

# Union Bankshares Reports Fourth Quarter and Full Year Results

RICHMOND, Va., Jan. 24, 2017 (GLOBE NEWSWIRE) -- Union Bankshares Corporation (the "Company" or "Union") (NASDAQ:UBSH) today reported net income of \$20.8 million and earnings per share of \$0.48 for its fourth quarter ended December 31, 2016. The quarterly results represent an increase of \$3.0 million, or 16.6%, in net income and an increase of \$0.08, or 20.0%, in earnings per share from the fourth quarter of 2015. For the year ended December 31, 2016, net income was \$77.5 million and earnings per share was \$1.77, an increase of \$10.4 million, or 15.5%, and \$0.28, or 18.8%, respectively, compared to the results for the year ended December 31, 2015.

*"2016 was a year of growth and change for Union," said John C. Asbury, president and chief executive officer for Union Bankshares Corporation. "With double digit gains in net income, earnings per share and loans for the year, the company showed impressive growth in 2016 and demonstrated the earnings power of the bank. Union made meaningful progress on its goal of achieving top tier financial performance by posting solid gains in our return on assets and return on tangible common equity profitability ratios from the prior year. Improving efficiency, along with diversifying the loan portfolio, growing core deposits to fund loan growth, and finalizing the work already underway to cross the \$10 billion threshold will be focus areas for Union in 2017."*

*I also want to personally thank Billy Beale for his service and dedication to Union over the past 25 years and for the remarkably smooth leadership transition. The company is well positioned to continue to deliver long term shareholder value thanks to Billy's leadership and we look forward to his continuing contributions to the Company as a board member and an advisor going forward."*

Select highlights for the fourth quarter and full year of 2016 include:

- Net income for the community bank segment was \$20.4 million, or \$0.47 per share, for the fourth quarter, compared to \$17.9 million, or \$0.40 per share, for the same quarter in 2015. Net income for the community bank segment for the year ended December 31, 2016 was \$75.7 million, or \$1.73 per share, compared to net income of \$67.3 million, or \$1.49 per share for the year ended December 31, 2015.
- The mortgage segment reported net income of \$382,000, or \$0.01 per share, for the fourth quarter, compared to a net loss of \$90,000 in the fourth quarter 2015. Net income for the mortgage segment for the year ended December 31, 2016 was \$1.8 million, or \$0.04 per share, compared to a net loss of \$202,000 for the year ended December 31, 2015.
- Return on Average Assets ("ROA") was 0.99% for the quarter ended December 31, 2016 compared to ROA of 1.00% for the prior quarter and 0.93% for the fourth quarter of 2015. Return on Average Tangible Common Equity ("ROTCE") was 12.05% for the quarter ended December 31, 2016 compared to ROTCE of 12.00% for the prior quarter and 10.38% for the fourth quarter of 2015.

- Loans held for investment grew \$158.1 million, or 10.3% (annualized), from September 30, 2016 and increased \$635.6 million, or 11.2%, from December 31, 2015. Average loans increased \$180.4 million, or 12.0% (annualized), from the prior quarter and increased \$601.7 million, or 10.7%, from the same quarter in the prior year.
- Period-end deposits increased \$121.0 million, or 7.7% (annualized), from September 30, 2016 and grew \$415.6 million, or 7.0%, from December 31, 2015. Average deposits increased \$105.1 million, or 6.8% (annualized), from the prior quarter and increased \$404.6 million, or 6.9%, from the same quarter in the prior year.
- During the fourth quarter of 2016, the Company issued \$150.0 million of fixed-to-floating rate subordinated debt with a maturity date of December 15, 2026. The notes were sold at par resulting in net proceeds, after discounts and offering expenses, of approximately \$148.0 million.

## NET INTEREST INCOME

Tax-equivalent net interest income was \$71.5 million, an increase of \$2.0 million from the third quarter, driven by both higher earning asset balances and higher yields on earning assets. The fourth quarter tax-equivalent net interest margin increased 2 basis points to 3.78% from 3.76% in the previous quarter. Core tax-equivalent net interest margin (which excludes the 8 and 9 basis point impact of acquisition accounting accretion in the current and prior quarter, respectively) increased by 3 basis points to 3.70% from 3.67% in the previous quarter. The increase in the core tax-equivalent net interest margin was principally due to the 5 basis point increase in interest-earning asset yields offset by the 2 basis point increase in cost of funds. The increase in interest-earnings asset yields was primarily driven by higher loan yields in the current quarter.

The Company's tax-equivalent net interest margin includes the impact of acquisition accounting fair value adjustments. During the fourth quarter, net accretion related to acquisition accounting increased \$90,000, or 5.9%, from the prior quarter to \$1.6 million for the quarter ended December 31, 2016 due to higher than expected acquired loan balance paydowns. The third quarter, fourth quarter, and full year of 2016 and remaining estimated net accretion impact are reflected in the following table (dollars in thousands):

|  | Loan Accretion | Borrowings<br>Accretion<br>(Amortization) | Total    |
|--|----------------|---|----------|
| For the quarter ended September 30, 2016 | \$ 1,338       | \$ 181                                    | \$ 1,519 |
| For the quarter ended December 31, 2016  | 1,538          | 71  | 1,609    |
| For the year ended December 31, 2016     | 5,218          | 458                                       | 5,676    |
| For the years ending:                    |                |   |          |
| 2017                                     | 4,657          | 170                                       | 4,827    |
| 2018                                     | 4,120          | (143 )                                    | 3,977    |
| 2019                                     | 3,320          | (286 )                                    | 3,034    |
| 2020                                     | 2,810          | (301 )                                    | 2,509    |
| 2021                                     | 2,236          | (316 )                                    | 1,920    |
| Thereafter                               | 8,461          | (5,306 )                                  | 3,155    |

## ASSET QUALITY/LOAN LOSS PROVISION

### Overview

During the fourth quarter, the Company experienced declines in nonperforming asset

balances as well as in net charge-off levels from the prior quarter and the prior year. Past due loans levels were consistent with the prior quarter and down from the prior year. The loan loss provision decreased from prior periods due to lower levels of net charge-offs and improving credit quality metrics, while the allowance for loan loss increased from prior periods due to loan growth.

All nonaccrual and past due loan metrics discussed below exclude purchased credit impaired ("PCI") loans totaling \$59.3 million (net of fair value mark of \$14.3 million).

### *Nonperforming Assets ("NPAs")*

At December 31, 2016, NPAs totaled \$20.1 million, a decrease of \$7.2 million, or 26.4%, from December 31, 2015 and a decline of \$3.2 million, or 13.8%, from September 30, 2016. In addition, NPAs as a percentage of total outstanding loans declined 16 basis points from 0.48% a year earlier and decreased 6 basis points from 0.38% last quarter to 0.32% in the current quarter. The following table shows a summary of asset quality balances at the quarter ended (dollars in thousands):

|                                       | December 31,<br>2016 | September 30,<br>2016 | June 30,<br>2016 | March 31,<br>2016 | December 31,<br>2015 |
|---------------------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|
| Nonaccrual loans, excluding PCI loans | \$ 9,973             | \$ 12,677             | \$ 10,861        | \$ 13,092         | \$ 11,936            |
| Foreclosed properties                 | 7,430                | 7,927                 | 10,076           | 10,941            | 11,994               |
| Former bank premises                  | 2,654                | 2,654                 | 3,305            | 3,305             | 3,305                |
| Total nonperforming assets            | <u>\$ 20,057</u>     | <u>\$ 23,258</u>      | <u>\$ 24,242</u> | <u>\$ 27,338</u>  | <u>\$ 27,235</u>     |

The following table shows the activity in nonaccrual loans for the quarter ended (dollars in thousands):

|                                    | December 31,<br>2016 | September 30,<br>2016 | June 30,<br>2016 | March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|
| Beginning Balance                  | \$ 12,677            | \$ 10,861             | \$ 13,092        | \$ 11,936         | \$ 12,966            |
| Net customer payments              | (1,451 )             | (1,645 )              | (2,859 )         | (1,204 )          | (1,493 )             |
| Additions                          | 1,094                | 4,359                 | 2,568            | 5,150             | 2,344                |
| Charge-offs                        | (1,216 )             | (660 )                | (1,096 )         | (1,446 )          | (1,245 )             |
| Loans returning to accruing status | (1,039 )             | (23 )                 | (396 )           | (932 )            | (402 )               |
| Transfers to OREO                  | (92 )                | (215 )                | (448 )           | (412 )            | (234 )               |
| Ending Balance                     | <u>\$ 9,973</u>      | <u>\$ 12,677</u>      | <u>\$ 10,861</u> | <u>\$ 13,092</u>  | <u>\$ 11,936</u>     |

