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EDITED TRANSCRIPT

UBSH - Union Bankshares Corp Investor Day

EVENT DATE/TIME: NOVEMBER 14, 2018 / 6:00PM GMT

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PRESENTATION

Unidentified Participant

Ladies and gentlemen, at this time, we would like to welcome Bill Cimino, Vice President, Investor Relations.

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

Yes. Thank you. Great introduction. I need one second here, one second. The note slides aren't picking up here.

Okay. Please note that today's presentation is available to download on our investor website, investors.bankatunion.com. And welcome, everybody, for joining us on our Investor Day today. If you've logged onto the webcast, you'll see an icon to download the presentation booklet that's available here in the room. And for the question-and-answer period, we would just ask that you wait for a microphone before you ask your questions, so we can catch the question for the webcast.

I'd like to remind everyone that we will make forward-looking statements, which are not statements of historical fact and are subject to risks and uncertainties. There can be no assurance that actual performance will not differ materially from any future results expressed or implied by these forward-looking statements. And we undertake no obligation to publicly revise any forward-looking statement made today. Please refer to our 10-Q for the third quarter of 2018 and our other SEC filings for a further discussion of company's risk factors and other important information regarding our forward-looking statements, including factors that could cause actual results to differ. All comments made today are subject to that safe harbor statement.

We'll comment on our financial performance using both GAAP metrics and non-GAAP financial measures. Important information about these non-GAAP financial measures, including reconciliations to comparable GAAP measures, is included in the presentation booklet, and I'll also click through them here today. So here are GAAP balance sheet trends, and here are GAAP profitability ratios. And here are the reconciliation slides that are on the booklet in the Appendix that you received today or that you can download on if you're on the webcast.

I'd now like to turn the presentation over to John Asbury. John, as you know, joined Union as CEO in the fall of 2016, just a little more than 2 years ago. And John has described part of his career at Bank of America as being a fix-it guy, but after working with him, I realize there's more to it than just fixing things. John is really a change agent. He knows how to lead an organization through change. And today, I think you'll get a better insight into the team he has built and the work underway to create a uniquely valuable banking franchise. John?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Thank you, Bill. Good afternoon. Welcome to our first Investor Day. We're really excited about being able to tell our story in this format. Our goal is really to share our strategy with you. This is all about the corporate strategy, the line of business strategy. And it gives you the opportunity to meet some of the executive leaders that you've not met before.

Now we only have a 4.5-hour time frame allocated. And so this was a bit of a challenge from our standpoint in terms of what to cover. If I've had my druthers, we'd have gone all day long, but we're not going to do that. So what that means is there are important parts of the organization that we're not going to be able to touch on in terms of formal presentations.

However, we do have pretty much the entire executive leadership team in the room with me. So senior executives who are here, present, available for questions and available for conversation both at our break and after the program but not presenting will include: Chief Risk Officer, David Bilko; Chief Credit Officer, Doug Woolley; Chief Human Resources Officer, Loreen LaGatta; Corporate Treasurer, John Tull; and Corporate Controller, Brad Haun, are all here with us.

So from our standpoint, this is really a bit of a coming out party for the New Union. So let me get into that. Now many of you know our story. You've seen the evolution that the company has been on over the last 2 years. So I'm going to share my perspective on this, and I'll try to tell this in a bit of a different way.

You're accustomed to our investor deck presentation. We certainly are going to talk about the Access acquisition, but we've already held a formal presentation with you, where we talked about the strategic and the financial logic of Access and answered questions. So we're going to roll that into the broader strategy discussion of Union as we move forward.

So as I look at Union, and I've now been here 2 years, by the way, 1st of October was my second year anniversary at Union. This is what I see. Most importantly, I see Virginia's bank. Virginia's first independent statewide bank in 20 years, the only independent statewide bank in the Commonwealth of Virginia. I think we're clearly positioned at this point to be the alternative to the large competitors in Virginia, the big 4: Bank of America, SunTrust, Wells Fargo, BB&T.

The Union moat, here's a new term for you. As I think about this, this franchise can no longer be replicated. I would challenge anyone to show me a practical way to create another independent statewide Virginia bank. That's a powerful position to be in.

Also, the crown jewel of the franchise is, in fact, our depository base. Post-Access combination, 46% of our deposit base will be transaction accounts. And I think this is a bit unusual in the sense that it's a -- will be a $16 billion, very compact, largely one-state bank. That's uncommon. I will talk about the implications of our limited presence that we have in North Carolina and Maryland and what we intend to do with that.

I think about the leadership team, something that's a bit unusual. If you look at the executive leadership team in the rear of the room here, all executive leaders, and there are no exceptions, all come out of larger bank environments. I think that's important for a couple of reasons. First of all, we understand the seams of the large organizations that we come out of and how to compete against that. That's a good thing. I think we've already demonstrated that we are willing and able to make difficult decisions. We will make tough decisions. We're here to challenge. We're here to think differently. We're here, to some extent, escape the past in conventional thinking.

Also importantly, we are accustomed to more complex an environment than we have at Union. So we come out of very large, super regional national bank environments. They are more complicated than what we deal with at Union. And I'm not saying that running Union is easy, it's not. But the level of complexity that we have in this small regional bank is less than what we were accustomed to. That's a good place to be.

Also, talent magnet. I think we've demonstrated pretty consistently that we can recruit. Union has become a talent magnet. If you look at the corporate level C-suite hires that we've made, we are recruiting and able to recruit on a national basis, and that's important to get the best talent in the organization.

If you move to the market-level roles, and we've had extensive hiring at the market-level, particularly in the commercial space, where we've had 25 hires into commercial and industrial banking, relationship managers, market leaders, all of those folks come from the markets that they're currently serving. They don't come from out of area. They come from larger bank competitors in the same markets that they leave them for to come to work for us. So we maintain that connectivity.

Big picture, the bottom of the slide. The way we think about the company, what underpins how we run it: soundness, profitability and growth, in that order of priority. Now I know a number of banks will use this term. I see it in other presentations. Let me tell you why I use it.

This should be a marker of a former Wachovian, which I am. So I began my career in 1987 at Wachovia Bank & Trust in Winston-Salem, North Carolina. Those were the John Medlin days, who I would argue is probably one of the best bank CEOs ever. I was trained through the commercial credit program. I was a credit officer for them. This was the Wachovia mantra.

So when you hear this, soundness, profitability and growth, in that order of priority, which most people never mention because they don't remember or weren't there to understand that the priority actually matters, that is the right way to think about running a bank. In my now 31-year career with all that I've seen and all that I've done, I am confident that, that is the right philosophy to run the organization. That's how we'll run Union.

Here's a good pictorial, a good picture, if you will, of the geographic footprint of Union of today post-Access acquisition. And it is powerful. So again, the visual of the scale that we have within Virginia, there is nothing else like it. It's irrefutably Virginia's bank.

I also want to point out the accolades that we've received. Union does a good job for its customers. We're known for our customer service. Year-to-date, we've been recognized by Money Magazine as the Best Bank in Virginia, Forbes Magazine as the Best Bank in Virginia and there's one more that's not up here because I'm not allowed to use it. That consumer organization, whose name cannot be mentioned, did in fact vote Union the Best Bank in Virginia, you can look it up.

All right. A unique profile, operating in 4 of the 10 most attractive U.S. markets. So when you think of Union, I'm not sure you think about this bank operates in affluent markets and this bank operates in growth markets. But I hope to convince you otherwise.

So what you see on the left-hand side of the slide is a listing of the 10 Most Affluent Markets in the United States, counties based on median household income. Who's #1? Well, you guessed it, Loudoun County, Virginia. And if you've ever been there, you'd understand why. That has the highest median household income of any county in the United States. And that's really important. So the ones that you're seeing on the left-hand side are all Northern Virginia counties. They've become very important to us in a post-Access merger world.

