a decrease of $14.4 million from $995.4 million reported at December 31, 2015. The Company's capital ratios continue to exceed the minimum capital requirements for regulatory purposes but have decreased from prior periods primarily due to share repurchases. The total risk-based capital ratios at March 31, 2016 and December 31, 2015 were 12.16% and 12.46%, respectively. The Tier 1 risk-based capital ratios were 11.63% and 11.93% at March 31, 2016 and December 31, 2015, respectively. The common equity Tier 1 risk-based capital ratios were 10.25% and 10.55% at March 31, 2016 and December 31, 2015, respectively. The Company's common equity to total asset ratios at March 31, 2016 and December 31, 2015 were 12.52% and 12.94%, respectively, while its tangible common equity to tangible assets ratios were 8.86% and 9.20%, respectively, at the same dates.

On October 29, 2015, the Company's Board of Directors authorized a new share repurchase program to purchase up to $25.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. This share repurchase program was completed on February 19, 2016. On February 25, 2016, the Company's Board of Directors authorized another share repurchase program to purchase up to $25.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. The Company repurchased approximately 1.0 million shares during the quarter ended March 31, 2016 and had approximately $22.4 million available for repurchase under the current program.

Also, the Company declared and paid a cash dividend of $0.19 per share during the first quarter of 2016, consistent with the dividend paid in the prior quarter, and an increase of $0.04 per share, or 26.7%, compared to the same quarter in the prior year.

Securities

At March 31, 2016, the Company had total investments in the amount of $1.2 billion, or 15.3% of total assets, as compared to $1.2 billion, or 15.1% of total assets, at December 31, 2015. 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 $6.4 million as of March 31, 2016.

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):

	March 31, 2016	December 31, 2015
Available for Sale:		
Obligations of states and political subdivisions	**$ 265,969**	$ 268,079
Corporate and other bonds	**93,766**	75,979
Mortgage-backed securities	**568,562**	548,171
Other securities	**11,112**	11,063
Total securities available for sale, at fair value	**939,409**	903,292
Held to Maturity:		
Obligations of states and political subdivisions	**204,444**	205,374
Federal Reserve Bank stock	**23,808**	23,808
Federal Home Loan Bank stock	**34,403**	28,020
Total restricted stock	**58,211**	51,828
Total investments	**$ 1,202,064**	$ 1,160,494

During each quarter and at year end, the Company conducts an assessment of the securities portfolio for OTTI consideration. No OTTI was recognized for the quarter ended March 31, 2016. For the year ended December 31, 2015, the Company determined that a municipal security in the available for sale portfolio incurred credit-related OTTI of $300,000. During the quarter ended March 31, 2016, the municipal security was sold. As a result, the Company recognized an additional loss on sale of the previously written down security. 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 March 31, 2016 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
Mortgage backed securities:					
Amortized cost	$ -	$ 49,089	$ 183,381	$ 328,996	$ 561,466
Fair value	-	49,497	185,824	333,241	568,562
Weighted average yield (1)	-	1.98	2.18	2.16	2.15
Obligations of states and political subdivisions:					
Amortized cost	3,618	40,024	93,959	117,250	254,851
Fair value	3,680	42,104	98,820	121,365	265,969
Weighted average yield (1)	7.08	4.68	4.74	4.17	4.50
Corporate bonds and other securities:					
Amortized cost	6,085	5,040	39,557	55,871	106,553
Fair value	6,112	5,040	39,258	54,468	104,878
Weighted average yield (1)	0.36	0.31	3.91	1.99	2.53
Total securities available for sale:					
Amortized cost	9,703	94,153	316,897	502,117	922,870
Fair value	9,792	96,641	323,902	509,074	939,409
Weighted average yield (1)	2.87	3.04	3.15	2.61	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 March 31, 2016 (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	$ 1,477	$ 7,907	$ 49,884	$ 145,176	$ 204,444
Fair value	1,479	8,046	51,178	149,646	210,349
Weighted average yield (1)	1.38	1.59	3.00	3.40	3.22

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

As of March 31, 2016, the Company maintained a diversified municipal bond portfolio with approximately 73% of its holdings in general obligation issues and the remainder backed by revenue bonds. Issuances within the State of Texas represented 13%, the State of Washington represented 12%, and the Commonwealth of Virginia represented 12% of the municipal portfolio; no other state had a concentration above 10%. Substantially all 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 March 31, 2016, 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 $1.9 billion, or 27.6%, of total earning assets. As of March 31, 2016, approximately $1.8 billion, or 30.5%, 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 $5.8 billion at March 31, 2016, $5.7 billion at December 31, 2015, and $5.4 billion at March 31, 2015. Loans secured by real estate continue to represent the Company's largest category, comprising 82.6% of the total loan portfolio at March 31, 2016.