The following table shows the activity in other real estate owned ("OREO") for the quarter ended (dollars in thousands):

|                                   | December 31,<br>2016 | September 30,<br>2016 | June 30,<br>2016 | March 31,<br>2016 | December 31,<br>2015 |
|-----------------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|
| Beginning Balance                 | \$ 10,581            | \$ 13,381             | \$ 14,246        | \$ 15,299         | \$ 22,094            |
| Additions of foreclosed property  | 859                  | 246                   | 501              | 456               | 234                  |
| Additions of former bank premises | —                    | —                     | —                | —                 | 1,822                |
| Valuation adjustments             | (138 )               | (479 )                | (274 )           | (126 )            | (4,229 )             |
| Proceeds from sales               | (1,282 )             | (2,844 )              | (1,086 )         | (1,390 )          | (4,961 )             |
|                                   | 64                   | 277                   | (6 )             | 7                 | 339                  |
| Gains (losses) from sales         |                      |                       |                  |                   |                      |
| Ending Balance                    | <u>\$ 10,084</u>     | <u>\$ 10,581</u>      | <u>\$ 13,381</u> | <u>\$ 14,246</u>  | <u>\$ 15,299</u>     |

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

### *Past Due Loans*

Past due loans still accruing interest totaled \$27.9 million, or 0.44% of total loans, at December 31, 2016 compared to \$42.9 million, or 0.76%, a year ago and \$26.9 million, or 0.44%, at September 30, 2016. At December 31, 2016, loans past due 90 days or more and accruing interest totaled \$3.0 million, or 0.05% of total loans, compared to \$5.8 million, or 0.10%, a year ago and \$3.5 million, or 0.06%, at September 30, 2016.

### *Net Charge-offs*

For the fourth quarter, net charge-offs were \$824,000, or 0.05% on an annualized basis, compared to \$1.2 million, or 0.09%, for the same quarter last year and \$929,000, or 0.06%, for the prior quarter. For the year ended December 31, 2016, net charge-offs were \$5.5 million, or 0.09%, compared to \$7.6 million, or 0.13%, for the prior year.

### *Provision*

The provision for loan losses for the current quarter was \$1.5 million, a decrease of \$536,000 compared to the same quarter a year ago and a decline of \$923,000 compared to the previous quarter. The decrease in provision for loan losses in the current quarter compared to the prior periods was primarily driven by lower net charge-off levels and improving credit quality metrics. Additionally, a \$250,000 provision was recognized during the current quarter for unfunded loan commitments, resulting in a total of \$1.7 million in provision for credit losses for the quarter.

### *Allowance for Loan Losses*

The allowance for loan losses ("ALL") increased \$650,000 from September 30, 2016 to \$37.2 million at December 31, 2016 primarily due to loan growth during the quarter. The ALL as a percentage of the total loan portfolio was 0.59% at December 31, 2016, 0.59% at September 30, 2016, and 0.60% at December 31, 2015. The ALL as a percentage of the total loan portfolio, adjusted for acquisition accounting (non-GAAP), was 0.86% at December 31, 2016, a decrease from 0.90% from the prior quarter and a decrease from 0.98% from the quarter ended December 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 372.9% at December 31, 2016, compared to 288.3% at September 30, 2016 and 285.3% at December 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.

## **NONINTEREST INCOME**

Noninterest income decreased \$900,000, or 4.7%, to \$18.1 million for the quarter ended December 31, 2016 from \$19.0 million in the prior quarter, primarily driven by lower mortgage banking income of \$578,000, lower insurance-related income of \$151,000, declines in customer-related fee income of \$116,000 primarily driven by lower letter of credit fees, and decreases in loan swap fees of \$105,000.

Mortgage banking income decreased \$578,000, or 18.0%, to \$2.6 million in the fourth quarter compared to \$3.2 million in the third quarter, related to decreased mortgage loan

originations and fair value adjustments associated with the interest rate lock derivative. The fair value of the interest rate lock derivative declined \$516,000 in the current quarter, compared to an increase of \$64,000 in the prior quarter, as a result of lower levels of locked mortgage balances at year-end. Mortgage loan originations decreased by \$11.3 million, or 7.2%, in the current quarter to \$145.3 million from \$156.7 million in the third quarter. Of the mortgage loan originations in the current quarter, 49.2% were refinances compared with 33.8% in the prior quarter.

## **NONINTEREST EXPENSE**

Noninterest expense decreased \$646,000, or 1.1%, to \$56.3 million for the quarter ended December 31, 2016 from \$56.9 million in the prior quarter. Salaries and benefits expenses declined by \$451,000 primarily due to lower levels of incentive compensation expense. Other declines in noninterest expense were driven by \$400,000 in branch closure costs incurred in the prior quarter, lower loan-related expenses of \$379,000 due to lower appraisal expenses, reduced levels of professional fees of \$242,000, and lower amortization of intangible assets of \$101,000. These lower expenses were partially offset by approximately \$900,000 in increased franchise tax expenses driven by a one-time tax credit recognized in the prior quarter related to the Company's investment in a historic rehabilitation project.

## **INCOME TAXES**

The effective tax rate for the fourth quarter was 27.5% compared to 23.3% in the third quarter. The increase in the effective tax rate was primarily driven by a one-time tax credit recognized in the prior quarter related to the Company's investment in a historic rehabilitation project and proportionately higher levels of taxable income compared to tax-exempt income. The effective tax rate for the year ended December 31, 2016 was 25.7% compared to 25.8% in the prior year.

## **BALANCE SHEET**

At December 31, 2016, total assets were \$8.4 billion, an increase of \$168.6 million from September 30, 2016 and an increase of \$733.5 million from December 31, 2015. The increase in assets was mostly related to loan growth.

At December 31, 2016, loans held for investment were \$6.3 billion, an increase of \$158.1 million, or 10.3% (annualized), from September 30, 2016, while average loans increased \$180.4 million, or 12.0% (annualized), from the prior quarter. Loans held for investment increased \$635.6 million, or 11.2%, from December 31, 2015, while quarterly average loans increased \$601.7 million, or 10.7%, from the prior year.

At December 31, 2016, total deposits were \$6.4 billion, an increase of \$121.0 million, or 7.7% (annualized), from September 30, 2016, while average deposits increased \$105.1 million, or 6.8% (annualized), from the prior quarter. Total deposits grew \$415.6 million, or 7.0%, from December 31, 2015, while quarterly average deposits increased \$404.6 million, or 6.9%, from the prior year.

At December 31, 2016, long-term borrowings were \$413.3 million, an increase of \$153.4 million from September 30, 2016, as a result of \$150.0 million of fixed-to-floating subordinated debt issued in the fourth quarter.

At December 31, 2016, September 30, 2016, and December 31, 2015, respectively, the Company had a common equity Tier 1 capital ratio of 9.72%, 9.78%, and 10.55%; a Tier 1 capital ratio of 10.98%, 11.07%, and 11.93%; a total capital ratio of 13.59%, 11.60%, and 12.46%; and a leverage ratio of 9.87%, 9.89%, and 10.68%.

The Company's common equity to asset ratios at December 31, 2016, September 30, 2016, and December 31, 2015 were 11.88%, 12.12%, and 12.94%, respectively, while its tangible common equity to tangible assets ratio was 8.41%, 8.57%, and 9.20%, respectively.

During the fourth quarter of 2016, the Company declared and paid cash dividends of \$0.20 per common share, an increase of \$0.01, or 5.3%, compared to prior quarter and the same quarter in the prior year.

## **ABOUT UNION BANKSHARES CORPORATION**

Headquartered in Richmond, Virginia, Union Bankshares Corporation (NASDAQ:UBSH) is the holding company for Union Bank & Trust, which has 114 banking offices and approximately 185 ATMs located throughout Virginia. Non-bank affiliates of the holding company include: Union Mortgage Group, Inc., which provides a full line of mortgage products, Old Dominion Capital Management, Inc., which provides investment advisory services, and Union Insurance Group, LLC, which offers various lines of insurance products.