#3 is Fairfax, #4 is Falls Church, #8 is Arlington, Virginia. Why does that matter? Because of a place called Crystal City that I bet most people have never even heard of. Yet, if you've ever landed at Washington Reagan Airport, you were there. That is Crystal City, Virginia. This is, of course, the site of HQ2 or the colocation that was split, as you well know, announced yesterday. Big news in Virginia about HQ2 coming there and that we think this will be very beneficial. Now we can talk more about what it means later.

Most Virginia business people will tell you they're glad they got half of it. Had the whole thing actually come there, it may have been too disruptive to the labor markets. My alma mater, Virginia Tech, yesterday announced stunningly that they're building a $1 billion graduate school of innovation and technology right by that campus, 1 million square feet, a $1 billion physical investment as a part of the overall luring of HQ2 to Northern Virginia. This has important implications for our markets.

On the right-hand side, these are Virginia's counties based on growth rates, and you can see that Union is operating in 9 of the 10 fastest-growing markets in Virginia. That's a good thing. Why does this matter? It matters because it positions Union very well to execute a growth strategy focused on the mid-Atlantic headquartered in Virginia.

Okay, history lesson. Those of you who know me know I always go back to this point, a little bit of, I call it, Virginia banking genealogy. Virginia once had 6 regional banks that looked a lot like Union. I know this because I was there. I'm a banker today because of my summer job at Crestar, which you would know today as SunTrust. After I was trained at Wachovia, I came home in 1990 to Virginia. I was a commercial banker, then a commercial leader with Sovran Bank, which became Bank of America, where I ultimately spent 17 years of my career. Why does this matter? This matters because it's very central to how we think about our opportunity. It's central to our strategy.

As I was considering coming home to Virginia after nearly 20 years of having been away and thinking about whether I wanted to do it and began to study Union, my point to the board was this, as I studied Union, I think you have a platform. I think you might could do something that's not been done in 20 years. I think you might be able to recreate a Virginia regional bank like we once knew, and I'm pretty sure only you can do it. And that's what has happened.

So my perspective is that I know from experience because I was there, that most people and most businesses in Virginia in the '80s and in the '90s, they banked with these 6 great Virginia regional banks that looked a lot like Union does today. That was all lost over the course of interstate consolidation. They all fell like dominoes, essentially being gone by the end of the '90s. And what do we have today? We have the remnants: BofA, SunTrust, BB&T, Wells Fargo.

I can tell you other than arguably Northern Virginia, any other Virginia market, bar none, is at best a tertiary market for these large institutions. Yet, it's our home. It's our opportunity, and that's why you're seeing us really focus on this. And that's why you're seeing a lot of Virginia bankers come to work for Union and leave these large organizations.

All right, the acceleration strategy. A lot has gone on at Union over the last 2 years. And in trying to think about how to communicate this message, I really boil it down to 3 major vectors, so to speak, or 3 prongs. First of all, establish focus. The very first thing I did, even before I was hired and perhaps why I was hired, was set the vision. You have a platform. You have an opportunity. You could do something that hasn't been done in 20 years and only you can do it. Recreate the great Virginia regional bank. Take back what was lost. Establish strategic priorities, align goals and compensation and make tough decisions. You've got to be willing to make tough decisions and get out of businesses that don't fit or just don't matter.

Number two, design for success. Put the right team on the field. The right team is in this room today, the new leadership team at Union, where the change in the guard is in fact now complete. And position the company as an alternative to the larger banks. That has now happened. This is a scalable model. It's replicable in new markets. There is nothing quirky about the Union model. There is nothing oddball about the Union model. It's a pretty straight-up model.

Drive to scale, this is what I think people probably most think of when they think of us right now, which is the growth of Union. Union will be a $16 billion bank after the acquisition of Access. Press for advantage, we saw the opportunity and we took it. We did an efficient crossing of the $10 billion asset threshold through the combination with Xenith, which made great financial sense and made great strategic sense, well planned, well executed.

And then we were able to follow on with that with the combination with Access Bank, a team that we're very close to, a company that we think highly of. As I like to describe it, this completed the Virginia jigsaw puzzle. This completed the franchise. The Virginia franchise is now substantially complete.

So bottom line here, we have moved quickly while moving our financial performance toward our top-tier targets, not degrading them, moving closer to them. And we've proven, if one thing and one thing only, we have proven this leadership team can drive change at Union.

Speaking of financial performance. You can see on the right-hand side, these were our projections for Q4. Rob Gorman, Chief Financial Officer, will come into this in more detail shortly. And what we were able to say to you with confidence about 6 weeks from year-end standing here is that we will hit these financial targets during Q4.

I will also reiterate guidance. We have a very strong Q4 underway. Based on everything we know standing here today, we would reiterate we will grow loans in the high single digit for the quarter. And we continue to feel confident that our business model will sustain high single-digit loan growth in the year to come and the time ahead of us. So we're feeling very good about that.

And look at the progress that we've made over a 2-year period. The fact that the efficiency ratio will be below 55% is stunning. I'm not sure I could have honestly told you we would have been able to get that done when I walked in the door, at which point, I think it was about 65%.

Okay, strategic imperative. Here's a new message for you. As we really think about where we are and where we're going, I do believe that the future of the company is largely going to depend on our ability to balance our obligation to these 4 key stakeholders.

It starts with our customers. Nothing is more important than the customer base of Union. I think we've demonstrated we're very customer-focused in this organization. We've been delighted at the receptivity that we've had, especially from the business community in Virginia. Their responsiveness to having a Virginia-based regional bank where we make the decisions and not from some far-flung headquarters, a company large enough and capable enough to be able to meet the needs of most businesses and individuals in Virginia. David Ring, Head of Commercial Banking, will talk about this in detail later. We have a few stories that had been somewhat surprising in a good way where we're being welcomed, invited into relationships because of who we are, because of the fact that we are the only Virginia regional.

Communities. We've always had a long-standing commitment to communities going back to 1902. And a lady I just met, her family has been invested since inception. I now understand. 1902, Union was founded because a county in Virginia didn't have a bank. And the people in Caroline County were tired of making the long trek to Richmond to get banking done. And that's why Union was founded. So we understand our communities. We'll never forget that, despite the size of the organization.

Shareholders. We've demonstrated that we are shareholder-focused. We really have no choice but to consistently demonstrate we are capable of providing top-tier financial performance to our shareholders. The scarcity value of this franchise is now off the charts. There's nothing else like it. Either we run it in a safe and sound manner with top-tier financial performance consistently over time or someone else would do that for us, and they should.

Teammates. Union is a good organization. It's a good place to work, always has been. It is becoming more sophisticated. But I think that, that sense of family, that sense of camaraderie is very important, and we will maintain it.

And I'm going to leave you with my opening comments with our strategic priorities. Many of you are accustomed to me speaking to the 6 strategic priorities. That's the second thing I did when I joined, it was set the priorities. I always tie back to this. You hear me comment on this every quarter.

The first 3 are the same, so I won't mention them. Three new ones: strengthen digital capabilities. Sara Rountree, Head of Digital Strategy is here. Sara will take you through what we're doing in terms of digital. I would invite you to listen to the speakers today, listen for references to the digital strategy. It's a common thread throughout the organization. It's changing our industry. It's changing our company. We have to be focused on the digital strategy.

Make banking easier. This replaces what we've said before about creating a differentiated and more enduring brand. Why? This is a higher calling. It resonates better. This is our value proposition. Chief Marketing Officer, Duane Smith, will talk about this. What we need to do to really differentiate is we need to have the right products delivered in a fashion that's easier to deal with than what people experienced, particularly with larger institutions. It is our value proposition. And oh, by the way, as we improve our processes, as we improve our technology, it also makes it easier to deliver those products; from our standpoint, internally, an important point too.