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):

	March 31, 2016		December 31, 2015		September 30, 2015		June 30, 2015		March 31, 2015	
Loans secured by real estate:										
Residential 1-4 family	**$ 926,556**	**16.0%**	$ 925,490	16.3%	$ 935,266	16.9%	$ 937,557	17.0%	$ 916,557	17.0%
Commercial	**2,145,454**	**37.2%**	2,130,566	37.6%	2,087,186	37.6%	2,092,228	38.0%	2,078,688	38.6%
Construction, land development and other land loans	**776,698**	**13.4%**	749,720	13.2%	694,644	12.5%	671,233	12.2%	657,581	12.2%
Second mortgages	**51,921**	**0.9%**	52,977	0.9%	52,547	0.9%	54,224	1.0%	54,371	1.0%
Equity lines of credit	**517,122**	**9.0%**	517,050	9.1%	514,730	9.3%	512,499	9.3%	515,187	9.6%
Multifamily	**323,270**	**5.6%**	322,528	5.7%	329,959	6.0%	316,474	5.7%	298,651	5.5%
Farm land	**29,724**	**0.5%**	28,963	0.5%	26,984	0.5%	25,061	0.5%	27,029	0.5%
Total real estate loans	**4,770,745**	**82.6%**	4,727,294	83.3%	4,641,316	83.7%	4,609,276	83.7%	4,548,064	84.4%
Commercial & industrial loans	**453,208**	**7.8%**	435,366	7.7%	409,654	7.4%	426,024	7.7%	409,867	7.6%
Consumer installment loans										
Personal	**447,341**	**7.7%**	403,857	7.1%	389,379	7.0%	354,485	6.4%	335,649	6.2%
Credit cards	**-**	**0.0%**	-	0.0%	-	0.0%	26,349	0.5%	24,691	0.5%
Total consumer installment loans	**447,341**	**7.7%**	403,857	7.1%	389,379	7.0%	380,834	6.9%	360,340	6.7%
All other loans	**109,208**	**1.9%**	104,945	1.9%	103,272	1.9%	94,251	1.7%	69,484	1.3%
Gross loans	**$ 5,780,502**	**100.0%**	$ 5,671,462	100.0%	$ 5,543,621	100.0%	$ 5,510,385	100.0%	$ 5,387,755	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 March 31, 2016 (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	**$ 926,556**	$ 74,401	$ 345,251	$ 15,558	$ 329,693	$ 506,904	$ 281,108	$ 225,796
Commercial	**2,145,454**	228,577	619,302	150,196	469,106	1,297,575	964,668	332,907
Construction, land development and other land loans	**776,698**	457,310	203,081	174,218	28,863	116,307	92,031	24,276
Second mortgages	**51,921**	4,096	5,396	1,075	4,321	42,429	15,313	27,116
Equity lines of credit	**517,122**	36,306	480,586	40,858	439,728	230	102	128
Multifamily	**323,270**	24,399	89,895	20,676	69,219	208,976	163,620	45,356
Farm land	**29,724**	8,165	9,047	5,456	3,591	12,512	12,338	174
Total real estate loans	**4,770,745**	833,254	1,752,558	408,037	1,344,521	2,184,933	1,529,180	655,753
Commercial & industrial loans	**453,208**	136,167	122,979	116,287	6,692	194,062	135,483	58,579
Consumer loans	**447,341**	140,072	4,925	4,719	206	302,344	131,122	171,222
All other loans	**109,208**	27,103	22,891	11,338	11,553	59,214	23,330	35,884
Gross loans	**$ 5,780,502**	$ 1,136,596	$ 1,903,353	$ 540,381	$ 1,362,972	$ 2,740,553	$ 1,819,115	$ 921,438

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 March 31, 2016, 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 quarter of 2016, the Company experienced declines in total past due and nonaccrual loan levels and OREO balances from the prior year. OREO balances declined from December 31, 2015 primarily as a result of sales of foreclosed property. Past due loans decreased while nonaccrual loans increased from December 31, 2015, as loans were moved from past due status to nonaccrual status during the current quarter. The combined past due and nonaccrual loan balances decreased $6.7 million, or 12.3%, from December 31, 2015. The loan loss provision and allowance for loan losses increased from December 31, 2015 due to loan growth in the current quarter.