Additional information on the Company is available at <http://investors.bankatunion.com>.

Union Bankshares Corporation will hold a conference call on Tuesday, January 24th, at 9:00 a.m. Eastern Time during which management will review earnings and performance trends. Callers wishing to participate may call toll-free by dialing (877) 668-4908. The conference ID number is 49841348.

## **NON-GAAP MEASURES**

In reporting the results of the quarter ended December 31, 2016, the Company has provided supplemental performance measures on a tangible or tax-equivalent basis. These measures are a supplement to GAAP used to prepare the Company's financial statements and should not be considered in isolation or as a substitute for comparable measures calculated in accordance with GAAP. In addition, the Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this press release 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, are based on certain assumptions as of the time they are made, and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Such statements are often characterized by the use of qualified words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," "may," "view," "opportunity," "potential," 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:

- changes in interest rates,
- general economic and financial market conditions,
- the Company's ability to manage its growth or implement its growth strategy,
- levels of unemployment in the Bank's lending area,
- real estate values in the Bank's lending area,
- an insufficient allowance for loan losses,
- the quality or composition of the loan or investment portfolios,
- concentrations of loans secured by real estate, particularly commercial real estate,
- the effectiveness of the Company's credit processes and management of the Company's credit risk,
- demand for loan products and financial services in the Company's market area,
- the Company's ability to compete in the market for financial services,
- technological risks and developments, and cyber attacks or events,
- performance by the Company's counterparties or vendors,
- deposit flows,
- the availability of financing and the terms thereof,
- the level of prepayments on loans and mortgage-backed securities,
- legislative or regulatory changes and requirements,
- monetary and fiscal policies of the U.S. government including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System, and
- accounting principles and guidelines.

More information on risk factors that could affect the Company's forward-looking statements is available on the Company's website, <http://investors.bankatunion.com> or the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and other reports filed with the SEC. The information on the Company's website is not a part of this press release. All risk factors and uncertainties described in those documents should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. 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.

#### UNION BANKSHARES CORPORATION AND SUBSIDIARIES

##### KEY FINANCIAL RESULTS

*(Dollars in thousands, except share data)*

*(FTE - "Fully Taxable Equivalent")*

|                              | Three Months Ended |           |           | Year Ended |            |
|------------------------------|--------------------|-----------|-----------|------------|------------|
|                              | 12/31/16           | 9/30/16   | 12/31/15  | 12/31/16   | 12/31/15   |
| <b>Results of Operations</b> |                    |           |           |            |            |
| Interest and dividend income | \$ 76,957          | \$ 74,433 | \$ 69,317 | \$ 294,920 | \$ 276,771 |

|   |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| Interest expense                                      | 8,342            | 7,405            | 6,712            | 29,770           | 24,937           |
| Net interest income                                   | 68,615           | 67,028           | 62,605           | 265,150          | 251,834          |
| Provision for credit losses                           | 1,723            | 2,472            | 2,010            | 9,100            | 9,571            |
| Net interest income after provision for credit losses | 66,892           | 64,556           | 60,595           | 256,050          | 242,263          |
| Noninterest income                                    | 18,050           | 18,950           | 17,016           | 70,907           | 65,007           |
| Noninterest expenses                                  | 56,267           | 56,913           | 54,476           | 222,703          | 216,882          |
| Income before income taxes                            | 28,675           | 26,593           | 23,135           | 104,254          | 90,388           |
| Income tax expense                                    | 7,899            | 6,192            | 5,321            | 26,778           | 23,309           |
| Net income  | <u>\$ 20,776</u> | <u>\$ 20,401</u> | <u>\$ 17,814</u> | <u>\$ 77,476</u> | <u>\$ 67,079</u> |

|  |           |           |           |            |            |
|--|-----------|-----------|-----------|------------|------------|
| Interest earned on earning assets (FTE)  | \$ 79,833 | \$ 76,860 | \$ 71,655 | \$ 305,164 | \$ 285,850 |
| Net interest income (FTE) <sup>(1)</sup> | 71,491    | 69,455    | 64,943    | 275,394    | 260,913    |
| Core deposit intangible amortization     | 1,621     | 1,683     | 2,010     | 6,930      | 8,445      |
| Net income - community bank segment      | \$ 20,394 | \$ 19,616 | \$ 17,904 | \$ 75,716  | \$ 67,281  |
| Net income (loss) - mortgage segment     | 382       | 785       | (90 )     | 1,760      | (202 )     |

#### **Key Ratios**

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Earnings per common share, diluted                              | \$ 0.48 | \$ 0.47 | \$ 0.40 | \$ 1.77 | \$ 1.49 |
| Return on average assets (ROA)                                  | 0.99 %  | 1.00 %  | 0.93 %  | 0.96 %  | 0.90 %  |
| Return on average equity (ROE)                                  | 8.22 %  | 8.14 %  | 7.08 %  | 7.79 %  | 6.76 %  |
| Return on average tangible common equity (ROTCE) <sup>(4)</sup> | 12.05 % | 12.00 % | 10.38 % | 11.45 % | 10.00 % |
| Efficiency ratio  | 64.92 % | 66.19 % | 68.42 % | 66.27 % | 68.45 % |
| Efficiency ratio (FTE) <sup>(1)</sup>                           | 62.84 % | 64.38 % | 66.47 % | 64.31 % | 66.54 % |
| Net interest margin   | 3.63 %  | 3.63 %  | 3.63 %  | 3.66 %  | 3.75 %  |
| Net interest margin (FTE) <sup>(1)</sup>                        | 3.78 %  | 3.76 %  | 3.76 %  | 3.80 %  | 3.89 %  |
| Yields on earning assets (FTE)                                  | 4.23 %  | 4.16 %  | 4.15 %  | 4.21 %  | 4.26 %  |
| Cost of interest-bearing liabilities (FTE)                      | 0.57 %  | 0.52 %  | 0.51 %  | 0.53 %  | 0.48 %  |
| Cost of funds (FTE)   | 0.45 %  | 0.40 %  | 0.39 %  | 0.41 %  | 0.37 %  |
| Net interest margin, core (FTE) <sup>(2)</sup>                  | 3.70 %  | 3.67 %  | 3.69 %  | 3.72 %  | 3.79 %  |
| Yields on earning assets (FTE), core <sup>(2)</sup>             | 4.14 %  | 4.09 %  | 4.08 %  | 4.14 %  | 4.19 %  |
| Cost of interest-bearing liabilities (FTE), core <sup>(2)</sup> | 0.58 %  | 0.53 %  | 0.52 %  | 0.54 %  | 0.53 %  |
| Cost of funds (FTE), core <sup>(2)</sup>                        | 0.44 %  | 0.42 %  | 0.39 %  | 0.42 %  | 0.40 %  |

#### **Per Share Data**

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Earnings per common share, basic                    | \$ 0.48    | \$ 0.47    | \$ 0.40    | \$ 1.77    | \$ 1.49    |
| Earnings per common share, diluted                  | 0.48       | 0.47       | 0.40       | 1.77       | 1.49       |
| Cash dividends paid per common share                | 0.20       | 0.19       | 0.19       | 0.77       | 0.68       |
| Market value per share                              | 35.74      | 26.77      | 25.24      | 35.74      | 25.24      |
| Book value per common share                         | 23.15      | 23.18      | 22.38      | 23.15      | 22.38      |
| Tangible book value per common share <sup>(4)</sup> | 15.78      | 15.75      | 15.25      | 15.78      | 15.25      |
| Price to earnings ratio, diluted                    | 18.72      | 14.32      | 15.90      | 20.19      | 16.94      |
| Price to book value per common share ratio          | 1.54       | 1.15       | 1.13       | 1.54       | 1.13       |
| Price to tangible common share ratio                | 2.26       | 1.70       | 1.66       | 2.26       | 1.66       |
| Weighted average common shares outstanding, basic   | 46,577,634 | 43,565,937 | 44,899,629 | 43,784,193 | 45,054,938 |
| Weighted average common shares outstanding, diluted | 43,659,416 | 43,754,915 | 44,988,577 | 43,890,271 | 45,138,891 |
| Common shares outstanding at end of period          | 43,609,317 | 43,556,486 | 44,785,674 | 43,609,317 | 44,785,674 |