And last, not surprisingly, integrate Access National Corporation. Obviously, 1 year ago, this would have been Xenith. We have checked that box, and now we're on to Access.

So these are the 2019 strategic priorities. The one that you don't see any longer is improve efficiency. Where did that go? It's now rolled into managing higher levels of performance. It still matters, but it doesn't need to stand out all by itself.

All right. One thing I failed to mention, our Head of Wealth Management, Bob Martin, was a little under the weather yesterday and really wasn't feeling up to making the trip. So I'll come back momentarily and talk about the wealth strategy.

At this point, I'd like to introduce our new President, Maria Tedesco. I am thrilled that Maria chose to join Union Bankshares. Maria is someone who is well-known to several of us in the organization. Maria was initially proposed as candidate for president by her predecessor, John Stallings, who knew you 20 years ago. And when he did make that proposal, I was delighted with it because I knew Maria 10 years ago. And the reason why I know Maria is when I left Bank of America after 17 years to join Regions, my first job there was I ran business banking for the company. Maria was my peer. She ran business banking for Citizens in the Northeast. So we got to know each other through some industry organizations that we were involved with, which is great.

So she was proposed as a candidate. She was kind enough to be willing to at least talk to us and hear the story. We did do a national search. Maria was the clear best candidate, in our opinion. As I like to say, Maria was #1 in the preseason polls, and she was undefeated throughout. And here she is, new President of Union Bank & Trust. Having been here 6 weeks, Maria, here to share some of her initial thoughts.

Maria P. Tedesco - *Union Bank & Trust - President*

Thank you, John. Good afternoon to everyone, and thanks for being here today.

I'm really proud to be a part of Union at such an exciting time in its history. And I thought I'd spend just a minute telling you why I chose to come to Union. And believe me, they put me through the wringer in the interview process, but it was all well worth it.

I joined Union because of the leadership team, starting with John Asbury, and also the team that he recruited around him. Each of these people are hard-working, well-respected people in the industry, and I'm honored to be a part of that leadership team. It also has a culture that's deeply embedded to do the right thing.

And third, but just as important, is the growth orientation. And that's something that's really attracted me. And I've been at a bank in the past that grew very, very large over many years. And I enjoyed that time of growing a company. And as I stand here today, I'm 6 weeks into the role, I can tell you every single day, I am more and more impressed with the bank and the place that I've joined and a place that I feel like I can make a difference.

The next few slides I'm going to share with you are just a very high-level view of the strategic business plans. You will hear about each of the business lines and the strategic plans following my presentation. So they'll be a lot more detailed with that.

Union has 3 critical business lines: commercial, wealth and retail banking. Together, we serve over 200,000 customers each and every day. And as I mentioned, we have a customer-first culture. And I've already, in my short amount of time being here, got to witness how we go above and beyond for our customers, which I think is truly unique to the bank. Additionally, each of the business leaders have a proven track record, and the vision that they're going to be presenting, the strategic plans, are really born out of the experience that they've had.

And one thing that I hope is really apparent as you're going through listening to the plans is that we are very clear on our direction and our objectives. And you're going to hear some common themes: focus, growth and simplify. Focus is about growing. Growing is about growing organically. And simplifying is working on our processes so that we do make it easier for our customers to bank with us.

My confidence in our capabilities and where I take the most pride is that we are in the marketplace with a very interesting, unique, winning position. Generally speaking, you take a look at community banks. Community banks are well-known for delivering high-touch experience and caring for the customer. That's what they're known for, right? But some of our community banks often lack the breadth and depth of products and conveniences of a digital experience that most customers expect.

Then on the other side, you have the large regional banks. Well, they do an exceptional job at delivering 24/7 banking and delivering a digital experience that customers like. But some customers feel those relationship with their bank can be impersonal and often distant.

Well, Union is uniquely positioned to combine the both of those best aspects of the community bank and the large regional. We have the great customer experience, but we also have the desired capabilities of a larger, financial institution. At Union, you can take our high-tech solutions, our deep expertise across the business lines and customized financial advice and guidance. Those elements are what we're able to deliver to the customers and win in the marketplace.

This slide is basically to show you that all of the strategic plans that you see are completely aligned to the corporate objectives. And you'll hear more details about these similar strategies across the business lines, which are around the Venn diagram here. But the reason why I love this slide is because at the heart of it, at the very middle of the 3 businesses is where we have customers, the overlap of our customers that we share across business lines. And it's Union's opportunity to maximize the shared customer overlap, to deepen and cross-sell to customers and embrace the financial needs of our customers in more of a holistic approach.

These businesses -- wealth, commercial and retail -- cannot work in silos, and they will not work in silos. This is where, in my opinion and my experience, the large banks really struggle, to be holistic when they're talking about the customer needs. And we know that most customers have more than one need in a business line. You might be a retail customer, but you may have wealth needs. And some customers cross all 3 businesses. This is where it's going to be important because Union has an ecosystem that has the ability to create synergies. I've already seen it. And this is where the power of collaborative customer-first culture can come together and be a winning strategy.

We also have behind the scenes, of course, many talented teammates in marketing, in digital, in HR, operations and technology. And you're going to be hearing from some of them today on how they're helping to enable us as the business lines to drive and deliver our strategies. But it's very clear up and down the organization, we are 100% aligned with what we have to do to achieve our objectives. Every business line has an opportunity to grow organically, we've said that. But in the strategic plans, which you're going to see, are programs that will help foster that growth each and every business line.

So in just a summary, I am super excited to be leading the Union business lines at a time that I think the opportunities for growth are significant. As we grow, we're going to be focused on improving the workforce productivity, operational efficiencies to continue to deliver top-tier performance. But in my opinion, it's the Union team that's going to make the difference in helping us tell the growth story that you've already seen taking shape at Union. Thank you.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Thank you, Maria. Over the course of my 31 career -- 31-year career, I've done about everything you can do in commercial banking and business banking. Maria has done about everything you can do in business banking and retail banking, so get the picture? We have very complementary skill sets, and I think we're going to be a powerful team. She's a great leader, and we're excited to have her here.

All right. Speaking of great leaders, David Ring, Commercial Banking Group Executive. Dave joined us in October of last year. The transformation that's gone on in the commercial banking is very impressive. This is really the most mature of the 3 business lines in terms of what has happened and what we are wanting to accomplish. I was delighted when David Ring approached me when the former Head of Commercial Banking retired.

Dave and I knew each other from the industry as well. And yes, we did do a national search for the Head of Commercial Banking for Union, and we met some great people. But Dave was clearly the best candidate and the right fit for Union.

So he's made a great difference to us. A lot has gone on in the commercial banking space. And Dave, before I forget, I want to point out. While Dave joined us from Huntington in Ohio, you may not know that before the Wachovia acquisition -- before Wachovia was acquired by Wells and shortly thereafter, David Ring was Commercial Banking Regional Head for commercial banking at Wachovia from Virginia to Massachusetts. Dave knows Virginia. And many, many commercial bankers at Wells Fargo today remember Dave Ring because he was their boss. He made a great contribution.

Dave?

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

Thanks, John. It's unfortunate Bob Martin can't be here today, the Head of Wealth Management, and John's going to be stepping in for him. And if I wasn't going to be here today for some reason, I would have Doug Woolley, our Chief Credit Officer, step in for me because we've worked hand in hand, hand in glove together for the last year as we evolve the commercial bank here at Union.