Troubled Debt Restructurings

The total recorded investment in TDRs as of March 31, 2016 was $13.0 million, an increase of $255,000, or 2.0%, from $12.7 million at December 31, 2015 and a decline of $11.1 million, or 46.1%, from $24.1 million at March 31, 2015. Of the $13.0 million of TDRs at March 31, 2016, $11.5 million, or 88.5%, were considered performing while the remaining $1.5 million were considered nonperforming. 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 March 31, 2016, nonperforming assets totaled $27.3 million, an increase of $103,000, or 0.4%, from December 31, 2015 and a decline of $15.5 million, or 36.2%, from a year ago. In addition, NPAs as a percentage of total outstanding loans decreased 1 basis point to 0.47% in the current quarter from 0.48% as of December 31, 2015 and declined 32 basis points from 0.79% a year earlier. All nonaccrual and past due loan metrics discussed below exclude PCI loans, which totaled $70.1 million (net of fair value mark of $16.2 million) at March 31, 2016.

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

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Nonaccrual loans, excluding PCI loans	**$ 13,092**	$ 11,936	$ 12,966	$ 9,521	$ 17,385
Foreclosed properties	**10,941**	11,994	18,789	18,917	21,727
Former bank premises	**3,305**	3,305	3,305	3,305	3,707
Total nonperforming assets	**27,338**	27,235	35,060	31,743	42,819
Loans past due 90 days and accruing interest	**5,723**	5,829	5,164	10,903	7,932
Total nonperforming assets and loans past due 90 days and accruing interest	**$ 33,061**	$ 33,064	$ 40,224	$ 42,646	$ 50,751
Performing Restructurings	**$ 11,486**	$ 10,780	$ 9,468	$ 19,880	$ 21,336
Balances					
Allowance for loan losses	**$ 34,399**	$ 34,047	$ 33,269	$ 32,344	$ 30,977
Average loans, net of deferred fees and costs	**5,709,998**	5,612,366	5,525,119	5,448,126	5,360,676
Loans, net of deferred fees and costs	**5,780,502**	5,671,462	5,543,621	5,510,385	5,387,755
Ratios					
NPAs to total loans	**0.47%**	0.48%	0.63%	0.58%	0.79%
NPAs & loans 90 days past due to total loans	**0.57%**	0.58%	0.73%	0.77%	0.94%
NPAs to total loans & OREO	**0.47%**	0.48%	0.63%	0.57%	0.79%
NPAs & loans 90 days past due to total loans & OREO	**0.57%**	0.58%	0.72%	0.77%	0.94%
ALL to nonaccrual loans	**262.75%**	285.25%	256.59%	339.71%	178.18%
ALL to nonaccrual loans & loans 90 days past due	**182.83%**	191.65%	183.50%	158.36%	122.36%

Nonperforming assets at March 31, 2016 included $13.1 million in nonaccrual loans, a net increase of $1.2 million, or 9.7%, from December 31, 2015 and a decline of $4.3 million, or 24.7%, from March 31, 2015. The following table shows the activity in nonaccrual loans for the quarter ended (dollars in thousands):

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Beginning Balance	$ 11,936	$ 12,966	$ 9,521	$ 17,385	$ 19,255
Net customer payments	(1,204)	(1,493)	(1,104)	(4,647)	(2,996)
Additions	5,150	2,344	5,213	581	4,379
Charge-offs	(1,446)	(1,245)	(541)	(2,171)	(3,107)
Loans returning to accruing status	(932)	(402)	(123)	(919)	(53)
Transfers to OREO	(412)	(234)	-	(708)	(93)
Ending Balance	$ 13,092	$ 11,936	$ 12,966	$ 9,521	$ 17,385

The additions to nonaccrual loans in the first quarter of 2016 were comprised of several smaller credit relationships, the majority of which were secured by residential 1-4 family property.

The following table presents the composition of nonaccrual 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):

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Construction and Land Development	$ 2,156	$ 2,113	$ 3,142	$ 2,401	$ 3,104
Commercial Real Estate - Owner Occupied	2,816	3,904	3,989	3,625	4,954
Commercial Real Estate - Non-owner Occupied	-	100	200	200	2,655
Commercial and Industrial	810	429	403	564	2,018
Residential 1-4 Family	5,696	3,563	3,960	2,128	4,000
HELOC	973	1,348	937	493	544
Consumer and All Other	641	479	335	110	110
Total	$ 13,092	$ 11,936	$ 12,966	$ 9,521	$ 17,385
Coverage Ratio	262.75%	285.25%	256.59%	339.71%	178.18%

Nonperforming assets at March 31, 2016 also included $14.2 million in OREO, a decrease of $1.1 million, or 6.9%, from December 31, 2015 and a decrease of $11.2 million, or 44.0%, from the prior year. The following table shows the activity in OREO for the quarters ended (dollars in thousands):

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Beginning Balance	$ 15,299	$ 22,094	$ 22,222	$ 25,434	$ 28,118
Additions of foreclosed property	456	234	1,082	904	158
Additions of former bank premises	-	1,822	-	-	402
Capitalized improvements	-	-	9	243	56
Valuation adjustments	(126)	(4,229)	(473)	(710)	(590)
Proceeds from sales	(1,390)	(4,961)	(767)	(3,511)	(2,748)
Gains (losses) from sales	7	339	21	(138)	38
Ending Balance	$ 14,246	$ 15,299	$ 22,094	$ 22,222	$ 25,434

During the first quarter of 2016, the majority of sales of OREO were related to land and residential real estate.