|                              | Three Months Ended |         |          | Year Ended |          |
|------------------------------|--------------------|---------|----------|------------|----------|
|                              | 12/31/16           | 9/30/16 | 12/31/15 | 12/31/16   | 12/31/15 |
| <b><u>Capital Ratios</u></b> |                    |         |          |            |          |



|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Common equity Tier 1 capital ratio <sup>(3)</sup>                | 9.72 %  | 9.78 %  | 10.55 % | 9.72 %  | 10.55 % |
| Tier 1 capital ratio <sup>(3)</sup>                              | 10.98 % | 11.07 % | 11.93 % | 10.98 % | 11.93 % |
| Total capital ratio <sup>(3)</sup>                               | 13.59 % | 11.60 % | 12.46 % | 13.59 % | 12.46 % |
| Leverage ratio (Tier 1 capital to average assets) <sup>(3)</sup> | 9.87 %  | 9.89 %  | 10.68 % | 9.87 %  | 10.68 % |
| Common equity to total assets                                    | 11.88 % | 12.12 % | 12.94 % | 11.88 % | 12.94 % |
| Tangible common equity to tangible assets <sup>(4)</sup>         | 8.41 %  | 8.57 %  | 9.20 %  | 8.41 %  | 9.20 %  |

#### **Financial Condition**

|                                       |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Assets                                | \$ 8,426,793 | \$ 8,258,230 | \$ 7,693,291 | \$ 8,426,793 | \$ 7,693,291 |
| Loans held for investment             | 6,307,060    | 6,148,918    | 5,671,462    | 6,307,060    | 5,671,462    |
| Earning Assets                        | 7,611,098    | 7,466,956    | 6,900,023    | 7,611,098    | 6,900,023    |
| Goodwill                              | 298,191      | 298,191      | 293,522      | 298,191      | 293,522      |
| Amortizable intangibles, net          | 20,602       | 22,343       | 23,310       | 20,602       | 23,310       |
| Deposits                              | 6,379,489    | 6,258,506    | 5,963,936    | 6,379,489    | 5,963,936    |
| Stockholders' equity                  | 1,001,032    | 1,000,964    | 955,367      | 1,001,032    | 995,367      |
| Tangible common equity <sup>(4)</sup> | 682,239      | 680,430      | 678,535      | 682,239      | 678,535      |

#### **Loans held for investment, net of deferred fees and costs**

|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| Construction and land development           | \$ 751,131   | \$ 776,430   | \$ 749,720   | \$ 751,131   | \$ 749,720   |
| Commercial real estate - owner occupied     | 857,805      | 857,142      | 860,086      | 857,805      | 860,086      |
| Commercial real estate - non-owner occupied | 1,564,295    | 1,454,828    | 1,270,480    | 1,564,295    | 1,270,480    |
| Multifamily real estate                     | 334,276      | 339,313      | 322,528      | 334,276      | 322,528      |
| Commercial & Industrial                     | 551,526      | 509,857      | 435,365      | 551,526      | 435,365      |
| Residential 1-4 Family                      | 1,029,547    | 999,361      | 978,469      | 1,029,547    | 978,469      |
| Auto  | 262,071      | 255,188      | 234,061      | 262,071      | 234,061      |
| HELOC                                       | 526,884      | 524,097      | 516,726      | 526,884      | 516,726      |
| Consumer and all other                      | 429,525      | 432,702      | 304,027      | 429,525      | 304,027      |
| Total loans held for investment             | \$ 6,307,060 | \$ 6,148,918 | \$ 5,671,462 | \$ 6,307,060 | \$ 5,671,462 |

#### **Deposits**

|                                     |              |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| NOW accounts                        | \$ 1,765,956 | \$ 1,635,446 | \$ 1,521,906 | \$ 1,765,956 | \$ 1,521,906 |
| Money market accounts               | 1,435,591    | 1,398,177    | 1,312,612    | 1,435,591    | 1,312,612    |
| Savings accounts                    | 591,742      | 596,702      | 572,800      | 591,742      | 572,800      |
| Time deposits of \$100,000 and over | 530,275      | 528,227      | 514,286      | 530,275      | 514,286      |
| Other time deposits                 | 662,300      | 657,686      | 669,395      | 662,300      | 669,395      |
| Total interest-bearing deposits     | \$ 4,985,864 | \$ 4,816,238 | \$ 4,590,999 | \$ 4,985,864 | \$ 4,590,999 |
| Demand deposits                     | 1,393,625    | 1,442,268    | 1,372,937    | 1,393,625    | 1,372,937    |
| Total deposits                      | \$ 6,379,489 | \$ 6,258,506 | \$ 5,963,936 | \$ 6,379,489 | \$ 5,963,936 |

#### **Averages**

|                                       |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Assets                                | \$ 8,312,750 | \$ 8,153,951 | \$ 7,624,416 | \$ 8,046,305 | \$ 7,492,895 |
| Loans held for investment             | 6,214,084    | 6,033,723    | 5,612,366    | 5,956,125    | 5,487,367    |
| Loans held for sale                   | 43,594       | 42,755       | 35,402       | 36,126       | 40,524       |
| Securities                            | 1,202,125    | 1,218,552    | 1,149,817    | 1,202,692    | 1,143,816    |
| Earning assets                        | 7,514,979    | 7,354,684    | 6,845,071    | 7,249,090    | 6,713,239    |
| Deposits                              | 6,310,025    | 6,204,958    | 5,905,406    | 6,110,789    | 5,768,213    |
| Certificates of deposit               | 1,192,253    | 1,181,936    | 1,196,127    | 1,177,732    | 1,231,593    |
| Interest-bearing deposits             | 4,885,428    | 4,796,505    | 4,536,643    | 4,722,573    | 4,471,870    |
| Borrowings                            | 927,218      | 884,597      | 659,567      | 877,602      | 675,819      |
| Interest-bearing liabilities          | 5,812,646    | 5,681,102    | 5,196,210    | 5,600,174    | 5,147,689    |
| Stockholders' equity                  | 1,005,769    | 996,668      | 998,590      | 994,785      | 991,977      |
| Tangible common equity <sup>(4)</sup> | 686,143      | 676,308      | 680,801      | 676,654      | 671,071      |