And there are a few things I want to make sure you leave with. We are evolving, things are changing rapidly and we are getting more professional in what we do. We have a strategy, and we are working that strategy now. We didn't just create it today for you. We've had it since December of last year when we really kicked off what changes we wanted to make in commercial. And again, we're working this plan, we're working the strategy. So I'm going to talk to you a little bit about what the strategy means and what it's going to do for growth here at Union.

So I've been here just about 13 months, and I want to give you a high level first of what we've done. We've really sharpened our focus on segmenting the business, creating specialties within the business. We have invested in some new markets, and we've invested in expanding some of our existing markets.

We've simplified some of the processes for customers and employees, so it's a better experience for them. And we've integrated Xenith since January 1 into the Union family, both the commercial clients and their employees. Lastly, we've implemented an entirely new treasury management platform as of May. And so we've enhanced the experience for our clients on the working capital management side of the business.

So let's look first at how the business is organized. Commercial real estate. It's a business we've been in forever. It makes up a lot of our balance sheet, and we're really good at it. It's the foundation. It's our traditional expertise, right?

Business banking. Actually, we started business banking 4 years ago when we purchased StellarOne. So it's a very young business. It's not that big. And we are growing it rapidly. We moved it from retail at the end of last year to commercial to better align with what we're trying to do in the local markets.

C&I banking. It's on the screen as commercial banking. It's C&I. Some people call it middle-market banking. We got a jump-start in this segmentation, in this part of the business, when we purchased Xenith. Xenith was primarily a C&I bank, a commercial lending bank. And so we were able to jump-start what we wanted to do across the footprint by taking advantage of the expertise Xenith had to offer. It's not like we didn't have it in markets, but we weren't consistent across all markets, and we weren't staffed the right way.

Corporate banking. It started in 2017. We have a different focus on commercial banking. We only talk to companies in the $250 million and up space, that we know the CEO or CFO or Treasurer, where we can get access right away, and we can really talk about what Union can bring. So we're primarily focused in Virginia, in the corporate banking space in Virginia. We've already led 2 syndications in this space, and we've already started to build the book of business. So we like it. A lot of times when you're in the commercial space, the lines of credit aren't funded as much as the traditional line of credit, but we're getting additional services and additional products that we get to offer. But the big part about this is that expertise that we have, we're getting better at it every day.

And treasury management, like I said, we implemented a new platform as of May. We have a road map to make it even better, but it's a huge enhancement for our clients. And we think it's a great source of fee income down the road. It's not a big part of our fee income stream today, but it's a great fee income stream in the future, and it's a great way to gather deposits.

So we have about 250 employees in the commercial space. We're pretty much set when it comes to hiring. We're not going to do a whole lot of hiring where we are today, but we're going to be benefited a lot with the Access acquisition. Access adds to what we're doing. And it gives us a market in Northern Virginia, which we really didn't cover very well. It also doubles our government contractor banking platform.

So here's the traditional pyramid slide where we have, in our case, a strong foundation of prudent risk management, great customer service and teammates who have helped clients through the downturn. What we have to remember was during the downturn, some banks had a scorched-earth policy. They really pushed clients around. Union did a very good job of being loyal to their clients. And so they remember that. And they pay us back in spades because of this. They give us referrals. They recommend us and they give us testimonials, which really helps us continue to focus on customer acquisition using those testimonials.

So we have the strong foundation, but we have a lot of room to grow. There's a material upside just organically in what we have. By disciplined sales execution, being decked in all our markets with the right segmentation, we can create operating leverage now as we build out these teams. We have product improvement ideas.

But more importantly, we've already now entered new markets. We entered in Raleigh recently when we acquired the entire team from Regions Bank in Raleigh, North Carolina. We have a template in Charlotte, North Carolina, that we've executed on for 2 years that has gone tremendously well. So we have a template for new markets. So when we say we're going into a new market, it's normally -- it's probably going to be a contiguous market or a fill-in. But when we do it, we already have the template. It's not like we're cutting our teeth for the first time in doing this.

So we have a strong pyramid of strategic growth, disciplined execution, strong foundation. But this all can generate a very good, diversified revenue stream for us just by wrapping our arms around the clients and growing within the client base we have, but then adding markets where we're really undersold or have very little market share.

So what's different in this slide? When people talk about wrapping product and services and people around the customer, what's different here? Our strategy in the past, the way we dealt with clients in the past was focused on winning a transaction versus earning the relationship. So now we're much more focused on questions we ask. We're focused on understanding how the watch is made, how the customer does business, understanding their cash flows, understanding their personal needs because most of our companies are private and in their corporate needs.

So our bankers are doing a much better job over the last year at relationship planning, debriefing from calls, asking the right questions and involving the partners. So we have a much greater focus now around the customer, asking questions and then providing structural advice, things that we can do for them other than just make a loan. In a way, we've now installed the hardware, we've got the people. But now we have the software. We're processing everything. We're turning it into real money.

Here's an example for you. Tuckahoe Holdings, it's owned by some of the wealthiest -- it's a private equity firm that is owned by some of the wealthiest families in Virginia. 2 years ago, we would never have entertained the idea of being their lead bank. Now we're their only bank. We replaced 2 large regional banks for the relationship. What did we do? We literally sat down and white-boarded what structure -- the structure had to look like of a loan, of their working capital management, so we could take them to a new level. So we can help them with the acquisitions they want to do, so we can fold them in and so we can create an efficient working capital process for them. So we have a nice testimonial from Tuckahoe.

This is our -- Ambit is an interesting example because this is what I'd say. If I were -- if you were to get heart surgery, would you go to your general practitioner or would you want a surgeon? Me, personally, I wouldn't want to risk it with a general practitioner. We now are developed surgeons -- developing surgeons, specialists.

So this is an example of our government contractor finance specialty group helping Ambit and many others now in growing their businesses. It's a very -- government contractor finance, as many of you might know, is very unique in the way you analyze it, the way you understand it and the risks associated with it. So by having these specialists in place, we're not only protecting the bank, our shareholders, our jobs, we're also helping the customer in a differentiated way.

We're competing with the largest government contractor finance groups that are in the greater D.C. area. And in our market, government contractor finance is very relevant in Baltimore around Fort Meade. It's very relevant in greater D.C., in the Virginia Beach coastal area and in Raleigh, North Carolina. And we've just scratched the surface there, although we have a very seasoned group. And Access has a group as well, who we intend on folding right into our own.

So I talked about the strong foundation earlier. Atlantic Builders is an example of building that strong foundation. It's a big advantage we have in the Virginia market, in particular, where we have behaved the right way for years when customers go through a downturn, when they go through a cycle of their own. And there is no business that goes through cycles like the homebuilder business. And we have a great example from Atlantic Builders or many other -- and many other companies that have dealt with us for years that we can use in our testimonials and prove to you that we'll be there in good times and bad, and customers look for that.

If you like wine, Keswick Vineyards is one we helped get into the business. And we gave them great advice. If you think about small companies, they don't have deep finance groups that can help them out, get them the right -- help them with their strategy, right? So we can do that. But the best part about this example is now as they grow, we can grow with them. We're much bigger than we were before John got here. We're double the size, almost, soon. And we have a lot more capacity to work with customers that are bigger. That's why we got into the corporate banking space. We can help bigger, larger companies with our balance sheet and in other ways. So if you like wine, stop by, you'll help us too.

So let me take you through the evolution. On the left side of this slide is, really, where we were a year or so ago. The slide on the far right is where we want to be. And in the middle is where we think we are. So even though we're doing well and we're doing all this change and still growing the bank at the same time, we're making all these people changes and still growing the bank at the same time, we have a long way to go in many respects, and that's upside for us.