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

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Land	$ 4,874	$ 5,731	$ 7,139	$ 7,254	$ 8,412
Land Development	2,616	2,918	6,700	7,013	7,192
Residential Real Estate	2,707	2,601	3,517	3,217	4,794
Commercial Real Estate	744	744	1,433	1,433	1,329
Former Bank Premises (1)	3,305	3,305	3,305	3,305	3,707
Total	$ 14,246	$ 15,299	$ 22,094	$ 22,222	$ 25,434

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

Past Due Loans

At March 31, 2016, total accruing past due loans were $35.1 million, or 0.61% of total loans, compared to $42.9 million, or 0.76%, at December 31, 2015 and $42.7 million, or 0.79%, a year ago. At March 31, 2016, loans past due 90 days or more and accruing interest totaled $5.7 million, or 0.10% of total loans, compared to $5.8 million, or 0.10%, at December 31, 2015 and $7.9 million, or 0.15%, a year ago.

Charge-offs and delinquencies

For the quarter ended March 31, 2016, net charge-offs were $2.2 million, or 0.15% on an annualized basis, compared to $3.2 million, or 0.24%, for the same quarter last year. The decrease in net charge-off levels is attributable to improving asset quality. The majority of net charge-offs in the first quarter of 2016 were related to commercial real estate and consumer loans.

Provision
The provision for loan losses for the quarter ended March 31, 2016 was $2.5 million, an increase of $754,000 compared to the same quarter a year ago. The increase in the provision for loan losses in the current year compared to the prior year was primarily driven by higher loan balances in 2016. Additionally, a $100,000 provision was recognized during the current quarter for unfunded loan commitments, resulting in a total of $2.6 million in provision for credit losses for the quarter.

Allowance for Loan Losses
The allowance for loan losses of $34.4 million at March 31, 2016, is an increase of $352,000 compared to the allowance for loan losses at December 31, 2015. The allowance for loan losses as a percentage of the total loan portfolio, unadjusted for acquisition accounting, was 0.60% at March 31, 2016, 0.60% at December 31, 2015, and 0.57% at March 31, 2015. The ALL as a percentage of the total loan portfolio, adjusted for acquisition accounting (non-GAAP), was 0.95% at March 31, 2016, a decrease from 0.98% at December 31, 2015 and 1.03% at March 31, 2015. In acquisition accounting, there is no carryover of previously established allowance for loan losses, as acquired loans are recorded at fair value.

The nonaccrual loan coverage ratio was 262.8% at March 31, 2016, compared to 285.3% at December 31, 2015, and 178.2% at March 31, 2015. 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):

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Balance, beginning of period	$ 34,047	$ 33,269	$ 32,344	$ 30,977	$ 32,384
Loans charged-off:					
Commercial	617	280	388	1,022	671
Real estate	1,427	1,360	1,480	1,722	2,596
Consumer	936	525	468	461	562
Total loans charged-off	2,980	2,165	2,336	3,205	3,829
Recoveries:					
Commercial	238	182	559	120	97
Real estate	391	561	565	720	308
Consumer	199	190	175	183	267
Total recoveries	828	933	1,299	1,023	672
Net charge-offs	2,152	1,232	1,037	2,182	3,157
Provision for loan losses	2,504	2,010	1,962	3,549	1,750
Balance, end of period	$ 34,399	$ 34,047	$ 33,269	$ 32,344	$ 30,977
Allowance for loan losses to loans	0.60%	0.60%	0.60%	0.59%	0.57%
ALL to loans, adjusted for acquisition accounting (Non-GAAP)	0.95%	0.98%	1.01%	1.02%	1.03%
Net charge-offs to average loans	0.15%	0.09%	0.07%	0.16%	0.24%
Provision to average loans	0.18%	0.14%	0.14%	0.26%	0.13%

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):

	March 31, 2016		December 31, 2015		September 30, 2015		June 30, 2015		March 31, 2015	
	$	**% (1)**	**$**	**% (1)**	**$**	**% (1)**	**$**	**% (1)**	**$**	**% (1)**
Commercial	$ 4,225	7.8%	$ 3,163	7.7%	$ 2,790	7.4%	$ 3,092	7.7%	$ 2,817	7.6%
Real estate	27,576	82.6%	27,537	83.3%	26,638	83.7%	25,731	83.7%	24,861	84.4%
Consumer	2,598	9.6%	3,347	9.0%	3,841	8.9%	3,521	8.6%	3,299	8.0%
Total	$ 34,399	100.0%	$ 34,047	100.0%	$ 33,269	100.0%	$ 32,344	100.0%	$ 30,977	100.0%

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

Deposits
As of March 31, 2016, total deposits were $5.9 billion, a decrease of $18.0 million, or 1.2% (annualized), from December 31, 2015. 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 25.4% of total interest-bearing deposits at March 31, 2016.