|   | Three Months Ended |                  |                  | Year Ended       |                  |
|---|--------------------|------------------|------------------|------------------|------------------|
|   | 12/31/16           | 9/30/16          | 12/31/15         | 12/31/16         | 12/31/15         |
| <b><u>Asset Quality</u></b>   |                    |                  |                  |                  |                  |
| <b><u>Allowance for Loan Losses (ALL)</u></b>                                     |                    |                  |                  |                  |                  |
| Beginning balance   | \$ 36,542          | \$ 35,074        | \$ 33,269        | \$ 34,047        | \$ 32,384        |
| Add: Recoveries   | 1,003              | 534              | 933              | 3,025            | 3,927            |
| Less: Charge-offs   | 1,827              | 1,463            | 2,165            | 8,555            | 11,535           |
| Add: Provision for loan losses  | 1,474              | 2,397            | 2,010            | 8,675            | 9,271            |
| Ending balance  | <u>\$ 37,192</u>   | <u>\$ 36,542</u> | <u>\$ 34,047</u> | <u>\$ 37,192</u> | <u>\$ 34,047</u> |
| ALL / total outstanding loans   | 0.59 %             | 0.59 %           | 0.60 %           | 0.59 %           | 0.60 %           |
| ALL / total outstanding loans, adjusted for acquisition accounting <sup>(5)</sup> | 0.86 %             | 0.90 %           | 0.98 %           | 0.86 %           | 0.98 %           |
| Net charge-offs / total average loans   | 0.05 %             | 0.06 %           | 0.09 %           | 0.09 %           | 0.13 %           |
| Provision / total average loans   | 0.09 %             | 0.16 %           | 0.14 %           | 0.15 %           | 0.16 %           |
| Total PCI Loans   | \$ 59,292          | \$ 62,346        | \$ 73,737        | \$ 59,292        | \$ 73,737        |
| <b><u>Nonperforming Assets</u></b>  |                    |                  |                  |                  |                  |
| Construction and land development   | \$ 2,037           | \$ 2,301         | \$ 2,113         | \$ 2,037         | \$ 2,113         |
| Commercial real estate - owner occupied   | 794                | 1,609            | 3,904            | 794              | 3,904            |
| Commercial real estate - non-owner occupied                                       | —                  | —                | 100              | —                | 100              |
| Commercial & Industrial   | 124                | 1,344            | 429              | 124              | 429              |
| Residential 1-4 Family  | 5,279              | 5,279            | 3,563            | 5,279            | 3,563            |
| Auto  | 169                | 231              | 192              | 169              | 192              |
| HELOC   | 1,279              | 1,464            | 1,348            | 1,279            | 1,348            |
| Consumer and all other  | 291                | 449              | 287              | 291              | 287              |
| Nonaccrual loans  | <u>\$ 9,973</u>    | <u>\$ 12,677</u> | <u>\$ 11,936</u> | <u>\$ 9,973</u>  | <u>\$ 11,936</u> |
| Other real estate owned   | 10,084             | 10,581           | 15,299           | 10,084           | 15,299           |
| Total nonperforming assets (NPAs)   | <u>\$ 20,057</u>   | <u>\$ 23,258</u> | <u>\$ 27,235</u> | <u>\$ 20,057</u> | <u>\$ 27,235</u> |
| Construction and land development   | \$ 76              | \$ 610           | \$ 128           | \$ 76            | \$ 128           |
| Commercial real estate - owner occupied   | 35                 | 304              | 103              | 35               | 103              |
| Commercial real estate - non-owner occupied                                       | —                  | —                | 723              | —                | 723              |
| Multifamily real estate   | —                  | —                | 272              | —                | 272              |
| Commercial & Industrial   | 9                  | 77               | 124              | 9                | 124              |
| Residential 1-4 Family  | 2,048              | 2,005            | 3,638            | 2,048            | 3,638            |
| Auto  | 111                | 28               | 60               | 111              | 60               |
| HELOC   | 635                | 407              | 762              | 635              | 762              |
| Consumer and all other  | 91                 | 98               | 19               | 91               | 19               |
| Loans ≥ 90 days and still accruing  | <u>\$ 3,005</u>    | <u>\$ 3,529</u>  | <u>\$ 5,829</u>  | <u>\$ 3,005</u>  | <u>\$ 5,829</u>  |
| Total NPAs and loans ≥ 90 days  | <u>\$ 23,062</u>   | <u>\$ 26,787</u> | <u>\$ 33,064</u> | <u>\$ 23,062</u> | <u>\$ 33,064</u> |
| NPAs / total outstanding loans  | 0.32 %             | 0.38 %           | 0.48 %           | 0.32 %           | 0.48 %           |
| NPAs / total assets   | 0.24 %             | 0.28 %           | 0.35 %           | 0.24 %           | 0.35 %           |
| ALL / nonperforming loans   | 372.93 %           | 288.25 %         | 285.25 %         | 372.93 %         | 285.25 %         |
| ALL / nonperforming assets  | 185.43 %           | 157.12 %         | 125.01 %         | 185.43 %         | 125.01 %         |
| <b><u>Troubled Debt Restructurings</u></b>  |                    |                  |                  |                  |                  |
| Performing  | \$ 13,967          | \$ 11,824        | \$ 10,780        | \$ 13,967        | \$ 10,780        |
| Nonperforming   | 1,435              | 1,452            | 1,921            | 1,435            | 1,921            |
| Total troubled debt restructurings  | <u>\$ 15,402</u>   | <u>\$ 13,276</u> | <u>\$ 12,701</u> | <u>\$ 15,402</u> | <u>\$ 12,701</u> |

|                                   | Three Months Ended |         |          | Year Ended |          |
|-----------------------------------|--------------------|---------|----------|------------|----------|
|                                   | 12/31/16           | 9/30/16 | 12/31/15 | 12/31/16   | 12/31/15 |
| <b><u>Past Due Detail</u></b>     |                    |         |          |            |          |
| Construction and land development | \$ 1,162           | \$ 309  | \$ 3,155 | \$ 1,162   | \$ 3,155 |

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Commercial real estate - owner occupied     | 1,842     | 1,411     | 1,714     | 1,842     | 1,714     |
| Commercial real estate - non-owner occupied | 2,369     | 324       | 771       | 2,369     | 771       |
| Multifamily real estate                     | 147       | —         | —         | 147       | —         |
| Commercial & Industrial                     | 759       | 567       | 1,056     | 759       | 1,056     |
| Residential 1-4 Family                      | 7,038     | 4,985     | 15,023    | 7,038     | 15,023    |
| Auto  | 2,570     | 1,846     | 2,312     | 2,570     | 2,312     |
| HELOC                                       | 1,836     | 2,600     | 2,589     | 1,836     | 2,589     |
| Consumer and all other                      | 2,522     | 1,713     | 1,167     | 2,522     | 1,167     |
| Loans 30-59 days past due                   | \$ 20,245 | \$ 13,755 | \$ 27,787 | \$ 20,245 | \$ 27,787 |
| Construction and land development           | \$ 232    | \$ 697    | \$ 380    | \$ 232    | \$ 380    |
| Commercial real estate - owner occupied     | 109       | 365       | 118       | 109       | 118       |
| Commercial real estate - non-owner occupied | —         | —         | —         | —         | —         |
| Commercial & Industrial                     | 858       | 51        | 27        | 858       | 27        |
| Residential 1-4 Family                      | 534       | 6,345     | 6,774     | 534       | 6,774     |
| Auto  | 317       | 239       | 233       | 317       | 233       |
| HELOC                                       | 1,140     | 899       | 1,112     | 1,140     | 1,112     |
| Consumer and all other                      | 1,431     | 1,037     | 689       | 1,431     | 689       |
| Loans 60-89 days past due                   | \$ 4,621  | \$ 9,633  | \$ 9,333  | \$ 4,621  | \$ 9,333  |

**Alternative Performance Measures (non-GAAP)**

**Tangible Assets**

|                                      |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Ending assets                        | \$ 8,426,793 | \$ 8,258,230 | \$ 7,693,291 | \$ 8,426,793 | \$ 7,693,291 |
| Less: Ending goodwill                | 298,191      | 298,191      | 293,522      | 298,191      | 293,522      |
| Less: Ending amortizable intangibles | 20,602       | 22,343       | 23,310       | 20,602       | 23,310       |
| Ending tangible assets (non-GAAP)    | \$ 8,108,000 | \$ 7,937,696 | \$ 7,376,459 | \$ 8,108,000 | \$ 7,376,459 |

**Tangible Common Equity <sup>(4)</sup>**

|   |              |              |            |              |            |
|---|--------------|--------------|------------|--------------|------------|
| Ending equity                             | \$ 1,001,032 | \$ 1,000,964 | \$ 995,367 | \$ 1,001,032 | \$ 995,367 |
| Less: Ending goodwill                     | 298,191      | 298,191      | 293,522    | 298,191      | 293,522    |
| Less: Ending amortizable intangibles      | 20,602       | 22,343       | 23,310     | 20,602       | 23,310     |
| Ending tangible common equity (non-GAAP)  | \$ 682,239   | \$ 680,430   | \$ 678,535 | \$ 682,239   | \$ 678,535 |
| Average equity                            | \$ 1,005,769 | \$ 996,668   | \$ 998,590 | \$ 994,785   | \$ 991,977 |
| Less: Average goodwill                    | 298,191      | 297,707      | 293,522    | 296,087      | 293,522    |
| Less: Average amortizable intangibles     | 21,435       | 22,653       | 24,267     | 22,044       | 27,384     |
| Average tangible common equity (non-GAAP) | \$ 686,143   | \$ 676,308   | \$ 680,801 | \$ 676,654   | \$ 671,071 |

**ALL to loans, adjusted for acquisition accounting (non-GAAP)<sup>(5)</sup>**

|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| Allowance for loan losses                                     | \$ 37,192    | \$ 36,542    | \$ 34,047    | \$ 37,192    | \$ 34,047    |
| Remaining fair value mark on purchased performing loans       | 16,939       | 18,154       | 20,819       | 16,939       | 20,819       |
| Adjusted allowance for loan losses                            | \$ 54,131    | \$ 54,696    | \$ 54,866    | \$ 54,131    | \$ 54,866    |
| Loans, net of deferred fees                                   | \$ 6,307,060 | \$ 6,148,918 | \$ 5,671,462 | \$ 6,307,060 | \$ 5,671,462 |
| Remaining fair value mark on purchased performing loans       | 16,939       | 18,154       | 20,819       | 16,939       | 20,819       |
| Less: Purchased credit impaired loans, net of fair value mark | 59,292       | 62,346       | 73,737       | 59,292       | 73,737       |
| Adjusted loans, net of deferred fees                          | \$ 6,264,707 | \$ 6,104,726 | \$ 5,618,544 | \$ 6,264,707 | \$ 5,618,544 |