So think about who we were 13, 14 months ago. We were a commercial real estate-oriented bank. Most of the deals we did were transaction-based for great builders and developers and other folks, right? But we needed to do more. We're very transactional. We had a uniform bank or model where whatever the market was, we kind of had the same model. We didn't differentiate our model in any way in terms of decking resources against all the market opportunities, and our bankers were primarily generalists, focused on doing real estate loans.

But they could do a general contractor today, and they could go and do a multifamily housing development tomorrow. We've stopped that way of doing business, and we're really focused on replication and scale and all that kind of stuff. We've changed the way we make decisions. We eliminated loan committees. We feel like having a loan committee is great if you're open on Tuesdays from 8 to 10. But if you want to be open 7 days a week, 24/7, you need to do things differently. So now we have a signature, ladder signature system in place. So if there's a need on Thursday, we could get it done on Thursday. We don't have to wait until the following week. And the way it works in the bank is you'd have to have a package on Friday delivered to the loan committee, so they can read it and all that stuff. So now it's a lot easier for customers to do business with us.

And it helps the employee experience too. It feels like they have swagger. They can walk into a customer, and they could say, "We are the loan committee." So it's a really nice way to do business. And some of the larger banks around the country do it this way too.

So like I said, our evolution is well underway. I'm going to highlight a few things here. We have added a team in Raleigh. We've added an entire commercial lending team in coastal Virginia. It was just a real estate based team before. We've added to our team in Baltimore. When Xenith came on board, they had a small team in Baltimore. We've expanded that because we see there's a gap for us to fill in Baltimore.

Like I said, we eliminated the loan committee, and we're open 24/7 now for business. But most of all, that's very important here is we've incented -- we put a new incentive plan in place to underscore what we expect of our bankers and to meet with kind of John's earlier-mentioned priorities. So for instance, our incentive plan now incents and RM equally for gathering deposits as it does making a loan. So we want our bankers focused on funding themselves. So it's an important part of our strategy, and we've put that in place.

This is -- I just wanted to give you an example, without the use of a lot of numbers of where directionally we're going and why it's encouraging. So on the left slide, that was, at the end of second quarter of '17, what our pipeline looked like. A lot of real estate in black, a little bit of green, which was commercial lending, and the pipelines were smaller.

You move all the way to the right to the last 2 quarters when we've really started to get traction, you're seeing the pipelines really perk up. There's a larger percentage of it is commercial lending.

So to take you back, second quarter of '17, commercial lending was 32% of a smaller pipeline, now it's 47% of a larger pipeline. And it flip-flops during the quarter, depending upon what's closing and all that kind of stuff.

What's also encouraging though, like John mentioned before, is we are recruiting talent from the larger banks. While we compete with all banks, credit unions, nonbanks, the larger banks have the market share that we're looking for. Therefore, they have some of the employees that have those customers. So we are recruiting them. And you could see we recruited a lot of them in the third quarter.

So what's exciting for me is while we've actually had a pretty good run lately in building our business, building our pipelines, the best is really yet to come from these employees. They're just onboarding now. They're figuring out how our process works. They're working through their non-solicits. They're doing all the things you're supposed to do when you onboard. And so these folks will provide even more energy for the pipeline for closings for business next year. It should help us speed up the pace of client acquisition.

Just taking you back, some of the ways we've changed how we operate in the markets. We've really teamed up with marketing now in the marketing partnerships. So we have this expansive partnership with various colleges. But now we deal -- now we've used that marketing partnership to focus on companies or joint ventures or other things that support those universities. So they have become our targets. And we've earned now their business because we're supporting the colleges and universities that really feed them their business. So we've made it local again. So we're really wrapping our clients around that. We're having great success.

Brandermill Woods, we helped them get in business a long time ago. Now 12, 18 months ago, we couldn't provide them with all the services they need, so they had to go somewhere else. Now they're doing all their treasury management and merchant services and all those products with us now. So that's an organic growth that we're experiencing, that we're going to focus on going forward.

So here's how we stay local while we grow. We have regional presidents in 6 markets. The regional president has 2 jobs when they go to market. The first is to be the face of the community for us, to corral all the partners and make sure they're all talking to each other. So we're sharing clients, we're sharing going to market together.

The second part of their job is to drive the commercial business. So they run the lines, the segments now in their markets in commercial. So business banking, commercial lending and commercial real estate, all rolled into those regional presidents.

So they have a very important job where they combine with the local market leaders from retail, wealth management. And they harness all that power, and they bring it to the local market and play to win together. That's a twist. But giving the regional presidents the authority to really do that kind of thing, to have the decision-making power, to really harness the troops, it's going to make a difference for us, and it already has started.

So this is my last slide. Now that we've navigated making some progress, making some changes while observing our legacy, we've created now a scalable model. We've engaged new talent. But we've also engaged our legacy talent, and they're doing a great job. We focus on continuous improvement, and we've maintained the local look and feel.

I think I can declare to you that we are no longer a transactional real estate bank. We are a relationship-driven organization that's trying to do the right thing for the customer but also harnessing the power of the bank. As we look forward, the market is still full of opportunities. We're going to look to diversify our portfolio like we're doing today. But we may look at a full-fledged asset-based lending business, equipment finance business. They're natural fits to what we're doing now. We'll be opportunistic.

We'll also look at new markets. We'll continue -- there's a market between Charlotte and Raleigh that we like a lot called the Triad. We'll consider potentially putting a team there or in some other markets.

With Access National, we get this great lift in the North and some expertise. If you look at their website, they have subject matter experts in commercial, along with 6 or 7 different lines of business. We're going to look to take the best of Access, put it together with the best of Union and really go to market hard up in Northern Virginia. And we're really excited about it. We think we can get some immediate lift from it.

So I think that's all I have to talk about, John. And if there are any questions, I can field them now or later.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Any questions for Dave? We will have a Q&A session at the end.

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

No? Thank you very much.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Thank you. One point I want to elaborate on, Dave mentioned, he called out the new hires that have gone on. You'll see this point made in the slide presentation, but I'm going to make it verbally. All of the hiring that we're doing, we generally don't use recruiters. I'm not saying we never use recruiters. I'm just saying we generally don't use recruiters.

Why? We generally know the people that we're hiring. It's time and time again, it's true. And that's a benefit of our very compact franchise. These circles are really small. And so if you look at the commercial bankers, the 26 that are referenced up there, in almost all cases, those are going to be people who actually worked side-by-side with one of the leaders at Union right now. That reduces the risks of these hires and increases the attractiveness of Union. We know who we're getting, they know who they're coming to work for.

And the executive leaders, myself; Chief Credit Officer, Doug Woolley; now Maria since she's here, we generally are involved in the hiring process. We're generally sitting down with these people. And I don't think many of my counterparts do that. But we do that because it's really important. So that's part of the power that we have of this franchise.

And we have all kinds of special cases. The Regions Bank team that joined us in Raleigh worked for me because I ran all commercial banking at Regions. So we've got a lot of interesting things going on. They are benefits to this compact, focused strategy. If we were hopping around, going to places where we had no connectivity whatsoever and relying upon recruiters to find people, that would be a different story. This is not a different story. In that case, this is unique to us.

All right. So at this point, I'm going to move on to wealth management. As I mentioned, Bob Martin unfortunately was a little under the weather, so I'm going to handle this for him. Bob was brought to Union just under 5 years ago from SunTrust to run the wealth management group. And I'll talk about the evolution of wealth management.

Here's another interesting story, speaking of small worlds and connectivity. Bob Martin and I knew each other in our 20s. He was my competitor when I was a commercial banker in Roanoke. I worked for Nations Bank. He worked for, what was then, Crestar Bank. Bob then -- his career changed. In the nearly 20 years I was gone, he went into wealth management at SunTrust and was then brought on onboard by my predecessor to help build out the wealth management effort. So again, these circles are small, particularly when you have a focused strategy in 1 state like Virginia.