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

	March 31, 2016		December 31, 2015	
Deposits:	**Amount**	**% of total deposits**	**Amount**	**% of total deposits**
Non-interest bearing	**$ 1,363,243**	**22.9%**	$ 1,372,937	23.0%
NOW accounts	**1,504,227**	**25.3%**	1,521,906	25.5%
Money market accounts	**1,323,192**	**22.3%**	1,312,612	22.0%
Savings accounts	**589,542**	**9.9%**	572,800	9.6%
Time deposits of $100,000 and over	**508,153**	**8.5%**	514,286	8.7%
Other time deposits	**657,625**	**11.1%**	669,395	11.2%
Total Deposits	**$ 5,945,982**	**100.0%**	$ 5,963,936	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 March 31, 2016 and December 31, 2015, the Company did not have purchased certificates of deposit included in certificates of deposit on the Company's Consolidated Balance Sheets. Maturities of time deposits as of March 31, 2016 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	$ 52,648	$ 181,501	$ 274,004	$ 508,153
Maturities of other time deposits	82,690	272,387	302,548	657,625
Total time deposits	$ 135,338	$ 453,888	$ 576,552	$ 1,165,778

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 final rules to include technical changes to its market risk capital rules to align them with the Basel III regulatory capital framework and meet certain requirements of the Dodd-Frank Act. Effective January 1, 2015, the final rules require the Company and the Bank 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 the prior requirement); and (iv) a leverage ratio of 4.0% of total assets (unchanged from the prior requirement). These are the initial capital requirements, which will be phased in over a four-year period. When fully phased in on January 1, 2019, the rules will require the Company and the Bank to maintain (i) a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% common equity Tier 1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation), and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets.

Beginning January 1, 2016, the capital conservation buffer requirement is being phased in at 0.625% of risk-weighted assets, and will increase by the same amount each year until fully implemented at 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The table summarizes the Company's regulatory capital and related ratios for the periods presented (dollars in thousands):

	March 31, 2016	December 31, 2015	March 31, 2015
Common equity Tier 1 capital	$ 674,498	$ 691,195	$ 672,369
Tier 1 capital	764,998	781,695	762,869
Tier 2 capital	34,811	34,346	31,093
Total risk-based capital	799,809	816,041	793,962
Risk-weighted assets	6,577,394	6,551,028	6,191,268
Capital ratios:			
Common equity Tier 1 capital ratio	10.25%	10.55%	10.86%
Tier 1 capital ratio	11.63%	11.93%	12.32%
Total capital ratio	12.16%	12.46%	12.82%
Leverage ratio (Tier 1 capital to average assets)	10.25%	10.68%	10.79%
Capital conservation buffer ratio (1)	4.16%	N/A	N/A
Common equity to total assets	12.52%	12.94%	13.36%
Tangible common equity to tangible assets	8.86%	9.20%	9.40%

(1) *Calculated by subtracting the regulatory minimum capital ratio requirements from the Company's actual ratio results for Common equity, Tier 1, and Total risk based capital. The lowest of the three measures represents the Company's capital conservation buffer ratio.*

NON-GAAP MEASURES

In reporting the Company's results as of and for the periods ended March 31, 2016 and 2015, the Company has provided supplemental performance measures on a tangible basis. 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 March 31, 2016	Three Months Ended March 31, 2015
Tangible Common Equity		
Ending equity	$ 980,978	$ 986,916
Less: Ending goodwill	293,522	293,522
Less: Ending core deposit intangibles	21,430	29,533
Ending tangible common equity (non-GAAP)	$ 666,026	$ 663,861
Average equity	$ 989,414	$ 982,548
Less: Average goodwill	293,522	293,522
Less: Average core deposit intangibles	22,330	30,597
Average tangible common equity (non-GAAP)	$ 673,562	$ 658,429

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):