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| ALL / gross loans, adjusted for acquisition accounting | 0.86 % | 0.90 % | 0.98 % | 0.86 % | 0.98 % |
|--|--------|--------|--------|--------|--------|

|  | Three Months Ended |            |            | Year Ended |            |
|--|--------------------|------------|------------|------------|------------|
|  | 12/31/16           | 9/30/16    | 12/31/15   | 12/31/16   | 12/31/15   |
| <b>Alternative Performance Measures (non-GAAP) continued</b> |                    |            |            |            |            |
| <b>Net interest income (FTE) <sup>(1)</sup></b>              |                    |            |            |            |            |
| Net Interest Income (GAAP)                                   | \$ 68,615          | \$ 67,028  | \$ 62,605  | \$ 265,150 | \$ 251,834 |
| FTE Adjustment   | 2,876              | 2,427      | 2,338      | 10,244     | 9,079      |
| FTE Net Interest Income (non-GAAP)                           | \$ 71,491          | \$ 69,455  | \$ 64,943  | \$ 275,394 | \$ 260,913 |
| <b>Mortgage Origination Volume</b>                           |                    |            |            |            |            |
| Refinance Volume   | \$ 71,454          | \$ 52,883  | \$ 40,943  | \$ 208,674 | \$ 197,665 |
| Construction Volume  | 10,621             | 20,760     | 12,394     | 68,026     | 74,885     |
| Purchase Volume  | 63,249             | 83,014     | 59,702     | 263,571    | 267,572    |
| Total Mortgage loan originations                             | \$ 145,324         | \$ 156,657 | \$ 113,039 | \$ 540,271 | \$ 540,122 |
| % of originations that are refinances                        | 49.2 %             | 33.8 %     | 36.2 %     | 38.6 %     | 36.6 %     |
| <b>Other Data</b>  |                    |            |            |            |            |
| End of period full-time employees                            | 1,416              | 1,391      | 1,422      | 1,416      | 1,422      |
| Number of full-service branches                              | 114                | 115        | 124        | 114        | 124        |
| Number of full automatic transaction machines (ATMs)         | 185                | 193        | 201        | 185        | 201        |

(1) Net interest income (FTE), which is used in computing net interest margin (FTE) and efficiency ratio (FTE), provides valuable additional insight into the net interest margin and the efficiency ratio by adjusting for differences in tax treatment of interest income sources.

(2) The core metrics, FTE, exclude the impact of acquisition accounting accretion and amortization adjustments in net interest income.

(3) All ratios at December 31, 2016 are estimates and subject to change pending the Company's filing of its FR Y9-C. All other periods are presented as filed.

(4) 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.

(5) The allowance for loan losses ratio, adjusted for acquisition accounting (non-GAAP), includes an adjustment for the fair value mark on purchased performing loans. The purchased performing loans are reported net of the related fair value mark in loans, net of deferred fees, on the Company's Consolidated Balance Sheet; 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, 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 are impaired, at which time an allowance for PCI loans will be established. 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.

## UNION BANKSHARES CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

| December 31, | December 31, |
|--------------|--------------|
| 2016         | 2015         |

**ASSETS****Cash and cash equivalents:**

|  |                     |                     |
|--|---------------------|---------------------|
| Cash and due from banks  | \$ 120,758          | \$ 111,323          |
| Interest-bearing deposits in other banks                         | 58,030              | 29,670              |
| Federal funds sold   | 449                 | 1,667               |
| <b>Total cash and cash equivalents</b>                           | <b>179,237</b>      | <b>142,660</b>      |
| <b>Securities available for sale, at fair value</b>              | <b>946,764</b>      | <b>903,292</b>      |
| <b>Securities held to maturity, at carrying value</b>            | <b>201,526</b>      | <b>205,374</b>      |
| <b>Restricted stock, at cost</b>                                 | <b>60,782</b>       | <b>51,828</b>       |
| <b>Loans held for sale, at fair value</b>                        | <b>36,487</b>       | <b>36,030</b>       |
| <b>Loans held for investment, net of deferred fees and costs</b> | <b>6,307,060</b>    | <b>5,671,462</b>    |
| <b>Less allowance for loan losses</b>                            | <b>37,192</b>       | <b>34,047</b>       |
| <b>Net loans held for investment</b>                             | <b>6,269,868</b>    | <b>5,637,415</b>    |
| <b>Premises and equipment, net</b>                               | <b>122,027</b>      | <b>126,028</b>      |
| <b>Other real estate owned, net of valuation allowance</b>       | <b>10,084</b>       | <b>15,299</b>       |
| <b>Goodwill</b>  | <b>298,191</b>      | <b>293,522</b>      |
| <b>Amortizable intangibles, net</b>                              | <b>20,602</b>       | <b>23,310</b>       |
| <b>Bank owned life insurance</b>                                 | <b>179,318</b>      | <b>173,687</b>      |
| <b>Other assets</b>  | <b>101,907</b>      | <b>84,846</b>       |
| <b>Total assets</b>  | <b>\$ 8,426,793</b> | <b>\$ 7,693,291</b> |

**LIABILITIES**

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Noninterest-bearing demand deposits</b>            | <b>\$ 1,393,625</b> | <b>\$ 1,372,937</b> |
| <b>Interest-bearing deposits</b>                      | <b>4,985,864</b>    | <b>4,590,999</b>    |
| <b>Total deposits</b>                                 | <b>6,379,489</b>    | <b>5,963,936</b>    |
| <b>Securities sold under agreements to repurchase</b> | <b>59,281</b>       | <b>84,977</b>       |
| <b>Other short-term borrowings</b>                    | <b>517,500</b>      | <b>304,000</b>      |
| <b>Long-term borrowings</b>                           | <b>413,308</b>      | <b>291,198</b>      |
| <b>Other liabilities</b>                              | <b>56,183</b>       | <b>53,813</b>       |
| <b>Total liabilities</b>                              | <b>7,425,761</b>    | <b>6,697,924</b>    |

**Commitments and contingencies****STOCKHOLDERS' EQUITY**

Common stock, \$1.33 par value, shares authorized 100,000,000; issued and outstanding, 43,609,317 shares, and 44,785,674 shares, respectively.

|   |                     |                     |
|---|---------------------|---------------------|
|   | 57,506              | 59,159              |
| <b>Additional paid-in capital</b>                 | <b>605,397</b>      | <b>631,822</b>      |
| <b>Retained earnings</b>                          | <b>341,938</b>      | <b>298,134</b>      |
| <b>Accumulated other comprehensive income</b>     | <b>(3,809 )</b>     | <b>6,252</b>        |
| <b>Total stockholders' equity</b>                 | <b>1,001,032</b>    | <b>995,367</b>      |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 8,426,793</b> | <b>\$ 7,693,291</b> |

**UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in thousands, except share data)

|   | Three Months Ended |                    |                   | Year Ended        |                   |
|---|--------------------|--------------------|-------------------|-------------------|-------------------|
|   | December 31, 2016  | September 30, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| <b>Interest and dividend income:</b>      |                    |                    |                   |                   |                   |
| Interest and fees on loans                | \$ 68,683          | \$ 66,190          | \$ 61,880         | \$ 262,567        | \$ 247,587        |
| Interest on deposits in other banks       | 67                 | 65                 | 30                | 244               | 94                |
| Interest and dividends on securities:     |                    |                    |                   |                   |                   |
| Taxable                                   | 4,761              | 4,732              | 3,985             | 18,319            | 15,606            |
| Nontaxable                                | 3,446              | 3,446              | 3,422             | 13,790            | 13,484            |
| <b>Total interest and dividend income</b> | <b>76,957</b>      | <b>74,433</b>      | <b>69,317</b>     | <b>294,920</b>    | <b>276,771</b>    |
| <b>Interest expense:</b>                  |                    |                    |                   |                   |                   |
| Interest on deposits                      | 4,786              | 4,552              | 4,348             | 17,731            | 15,553            |
| Interest on short-term borrowings         | 797                | 765                | 211               | 2,894             | 944               |
| Interest on long-term borrowings          | 2,759              | 2,088              | 2,153             | 9,145             | 8,440             |

|  |                  |           |           |                  |           |
|--|------------------|-----------|-----------|------------------|-----------|
| <b>Total interest expense</b>                                | <b>8,342</b>     | 7,405     | 6,712     | <b>29,770</b>    | 24,937    |
| <b>Net interest income</b>                                   | <b>68,615</b>    | 67,028    | 62,605    | <b>265,150</b>   | 251,834   |
| <b>Provision for credit losses</b>                           | <b>1,723</b>     | 2,472     | 2,010     | <b>9,100</b>     | 9,571     |
| <b>Net interest income after provision for credit losses</b> | <b>66,892</b>    | 64,556    | 60,595    | <b>256,050</b>   | 242,263   |
| <b>Noninterest income:</b>                                   |                  |           |           |                  |           |
| Service charges on deposit accounts                          | <b>5,042</b>     | 4,965     | 5,104     | <b>19,496</b>    | 18,904    |
| Other service charges and fees                               | <b>4,204</b>     | 4,397     | 3,957     | <b>17,175</b>    | 15,575    |
| Fiduciary and asset management fees                          | <b>2,884</b>     | 2,844     | 2,306     | <b>10,199</b>    | 9,141     |
| Mortgage banking income, net                                 | <b>2,629</b>     | 3,207     | 2,185     | <b>10,953</b>    | 9,767     |
| Gains on securities transactions, net                        | <b>60</b>        | —         | 813       | <b>205</b>       | 1,486     |
| Other-than-temporary impairment losses                       | <b>—</b>         | —         | —         | <b>—</b>         | (300 )    |
| Bank owned life insurance income                             | <b>1,391</b>     | 1,389     | 1,163     | <b>5,513</b>     | 4,593     |
| Other operating income                                       | <b>1,840</b>     | 2,148     | 1,488     | <b>7,366</b>     | 5,841     |
| <b>Total noninterest income</b>                              | <b>18,050</b>    | 18,950    | 17,016    | <b>70,907</b>    | 65,007    |
| <b>Noninterest expenses:</b>                                 |                  |           |           |                  |           |
| Salaries and benefits  | <b>30,042</b>    | 30,493    | 25,287    | <b>117,103</b>   | 104,192   |
| Occupancy expenses   | <b>4,901</b>     | 4,841     | 4,832     | <b>19,528</b>    | 20,053    |
| Furniture and equipment expenses                             | <b>2,608</b>     | 2,635     | 2,856     | <b>10,475</b>    | 11,674    |
| Printing, postage, and supplies                              | <b>1,126</b>     | 1,147     | 1,154     | <b>4,692</b>     | 5,124     |
| Communications expense                                       | <b>887</b>       | 948       | 1,153     | <b>3,850</b>     | 4,634     |
| Technology and data processing                               | <b>4,028</b>     | 3,917     | 3,647     | <b>15,368</b>    | 13,667    |
| Professional services  | <b>1,653</b>     | 1,895     | 1,302     | <b>8,085</b>     | 6,309     |
| Marketing and advertising expense                            | <b>1,946</b>     | 1,975     | 1,375     | <b>7,784</b>     | 7,215     |
| FDIC assessment premiums and other insurance                 | <b>1,403</b>     | 1,262     | 1,346     | <b>5,406</b>     | 5,376     |
| Other taxes  | <b>1,592</b>     | 639       | 1,553     | <b>5,456</b>     | 6,227     |
| Loan-related expenses  | <b>1,152</b>     | 1,531     | 923       | <b>4,790</b>     | 4,097     |
| OREO and credit-related expenses                             | <b>637</b>       | 503       | 4,496     | <b>2,602</b>     | 8,911     |
| Amortization of intangible assets                            | <b>1,742</b>     | 1,843     | 2,010     | <b>7,210</b>     | 8,445     |
| Training and other personnel costs                           | <b>923</b>       | 863       | 844       | <b>3,435</b>     | 3,675     |
| Other expenses   | <b>1,627</b>     | 2,421     | 1,698     | <b>6,919</b>     | 7,283     |
| <b>Total noninterest expenses</b>                            | <b>56,267</b>    | 56,913    | 54,476    | <b>222,703</b>   | 216,882   |
| Income before income taxes                                   | <b>28,675</b>    | 26,593    | 23,135    | <b>104,254</b>   | 90,388    |
| Income tax expense   | <b>7,899</b>     | 6,192     | 5,321     | <b>26,778</b>    | 23,309    |
| <b>Net income</b>  | <b>\$ 20,776</b> | \$ 20,401 | \$ 17,814 | <b>\$ 77,476</b> | \$ 67,079 |
| Basic earnings per common share                              | <b>\$ 0.48</b>   | \$ 0.47   | \$ 0.40   | <b>\$ 1.77</b>   | \$ 1.49   |
| Diluted earnings per common share                            | <b>\$ 0.48</b>   | \$ 0.47   | \$ 0.40   | <b>\$ 1.77</b>   | \$ 1.49   |

**UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**SEGMENT FINANCIAL INFORMATION**

(Dollars in thousands)

|  | <b>Community Bank</b> | <b>Mortgage</b>  | <b>Eliminations</b> | <b>Consolidated</b> |
|--|-----------------------|------------------|---------------------|---------------------|
| <b>Three Months Ended December 31, 2016</b>                  |                       |                  |                     |                     |
| <b>Net interest income</b>                                   | <b>\$ 68,205</b>      | <b>\$ 410</b>    | <b>\$ —</b>         | <b>\$ 68,615</b>    |
| <b>Provision for credit losses</b>                           | <b>1,668</b>          | <b>55</b>        | <b>—</b>            | <b>1,723</b>        |
| <b>Net interest income after provision for credit losses</b> | <b>66,537</b>         | <b>355</b>       | <b>—</b>            | <b>66,892</b>       |
| <b>Noninterest income</b>                                    | <b>15,368</b>         | <b>2,823</b>     | <b>(141 )</b>       | <b>18,050</b>       |
| <b>Noninterest expenses</b>                                  | <b>53,810</b>         | <b>2,598</b>     | <b>(141 )</b>       | <b>56,267</b>       |
| <b>Income before income taxes</b>                            | <b>28,095</b>         | <b>580</b>       | <b>—</b>            | <b>28,675</b>       |
| <b>Income tax expense</b>                                    | <b>7,701</b>          | <b>198</b>       | <b>—</b>            | <b>7,899</b>        |
| <b>Net income</b>  | <b>\$ 20,394</b>      | <b>\$ 382</b>    | <b>\$ —</b>         | <b>\$ 20,776</b>    |
| <b>Total assets</b>  | <b>\$ 8,419,625</b>   | <b>\$ 93,581</b> | <b>\$ (86,413 )</b> | <b>\$ 8,426,793</b> |
| <b>Three Months Ended September 30, 2016</b>                 |                       |                  |                     |                     |
| <b>Net interest income</b>                                   | <b>\$ 66,605</b>      | <b>\$ 423</b>    | <b>\$ —</b>         | <b>\$ 67,028</b>    |

|   |                     |                  |                     |                     |
|---|---------------------|------------------|---------------------|---------------------|
| Provision for credit losses                           | 2,455               | 17               | —                   | 2,472               |
| Net interest income after provision for credit losses | 64,150              | 406              | —                   | 64,556              |
| Noninterest income                                    | 15,589              | 3,501            | (140 )              | 18,950              |
| Noninterest expenses                                  | 54,353              | 2,700            | (140 )              | 56,913              |
| Income before income taxes                            | 25,386              | 1,207            | —                   | 26,593              |
| Income tax expense                                    | 5,770               | 422              | —                   | 6,192               |
| Net income  | <u>\$ 19,616</u>    | <u>\$ 785</u>    | <u>\$ —</u>         | <u>\$ 20,401</u>    |
| Total assets  | <u>\$ 8,251,351</u> | <u>\$ 90,692</u> | <u>\$ (83,813 )</u> | <u>\$ 8,258,230</u> |