All right. So milestones. This is the newest of our business lines. This is the smallest of our business lines. It was started in 1993, really, to serve the mass market community bank customers of the old Union. And we had a relatively small, effectively brokerage operation called Union Investment Services. It still exists today. It's larger than it used to be.

In 2013, when Bob was brought in, we took a shift in strategy. We built out more of a client-managed approach intended to address the high net worth customer. And that was kind of the big change to create more of a modern wealth management organization. I'll detail that more later.

Over the last 2 years, we've done 3 acquisitions of Registered Investment Advisors, one in Charlottesville, one in Roanoke, one in Northern Virginia in markets that matter for us. They're each individually small. And that's what the evolution looks like in terms of beginning to build this business.

Here's a hierarchy that talks about really the 3 big segments that we're here to serve. Obviously, you've got the mass market-type of investor. Now on the left-hand side, a point I'll make repeatedly, you need to understand that most business that comes into the wealth management group is flowing in through the bank. It's coming in through the retail channel, being referred in, or it's coming in through the commercial channel. That does not mean that the Union teams don't go source on their own. They do, particularly the RIAs today, but it means that this is really the biggest feeder system that we have.

So the retail bank will feed in mass market and, to some extent, mass affluent. As you move up the hierarchy of the pyramid and you get into the upper end of mass affluent investors into high net worth, which we define as up to $25 million in investable assets, the commercial teams are feeding that. There is no strategy at Union around ultra-high net worth-types of investors.

And the service model, of course, is going to range from largely self-service toward the bottom, up to highly customized, highly touched -- high-touch at the top. And clearly, as customers accumulate more investable assets and have more complex needs, they need more sophisticated solutions. And so we help them with that.

Industry trends. Wealth management, like everything else in the company from an industry perspective, is changing. There are headwinds, and there are tailwinds.

Starting with the tailwinds, demographic changes. This is the most obvious thing, the biggest thing going on. There is a secular shift around the great transition of wealth.

The greatest transition of wealth in history is happening now. This will go on for decades. That's the aging of America, of the baby boomers in particular. That creates a long-term opportunity.

Digital innovation. Digital innovation helps us to the extent that it helps us better serve our customers. It makes it easier to reach them. We can give them better information. And a related point would be planning and customization. Our ability to essentially be planful with the wealth management customer, something that really was once only available to truly, truly wealthy people is now available, as you move a little further down that scale of higher net worth and a lot of the technology helps us deliver that. So it's helpful in that respect.

On the right-hand side, the headwinds. Increasing fee competition. There's no question. Schwab, Vanguard, Fidelity, offering low-cost trades, no-cost trades, you name it. There's a lot of price competition out here, particularly as it relates to more self-service types of investing, exchange-traded funds, for example.

If you can serve yourself, you can do at very low cost. That pressures holistic wealth management providers to demonstrate the value proposition of what they bring to the table, to demonstrate why people should be willing to pay for it.

Digital is a disruptor as well, especially as it relates to self-service. The ability to do business with E*TRADE, the ability to use robo-advisers, the ability to have a wealth management relationship with someone like Vanguard and have very good information available to you at your fingertips, digitally, that's really important. And so wealth advisers have not only have to be able to stay on top of digital disruption and understand what is available, they need to be very planful and very mindful of these trends. And from our standpoint, we are far from being a one-stop one-size-fits-all, we're all things to all people type of wealth managers. It's pretty focused.

Client biases. Clients insist on more transparency, especially as it relates to fees as they should. And so expectations are higher. They want to know what they're paying, why they're paying it and they're demanding better service. So there's a lot of movement here in terms of the reshaping of wealth management.

The organic opportunity, a point I made earlier. Greatest shift of assets wealth transfer in history is happening right now. It will be happening for 50 years. That's what this slide represents. This is literally a 50-year view on to 2061 about the transition of wealth. This is coming from Boston College. And it's really an interesting opportunity. What is the takeaway? The takeaway is simply the wealth business is a sustainable business. There is a lot of opportunity here. It's going to be around for a long time. We think we can tap our relationship managed approach in our client base to provide value here and to create income here in a very focused manner.

Client loyalty. Our clients love us. Like most things we do, we do a lot of research. And when we survey our clients, we get very good feedback. My favorite comment shows in the center of the slide, "I love, love, love Union Bank. I feel they offer extraordinary service. I've referred many people to you." Very important. "Thank you for setting a high bar in financial services."

So having enthusiastic customers who will refer others to us is very important, and that's part of how we're positioning ourselves. So I will also point out something important about wealth that we're very excited about. We know, even though we don't like it, when we conduct independent research, individuals do not associate bank money managers with high capability. They associate independent money managers with greater capability than banks, like it or not. We've seen this time and time again in our research. So as we do our combination with Access, they operate Middleburg Wealth and Middleburg Trust. As we come together, that gives us important scale. That will take our assets under management north of $5 billion so we can get more scale to this business.

Middleburg Wealth/Middleburg Trust has been around for a long time in Virginia. And if you know Virginia, Middleburg is a very affluent part of the state. It has cachet. We elected to rebrand Union Wealth, Union Trust in Middleburg because we had decided anyway that we needed an independent brand for our wealth business to address this very point, what better brand than one that was coming into the company anyway. And so they used the fox logo, which is a big deal in certain parts of Virginia. So the fox will live. And we will proudly go to market as Middleburg Wealth and Middleburg Trust.

If anyone knows Richmond, this was once known as Tredegar Trust. My sister-in-law once worked for them. That was a very well known, very highly regarded wealth manager in Richmond. So getting more scale to this business is an important outcome of the combination with Access bank.

Comprehensive services. We do offer comprehensive services to higher net worth individuals. And from our standpoint, that is something that we are able to deliver in a very effective manner.

Notice at the top of this diagram, you'll see loans. Yes, we have the ability to do private banking types of credit facilities. Our ability to deliver that, frankly, is getting better, particularly as Access comes in, especially the Middleburg franchise. Middleburg is really interesting. That part of the state. There's a lot -- that's a very affluent area. And remember, Loudoun County, the wealthiest market county in the United States. That's what I'm talking about. That's this Middleburg franchise. So you will see people with complex credit needs. In particular, they may have estate homes, no matter what it is. So our ability to provide credit solutions to those types of higher net worth individuals is a real opportunity as we combine. We have it now, but it's about to get a lot better because of the market opportunity and expertise that we see at Access/Middleburg. Remember, Access Bank -- the Middleburg Bank is a division of Access. So they use the Middleburg Bank brand in certain markets.

At the bottom, deposits. I'm excited about this. Traditionally, until very recently, the wealth management group at Union was not focused on deposits per se. They viewed that as the purview of the retail bank. Why, because the retail bank would not allow them to really have a focus on deposits. They said we'll take care of this for you. Well, that's not happening anymore.

You heard from Maria Tedesco. As President, she runs all lines of business, commercial, retail, wealth and enterprise supporting functions of marketing, digital strategy, customer experience.

We've organized the whole company so that the lines of business work well together, and the new leadership team does anyway. And so we need an accountability out of the wealth management group to meet the traditional banking needs of these customers as well, particularly the more affluent ones, and not have affluent customers of Union dealing with more mass-market types of retail banking depository solutions.

That's an opportunity for us. And so we'll have a financial plan in this high net worth space. We'll focus on financial goals and objectives. We'll set the priorities. We'll understand the value systems of our customers and what drives their decision making.