	March 31, 2016	December 31, 2015	March 31, 2015
Allowance for loan losses	$ 34,399	$ 34,047	$ 30,977
Remaining fair value mark on acquired performing loans	19,994	20,819	23,794
Adjusted allowance for loan losses	$ 54,393	$ 54,866	$ 54,771
Loans, net of deferred fees	$ 5,780,502	$ 5,671,462	$ 5,387,755
Remaining fair value mark on acquired performing loans	19,994	20,819	23,794
Less: PCI loans, net of fair value mark	70,105	73,737	91,346
Adjusted loans, net of deferred fees	$ 5,730,391	$ 5,618,544	$ 5,320,203
Allowance for loan losses ratio	0.60%	0.60%	0.57%
Allowance for loan losses ratio, adjusted for acquisition accounting	0.95%	0.98%	1.03%

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 March 31, 2016 and 2015 (dollars in thousands):

	Change In Net Interest Income March 31,			
	2016		2015	
	%	$	%	$
Change in Yield Curve:				
+300 basis points	**5.14**	**14,241**	**4.74**	**12,460**
+200 basis points	**3.72**	**10,304**	**3.29**	**8,640**
+100 basis points	**2.05**	**5,683**	**1.32**	**3,472**
Most likely rate scenario	**-**	**-**	**-**	**-**
-100 basis points	**(1.77)**	**(4,912)**	**(1.59)**	**(4,171)**
-200 basis points	**(3.59)**	**(9,934)**	**(3.71)**	**(9,740)**
-300 basis points	**(3.71)**	**(10,267)**	**(3.81)**	**(10,020)**

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 March 31, 2016, the Company became more asset sensitive in a rising interest rate environment scenario when compared to March 31, 2015 due to the composition of the balance sheet. The Company would expect net interest income to increase with an immediate increase or shock in market rates. In the decreasing interest rate environments, the Company would expect 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 March 31, 2016 and 2015 (dollars in thousands):

	Change In Economic Value of Equity March 31,			
	2016		2015	
	%	$	%	$
Change in Yield Curve:				
+300 basis points	**(1.23)**	**(16,345)**	**0.44**	**5,675**
+200 basis points	**0.06**	**757**	**1.43**	**18,365**
+100 basis points	**0.55**	**7,341**	**1.32**	**16,964**
Most likely rate scenario	**-**	**-**	**-**	**-**
-100 basis points	**(3.31)**	**(43,817)**	**(3.90)**	**(50,216)**
-200 basis points	**(7.21)**	**(95,510)**	**(8.96)**	**(115,286)**
-300 basis points	**(6.19)**	**(82,106)**	**(8.03)**	**(103,270)**

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.

Compared to March 31, 2015, the Company's economic value of equity model as of March 31, 2016 projects that an instantaneous change in market interest rates would result in less overall variation in the Company's estimated economic value of equity in the shock up 100 or 200 basis point and shock down 100 basis point interest rate scenarios, while the Company is more sensitive to market interest rates in a shock up 300 basis point scenario. 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 March 31, 2016 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, 2015.

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

(a) Sales of Unregistered Securities – None.

(b) Use of Proceeds – Not Applicable.

(c) Issuer Purchases of Securities

Stock Repurchase Program

The following information describes the Company's common stock repurchases for the three months ended March 31, 2016:

Period	Total number of shares purchased [1]	Average price paid per share ($)	Approximate value of shares that may be purchased under the plan ($)
December 31, 2015			21,139,000
January 1 - January 31, 2016	380,882	23.70	12,114,000
February 1 - February 29, 2016	553,566	21.99	24,942,000
March 1 - March 31, 2016	106,164	23.55	22,442,000
Total	1,040,612	22.77	

[1] *On October 29, 2015, the Company's Board of Directors authorized a share repurchase program to purchase up to $25.0 million worth of the Company's common stock on the open market or in privately negotiated transactions. The repurchase program was authorized through December 31, 2016, and completed in February 2016. On February 25, 2016, the Company's Board of Directors authorized a new share repurchase program to purchase up to $25.0 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, 2016.*

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
3.02	Bylaws of Union Bankshares Corporation, as amended January 28, 2016 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed on February 2, 2016)
10.1	2016 Management Incentive Plan.
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 March 31, 2016 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.

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: May 5, 2016	By: /s/ G. William Beale G. William Beale, President and Chief Executive Officer (principal executive officer)
Date: May 5, 2016	By: /s/ Robert M. Gorman Robert M. Gorman, Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

Union Bank & Trust
Management Incentive Plan

This document outlines the Union Bank & Trust Management Incentive Plan (the "Plan") by and between Union Bankshares Corporation ("UNION"), its subsidiary Union Bank & Trust (the "Bank"), and the undersigned executive (the "Participant").

1. Purpose

The purpose of the Plan is to reward the performance of the Participant in a manner that is consistent with UNION's strategic plan and the attainment of a growing return to the shareholders of UNION. The Plan is further intended to assist UNION in its ability to motivate, attract and retain qualified executives.