#### Three Months Ended December 31, 2015

|   |                     |                  |                     |                     |
|---|---------------------|------------------|---------------------|---------------------|
| Net interest income                                   | \$ 62,271           | \$ 334           | \$ —                | \$ 62,605           |
| Provision for credit losses                           | 2,000               | 10               | —                   | 2,010               |
| Net interest income after provision for credit losses | 60,271              | 324              | —                   | 60,595              |
| Noninterest income                                    | 14,987              | 2,200            | (171 )              | 17,016              |
| Noninterest expenses                                  | 51,982              | 2,665            | (171 )              | 54,476              |
| Income (loss) before income taxes                     | 23,276              | (141 )           | —                   | 23,135              |
| Income tax expense (benefit)                          | 5,372               | (51 )            | —                   | 5,321               |
| Net income (loss)                                     | <u>\$ 17,904</u>    | <u>\$ (90 )</u>  | <u>\$ —</u>         | <u>\$ 17,814</u>    |
| Total assets  | <u>\$ 7,690,132</u> | <u>\$ 57,900</u> | <u>\$ (54,741 )</u> | <u>\$ 7,693,291</u> |

#### Year Ended December 31, 2016

|   |                     |                  |                     |                     |
|---|---------------------|------------------|---------------------|---------------------|
| Net interest income                                   | \$ 263,714          | \$ 1,436         | \$ —                | \$ 265,150          |
| Provision for credit losses                           | 8,883               | 217              | —                   | 9,100               |
| Net interest income after provision for credit losses | 254,831             | 1,219            | —                   | 256,050             |
| Noninterest income                                    | 59,505              | 12,008           | (606 )              | 70,907              |
| Noninterest expenses                                  | 212,774             | 10,535           | (606 )              | 222,703             |
| Income before income taxes                            | 101,562             | 2,692            | —                   | 104,254             |
| Income tax expense                                    | 25,846              | 932              | —                   | 26,778              |
| Net income  | <u>\$ 75,716</u>    | <u>\$ 1,760</u>  | <u>\$ —</u>         | <u>\$ 77,476</u>    |
| Total assets  | <u>\$ 8,419,625</u> | <u>\$ 93,581</u> | <u>\$ (86,413 )</u> | <u>\$ 8,426,793</u> |

#### Year Ended December 31, 2015

|   |                     |                  |                     |                     |
|---|---------------------|------------------|---------------------|---------------------|
| Net interest income                                   | \$ 250,510          | \$ 1,324         | \$ —                | \$ 251,834          |
| Provision for credit losses                           | 9,450               | 121              | —                   | 9,571               |
| Net interest income after provision for credit losses | 241,060             | 1,203            | —                   | 242,263             |
| Noninterest income                                    | 55,645              | 10,044           | (682 )              | 65,007              |
| Noninterest expenses                                  | 205,993             | 11,571           | (682 )              | 216,882             |
| Income (loss) before income taxes                     | 90,712              | (324 )           | —                   | 90,388              |
| Income tax expense (benefit)                          | 23,431              | (122 )           | —                   | 23,309              |
| Net income (loss)                                     | <u>\$ 67,281</u>    | <u>\$ (202 )</u> | <u>\$ —</u>         | <u>\$ 67,079</u>    |
| Total assets  | <u>\$ 7,690,132</u> | <u>\$ 57,900</u> | <u>\$ (54,741 )</u> | <u>\$ 7,693,291</u> |

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

##### **For the Quarter Ended**

|                    | December 31, 2016 |                           |                  | September 30, 2016 |                           |                  |
|--------------------|-------------------|---------------------------|------------------|--------------------|---------------------------|------------------|
|                    | Average Balance   | Interest Income / Expense | Yield / Rate (1) | Average Balance    | Interest Income / Expense | Yield / Rate (1) |
| <b>Assets:</b>     |                   |                           |                  |                    |                           |                  |
| <b>Securities:</b> |                   |                           |                  |                    |                           |                  |
| Taxable            | \$ 749,059        | \$ 4,761                  | 2.53 %           | \$ 768,608         | \$ 4,732                  | 2.45 %           |
| Tax-exempt         | 453,066           | 5,302                     | 4.66 %           | 449,944            | 5,302                     | 4.69 %           |

|                                 |                     |                  |               |                     |                  |               |
|---------------------------------|---------------------|------------------|---------------|---------------------|------------------|---------------|
| Total securities                | 1,202,125           | 10,063           | 3.33 %        | 1,218,552           | 10,034           | 3.28 %        |
| Loans, net (2) (3)              | 6,214,084           | 69,358           | 4.44 %        | 6,033,723           | 66,397           | 4.38 %        |
| Other earning assets            | 98,770              | 412              | 1.66 %        | 102,409             | 429              | 1.67 %        |
| <b>Total earning assets</b>     | <b>7,514,979</b>    | <b>\$ 79,833</b> | <b>4.23 %</b> | <b>7,354,684</b>    | <b>\$ 76,860</b> | <b>4.16 %</b> |
| Allowance for loan losses       | (37,808 )           |                  |               | (35,995 )           |                  |               |
| <b>Total non-earning assets</b> | <b>835,579</b>      |                  |               | <b>835,262</b>      |                  |               |
| <b>Total assets</b>             | <b>\$ 8,312,750</b> |                  |               | <b>\$ 8,153,951</b> |                  |               |

**Liabilities and Stockholders' Equity:**

**Interest-bearing deposits:**

|   |                  |              |               |                  |              |               |
|---|------------------|--------------|---------------|------------------|--------------|---------------|
| Transaction and money market accounts     | \$ 3,099,424     | \$ 1,804     | 0.23 %        | \$ 3,016,337     | \$ 1,682     | 0.22 %        |
| Regular savings                           | 593,751          | 201          | 0.13 %        | 598,232          | 207          | 0.14 %        |
| Time deposits                             | 1,192,253        | 2,781        | 0.93 %        | 1,181,936        | 2,663        | 0.90 %        |
| <b>Total interest-bearing deposits</b>    | <b>4,885,428</b> | <b>4,786</b> | <b>0.39 %</b> | <b>4,796,505</b> | <b>4,552</b> | <b>0.38 %</b> |
| Other borrowings (4)                      | 927,218          | 3,556        | 1.53 %        | 884,597          | 2,853        | 1.28 %        |
| <b>Total interest-bearing liabilities</b> | <b>5,812,646</b> | <b>8,342</b> | <b>0.57 %</b> | <b>5,681,102</b> | <b>7,405</b> | <b>0.52 %</b> |

**Noninterest-bearing liabilities:**

|   |                     |  |  |                     |  |  |
|---|---------------------|--|--|---------------------|--|--|
| Demand deposits                                   | 1,424,597           |  |  | 1,408,453           |  |  |
| Other liabilities                                 | 69,738              |  |  | 67,728              |  |  |
| <b>Total liabilities</b>                          | <b>7,306,981</b>    |  |  | <b>7,157,283</b>    |  |  |
| Stockholders' equity                              | 1,005,769           |  |  | 996,668             |  |  |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 8,312,750</b> |  |  | <b>\$ 8,153,951</b> |  |  |

|                            |                  |                  |
|----------------------------|------------------|------------------|
| <b>Net interest income</b> | <b>\$ 71,491</b> | <b>\$ 69,455</b> |
|----------------------------|------------------|------------------|

|                                 |               |               |
|---------------------------------|---------------|---------------|
| <b>Interest rate spread (5)</b> | <b>3.66 %</b> | <b>3.64 %</b> |
| <b>Cost of funds</b>            | <b>0.45 %</b> | <b>0.40 %</b> |
| <b>Net interest margin (6)</b>  | <b>3.78 %</b> | <b>3.76 %</b> |

(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 \$1.5 million and \$1.3 million for the three months ended December 31, 2016 and September 30, 2016, respectively, in accretion of the fair market value adjustments related to acquisitions.

(4) Interest expense on borrowings includes \$71,000 and \$181,000 for the three months ended December 31, 2016 and September 30, 2016, respectively, in accretion of the fair market value adjustments related to acquisitions.

(5) Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 35%.

(6) Core net interest margin excludes purchase accounting adjustments and was 3.70% and 3.67% for the three months ended December 31, 2016 and September 30, 2016, respectively.

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Source: Union Bankshares Corporation