Now this slide should not surprise you. You get into a wealth management space, you'll always see this in commercial banking. I've seen it for 3 decades. Pareto Principle. 20% of the customers is going to drive -- will drive something like 80% of whatever matters, be it revenue, be it assets. So we have about 20% of our wealth customers, in this case, high net worth, no surprise, who have the vast majority of the assets that are under management and assets that are under advisement. So we have a different approach for dealing with our high net worth individuals, and this is why, and we think we can grow this.

Cross line of business synergy, a point I will make again. The feeder system for wealth management is going to come out of the retail bank, and even more importantly, the commercial bank. So the retail bank will feed into our Union Investment Services, brokerage, more mass market types of solutions. The commercial bank will feed into our client advisers, which is really what we refer to as the private banking model. And that is really important that they all work well together.

Financial snapshot. This is a growing business but it's off a small base. So if you step back over the last 5 years or so, you would say, okay, we've got about a 40% compound annual growth rate, good, but off a really low base. So it's not been that large of a bottom line contributor. It jumps or steps up as we combine it with Access, meaning Middleburg Wealth/Middleburg Trust, so that it now has greater scale. I do not see this as being a specially large part of the bank, but I do see this as being a very reliable important annuity stream for the company, and it's a business that we can execute well.

The organic opportunity, to my earlier point. We estimate about $2 billion of held-away assets with our current wealth clients. Held-away, of course, meaning they're a client of our wealth group, but they have $2 billion of assets with someone else. So we can try to gain better share of wallet there.

We see a lot of high opportunity retail households. We count something like 1.4 million. As we look around the franchise, those are just people in our markets that could be customers; 36,000 businesses out there that do business with Union, in some way, shape or form. This is the feeder system.

The value proposition. Again, working well together, leveraging our strengths, leveraging our assets, being able to meet the customers' expectation. And on the bottom right, that circle, exploit competitor gaps. This is very prevalent with the large financial institutions and their wealth groups. If you are a customer, a client of one of these large financial institutions in most markets, certainly Virginia, if you have less than $10 million of investable assets, you're likely dealing with a 1 (800) number. We can do better than that. And so that creates a seam that we're able to exploit. And we get a lot of our new customers due to that seam. That's the value proposition. Team-based model for people who otherwise don't qualify because the largest institutions are really looking for what is beginning to push at the upper end of high net worth before, frankly, it meets their test for being valuable enough for their local service model.

The client adviser is the quarterback. This is equivalent to the commercial relationship manager and the wealth group. So they face off against the client and they organize the various subject matter expertise across the bank. And as needed, they can also face off with the wealth client's attorney or CPA.

I am a client of Union Wealth. This is exactly what I experienced. It's a good model. I've never seen anything quite like this before. And generally, you've got to be really high up the food chain in terms of investable assets before that's available to you locally.

All right, strategic imperatives. Really 3 things on our mind here. The overwhelming point, we have the opportunity to unlock the power of the franchise, the feeder system, to drive more organic growth into the wealth management group.

Invest in digital capabilities. We do need some additional digital investments here. We are clearly going through the integration process with Access, looking at their technology platform in wealth and trust. Looking at ours and making decisions about what is the best platform, which may be a new platform. And so nothing dramatic going on here, but we will look at the best technology.

And on the far right-hand side, growth through acquisitions. That's a reference to 3 RIA Registered Investment Advisor acquisitions that we've done.

What I will say to you, and we've said before publicly, we're on pause right now. Everything is going well with those 3 investments. They're relatively small, but we need them to season, we need them to prove that they're performing as we expected, and so far, so good.

And more importantly, we're busy. We are hands down 100% focused on the combination with Access. And the most important combination of all is going to be the combination of the Union Wealth group with Middleburg Wealth and Middleburg Trust. So don't look for anything as far as that's concerned anytime soon.

A couple of stories, and I'll finish with that. Here's a classic retail story. A Union retail customer comes into a branch; his father has died, unfortunately. And he is the executor of the estate.

So he comes in to open an account. The retail banker understands what's going on, suggests to the customer that our wealth group trust department will be happy to have a conversation with them to give him some general advice and tips about his responsibilities as executor, and see if there's anything they can do to help him. And he said sure, so we got to know that person.

Sadly, shortly thereafter, his mother died. At which point, now he had to deal with that, and he hired us at that time to be executor of the estate versus him having to deal with it. And that's just a nice small story. Sad in terms of the circumstances, but it's an example of the connectivity back to the retail franchise. And the fact that we'd be willing to, frankly, give a little bit of free advice so to speak was helpful in this case.

Commercial. This is the classic story. This is what you want coming out of the commercial bank. And we have a good commercial banking customer. She has her wealth invested with someone else. Because we have a good relationship, because the relationship manager inquired and asked, she agreed to meet with one of our wealth management client advisers to talk about her personal situation. After that meeting, which went well, she agreed to have more of a comprehensive look done by our wealth group. And she concluded, ultimately, that Union was providing a lot more personal customized advice than she was receiving from her current wealth provider. Long story short, today, we have $2 million on investment. She is our wealth client, and she personally has about $110,000 on deposit at the bank, and that's what we're looking for.

All right. That's an overview of the wealth group. The wealth group, again, is the smallest of our 3 lines of business, but it is something that we view as strategically important. It gains important scale as a result of the combination with Access to Middleburg Wealth and Middleburg Trust.

Any questions at this point on that? No?

So we will pick up where we left off with the third of the 3 line of business presentations, retail banking. Union is relatively large for a bank-our-size retail bank. I will point out, the head of retail banking is the last open senior executive job in the company. I purposely did not want to fill that role until the new president was hired. And once it became likely that Maria Tedesco was going to join as President, I definitely didn't want to fill that role because no one in the company knows more about retail than she does.

So given her background, this is very much in her wheelhouse. Even though she's only been here 6 weeks, she is a good sport, and I asked her to come share with you her initial thoughts on the retail banking opportunity at Union. Maria?

Maria P. Tedesco - *Union Bank & Trust - President*

Thank you, John. Okay. Retail. We all know that when you think about the successful consumer banks, they keep the customer experience as a top priority. We also know that consumers, in general, when they bank and they think about banking, they want to bank where, when and how they choose to bank, and they expect that experience to be pretty flawless, easy. They also expect solutions to be presented to them that meet their financial needs. Well at Union, the retail division, that's exactly what we are striving to do. We built a retail strategy for retail that we believe is going to help it reach its full potential.

There's 4 parts to the strategy. Pretty clear, we're going to move from a one-size-fits-all strategy in terms of how we go to market, to a more segmented view. That means segmenting customers and branches to the market opportunity.

We're going to simplify our processes, you've heard that, making banking easier for our customers. We're also going to enhance the digital experiences. And Sara is going to be up in a few presentations to talk about what that means to enhance our digital experiences.

We're also creating better value propositions for certain segments to leverage what now is a very diverse distribution network.

So let's take a look at -- here we go. This is where the -- what the network look like in 2017 with the legacy Union branches. This is another view of the franchise and the distribution at September of 2018 with the Xenith franchise. But this one's my favorite one. Here, we have a view of the distribution with the pending acquisition of Access branches included. After adding branches in the East and the North, we now have a more convenient, more diversified customer base, and we're in more diversified markets.

So our plan for retail is to begin leveraging that opportunity, taking those market differences, going away from the one-size-fits-all market approach, to developing products and services to meet our customers' needs, particularly in the mass affluent and small business segment. And absolutely take advantage of the greatest growing and the highest opportunity markets. Three things we're going to be doing: focus, simplify and grow.

In retail, that means focusing on developing go-to-market strategies, as I said, for the mass affluent and small business segments, making sure we have the products that meet their needs and that we're improving teammate and branch performance, not treating all of the teammates and branches the same from a goaling aspect, but raising up our expectations in the markets that we believe we have higher opportunity.