2. Effective Date

The Plan is in effect January 1, 2016 through December 31, 2016, and will continue to renew for successive one-year periods (each calendar year being a "Plan Year") unless otherwise terminated or modified in accordance with the Plan and specifically approved by the Compensation Committee (the "Committee") of the UNION Board of Directors (the "Board").

3. Eligibility

Participation is limited to those executives recommended by the Chief Executive Officer and approved by the Committee during the first 90 days of each Plan Year. The Committee shall retain the discretion to include as a Participant any otherwise-eligible executive hired or promoted after the commencement of a Plan Year.

4. Basis of Incentive Compensation Award

The Plan is a cash award plan. The Participant's incentive compensation award under the Plan is based on an incentive target that is approved at the beginning of the Plan Year by the Committee (or its delegee) in its discretion. The incentive compensation award is expressed as a percentage of the Participant's base salary, and may be awarded if either or both the UNION corporate goals (the "Corporate Goals") and the Participant's individual goals (the "Individual Goals") are achieved. In no event shall a Participant receive payment under the Plan that exceeds 150% of the Participant's base salary for the Plan Year.

5. Plan Details

The amount of incentive compensation that the Participant is entitled to receive under the Plan is determined based on the Participant's award target and weighting and achievement of the approved performance goals. The performance period for achievement of any performance goal(s) is the Plan Year.

Union Bank & Trust
Management Incentive Plan

A. ***Award Targets and Weightings***

Each Participant shall be assigned an incentive award target, calculated as a percentage of the Participant's base salary, which may be awarded if UNION and the Participant achieve targeted performance goals.

Target awards shall be weighted between Corporate Goals and Individual Goals. The weightings for the two goal categories shall be recommended by the Chief Executive Officer and presented to the Committee for review and approval. Threshold, target and superior achievement levels for each Corporate Goal and Individual Goal will be recommended by the Chief Executive Officer and presented to the Committee for review and approval. The payout for the threshold achievement level will be not less than 10% of the target payout, and the payout for the superior achievement level will be not more than 150% of the target payout.

B. ***Corporate Goals***

The Corporate Goals for the Plan Year will be recommended by the Chief Executive Officer and approved in writing by the Committee within the first 90 days of the Plan Year.

C. ***Individual Goals***

Individual goals for the Plan Year will be established for each Participant in conjunction with his or her direct supervisor and will be presented to the Committee for review and approval.

D. ***Determination of Incentive Compensation Award***

Within 60 days following the end of the Plan Year, the Committee will review performance against the Corporate Goals and any Individual Goals established for the Participant, certify in writing that the applicable performance goals were satisfied, and determine the amount of the incentive compensation award, if any, to be paid to each Participant under the Plan. Notwithstanding any provision of the Plan to the contrary, in making this determination, the Committee may, in its discretion, in light of such considerations as it may deem relevant, increase or decrease any payments to which a Participant would otherwise be entitled by such amount or percentage as the Committee deems appropriate.

6. Administrative Matters

A. *Administration of the Plan*

Responsibility for the administration of the Plan, as described herein, rests with the Committee. The Chief Executive Officer shall monitor for accuracy the performance reporting of the Participant and make recommendations to the Committee concerning the amount of the Participant's awards under the Plan. In addition, the Committee, and ultimately the Board, is responsible for the overall oversight, supervision and existence of the Plan. The Committee has been delegated the sole discretion to interpret the terms of the Plan, to determine eligibility for benefits, and to calculate and render final incentive compensation awards under the Plan. The Committee shall also be empowered to make any and all of the determinations not herein specifically authorized which may be necessary or desirable for the effective administration of the Plan.

Unless the Committee deems otherwise, awards will not be earned or paid, regardless of Corporate or Division/Individual performance, if 1) any regulatory agency issues a formal, written enforcement action, memorandum of understanding or other negative directive action where the Committee considers it imprudent to provide awards under the Plan, 2) after a review of the Company's credit quality measures the Committee considers it imprudent to provide awards under the Plan, or 3) if the Company's Operating return on assets falls below [omitted].

The Committee may withhold or adjust any incentive compensation award in its sole discretion as it deems appropriate and will notify the Participant of its decision to withhold or adjust an incentive compensation award.

Any decision or interpretation of any provision of the Plan adopted by the Committee shall be final and conclusive.

B. *Active Participation Required*

In the event, during the Plan Year, of the Participant's death, permanent disability (as determined by the Committee in its discretion) or retirement(each, an "Early Termination Event"), any incentive compensation award shall be based on performance for the Plan Year, but prorated through the end of the most recent month prior to the Early Termination Event and shall be paid at the same time as would be otherwise due but in no event later than March 15th following the end of the Plan Year.

Any incentive compensation award to a Participant who transfers out of an eligible position prior to the end of the Plan Year, for any reason, will be prorated through the end of the most recent month prior to the event and will be paid at the same time as would otherwise be due but in no event later than March 15th following the end of the Plan Year.

In the event the Participant's employment ceases prior to the Payment Date (as defined below) for any reason other than an Early Termination Event, including, without limitation, a voluntary termination of employment by the Participant, as defined by the personnel policies of UNION or the Bank, or an involuntary termination with or without cause, the Participant shall not be entitled to, and shall not have earned, any incentive compensation award under the Plan.

7. Payment Method

Awards under the Plan will be calculated and paid in cash on an annual basis. Payment of awards, less deferrals and applicable federal, state and local taxes, will be made as soon as practicable following the end of the Plan Year (the "Payment Date"), but in no event before certification of the Committee or later than March 15th following the end of the Plan Year.

8. Modification and Termination of Plan

The Plan may be modified or changed at any time by the Committee in its discretion, followed by written notification to the Participant as soon as reasonably practicable. The Plan may be terminated at any time by the Committee in its discretion, followed by written notification to the Participant as soon as reasonably practicable. In the event of a Plan termination, the Participant shall continue to be eligible for incentive compensation awards for the Plan Year prorated through the Plan's termination date, unless the Committee determines in its discretion that no incentive compensation should be paid. Any incentive compensation awards shall be calculated through the date of the Plan termination on such basis as the Committee deems appropriate in its discretion and will be payable as soon as practicable after the termination of the Plan but in no event later than March 15th following the end of the Plan Year.

9. Participant Rights Not Assignable; Plan not a Contract

Any awards made pursuant to the Plan shall not be subject to assignment, pledge or other disposition. Nothing contained in the Plan shall confer upon any employee any right to continued employment or to receive or continue to receive any rate of pay or other compensation, nor does the Plan affect the right of UNION or the Bank to terminate a Participant's employment. Participation in the Plan does not confer rights to participation in other UNION or Bank programs or plans, including annual or long-term incentive plans, non-qualified retirement or deferred compensation plans or other executive perquisite programs.

10. Ethical Statement

The Participant is subject to UNION's Code of Business Conduct and Ethics and any violations of this Code or any other policy of UNION or the Bank, or any breach by the Participant of the provisions of the Plan, as determined by the Committee in its discretion, may result in a reduction of or disqualification from payments under the Plan and disciplinary action up to and including termination.

11. Governing Law and Venue

The parties agree that the interpretation and enforcement of the Plan shall be governed by the laws of the Commonwealth of Virginia, and that any action to enforce or determine any rights under the Plan shall be brought exclusively in the Circuit Court of Caroline County, Virginia. The Participant consents and waives any objection to personal jurisdiction and venue in such court. The Plan, and any payments thereunder, shall not be subject to the Employee Retirement Income Security Act.

12. Attorney's Fees and Costs

The parties agree that in the event of any legal action arising out of or relating to the interpretation or enforcement of the Plan, UNION and the Bank shall be entitled to recover their attorney's fees and costs in the event that they are (or either of them is) the prevailing party.

13. No Oral or Written Representations

The parties agree that they have relied on no oral or written representation or promises not set forth herein, and that the terms of the Plan are set forth solely in the written Plan document and it constitutes the complete and entire agreement of the parties relating to the subject matter hereof.

14. Clawback

Participant, while employed by the Bank and in the conduct of his or her duties as an employee, shall not expose UNION or the Bank to any unreasonable or unnecessary risk. All incentive compensation awards under the Plan are subject to the terms of UNION's or the Bank's recoupment, clawback or similar policy as such may be in effect from time to time, as well as any similar provisions of applicable law, which could in certain circumstances require repayment of an incentive compensation award or portion thereof.

15. Banking Regulatory Provision

All incentive compensation awards under the Plan are subject to any condition, limitation or prohibition under any financial institution regulatory policy or rule to which UNION or the Bank is subject.

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. 333-175807, Form S-3 No. 333-166520, Form S-3 No. 333-165874, Form S-3 No. 333-161860, Form S-3 No. 333-156946, Form S-3 No. 333-154730, Form S-3 No. 333-144481, Form S-3 No. 033-78060, 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 May 5, 2016 relating to the unaudited consolidated interim financial statements of Union Bankshares Corporation that are included in its Form 10-Q for the quarter ended March 31,2016.

Under Rule 436(c) of the 1933 Act, our report is 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
May 5, 2016

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: May 5, 2016

/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: May 5, 2016

/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 March 31, 2016 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

May 5, 2016

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.