I already mentioned simplified processes for our customers to make it easy, but we also have to make sure that our teammates have an easy approach to serving our clients by making processes easy for them back to front of the organization. And then lastly, we're going to grow by deepening customer relationships. So when I talked about segmentation and branches, this is what I meant.

Let's take a look at the overall branch performance. We've taken our branches, and we've plotted them against their market opportunity. Of course, when you look at this diagram, we're trying to move everybody over to the right.

Generally, the median level of performance for all branches. And by the way, that includes sales results and profitability. This can and needs to improve. This is where that gap in the production and the overall revenue of these branches can improve.

We're going to be building incentive and goal-setting programs, leadership, development programs to ensure that we're driving the right behaviors and expectations against the market opportunity. In addition, we're building sales, marketing, customer management -- customer management disciplines to ensure that the future median performance will be higher than we're achieving today.

To improve performance, of course, we've got a look at our high-growth markets. Union markets are growing faster than the national average. We have significantly higher median income levels and significantly higher percentage of mass affluent households.

I know John mentioned that at the beginning of our presentation. Well, this gives us an opportunity to evolve both our marketing, which you're going to hear from Duane talk about, our products and our sales efforts to grow both mass affluent and small business segments.

There are 2 more areas of opportunity in the franchise when we talk about branches and our teammates, and that's banker productivity. First, if you take a look at the legacy Union franchise, it's very good. The branch has outpaced the industry in terms of consumer and business checking and also net checking production, which, of course in retail, is sort of a very key measure for us. But when you look underneath that, we're opening fewer total accounts per banker because we have less cross-sell. So we've got -- and this is sort of a blanket statement because I'm sure we have very good bankers throughout the franchise. But in essence, our bankers are really more order takers. And we need to move them to more advice-based, serving the client, asking them questions, providing more solutions per household. So that's the first opportunity in the network.

The second one is our recently integrated Xenith franchise, which is in Hampton Roads. And if you know anything about Hampton Roads, it's one of the largest, fastest-growing markets in our footprint. Well, the Xenith franchise has historically significantly underperformed. But I believe now that they're starting to adopt the Union approach and our -- and we've got the sales and services disciplines, and we'll continue to evolve those for the entire network, that we'll continue to see the improvement in these branches in their net production of checking as well as their products per household.

The really nice thing for us at Union is that we have close to 200,000 customers in retail who give us high marks for customer experience and satisfaction. They like us. They consider us. It's amazing to have such high satisfaction amongst our customers. Well, in retail, we've got to leverage that. That means our customers are willing to listen to us. But we've got to spend the time to ask them more questions. Take the time to find out what their needs are. So we want to try to drive more products per household with the advice-based bankers talking with our clients and meeting their financial needs and providing solutions that they need.

So to summarize, I'm confident in the opportunity that we have to grow this retail franchise to reach its potential. That means creating specific products and services to laser focus on the highest growth opportunities. It means optimizing the branch network and converting those opportunities. And it also means creating consistency across the experience that our customers have with bankers prepared to provide the right advice, ask the right questions and deliver the right products. From a staffing standpoint, we're going to hire an exceptional retail director that's going to help lead this business and to help shape it so that it does reach its potential. And I think what you'll see is through these efforts, we have high-tech, high touch approach. And we will be a better version of retail Union and better positioned for future growth. Thank you.

I'm happy to take any questions at this time before the next speaker.

QUESTIONS AND ANSWERS

Unidentified Participant

Maria, where do you think in these markets is really good at retail that you're going up against the most? And how do you see how Union is kind of positioned versus some of these competitors?

Maria P. Tedesco - *Union Bank & Trust - President*

I've been here 6 weeks, so I can't say that I could speak as an expert on the competition at Union at this point. What I do know is that looking at the retail franchise, when you have a franchise that has such high marks from its customers, that you have an enormous opportunity to take advantage of it. And we can't just be taking an order and satisfying the customers' request. We've got to spend more time talking to them. I think that's what's going to make a difference. But I don't know if anybody else wants to speak exactly to retail competition.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

It likely depends on where you are in Virginia. In Virginia, about 52% of depository market share is held by the Big 4. In Richmond, it's 66% -- pardon me, 76%. 76% of all depository market share in Richmond is held by the Big 4. So realistically, it's probably going to be more market-specific. I guess the question would be, among Wells Fargo, Bank of America, BB&T and SunTrust, who do you believe does the best job? Other smaller, more traditional community banks who do a good job, sure. But they'd be operating likely in one particular spot and they're going to have trouble competing on digital offerings in particular. For those of you who known -- Virginia, you probably recognize TowneBank. Towne is a really interesting unusual model that's principally a Hampton Roads bank. They will tell you they're not a retail bank. Here's a proof point. It cost them about $4 million in Durbin charge -- Durbin income impact to go over $10 billion, which they just did. Why? Because they don't have that much debit card interchange income. Why? Because they're more of a private bank. They're not really a mass-market retail bank, whereas we are. So I think it's the space that's available. Most of the business that we're going to get into this company is going to come out of the hands of the large players, [Katherine], that would be my opinion. If any of the other team have a different opinion, you let me know. Matt.

Matthew John Keating - *Barclays Bank PLC, Research Division - Director & Senior Analyst*

Maria, I had a question on slide, I think it's 6, where you have the graph of brand performance and then trade area attractiveness. Can you explain what you mean by trade area attractiveness? I'm not sure if I understand the concept there.

Maria P. Tedesco - *Union Bank & Trust - President*

Sure. We basically took a look at the growth that what's happening in the marketplace, the median income -- the population growth is what I meant, that is in the trade area of each of our branches and said, how are we performing against that? We should be able to get our fair share. And are we getting that fair share in the marketplace?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

And that would be a proprietary index. That's not something you can go look up. So that's our opinion in terms of how we assess the "attractiveness," and you gave the subcomponents of it.

Maria P. Tedesco - *Union Bank & Trust - President*

And it's all relative to the other branches in the marketplace.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

For legacy Union, of course.

Maria P. Tedesco - *Union Bank & Trust - President*

Thank you.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Is that Bryce? Yes.

Bryce Wells Rowe - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

John, so on that same graph, is there something about the Xenith branches that have kind of put them below that midline?

Maria P. Tedesco - *Union Bank & Trust - President*

I think, yes. Historically, it's got -- historically, they've been underperforming based off of what the opportunity is in the marketplace. That's why you see them -- and again, they're in their infancy in adapting the Union model. That's where I think the big opportunity is to move those branches.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. And this is no criticism whatsoever to the good people who work on those branches. But remember the history. Xenith bank was the combination of a branch-light business bank that looked a lot like Access, but it was Richmond-based. Staffed by larger banks C&I bankers, they merged with the Bank of Hampton Roads. That's what you're looking at. Xenith had something like 3 branches, the old Xenith bank, and that was a traditional community bank that darn near failed over the course of the financial crisis. And so there was a lot of history there. So they had a good consumer banking operation, but they seem to be in a very defensive posture. I'll say that politely, respectfully. But I do think as they come into -- as they have come into Union and have our brand and have our product offering, the regional head for that area has come down from the Union franchise. So those are good folks. I'm with Maria in terms of it needs time to season to meet its potential. So that's a good thing. When you see that, you should say, this means upside.

Maria P. Tedesco - *Union Bank & Trust - President*

That's exactly right.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Other questions on retail? Blair?

Blair Craig Brantley - *Brean Capital, LLC, Research Division - SVP and Senior Equity Research Analyst*

With this chart, have you run it with Access as well to see how they compare in the overall chart?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

No. I don't think we have the -- have had the data to put that together just yet.

Maria P. Tedesco - *Union Bank & Trust - President*

No. But we obviously would be doing the same thing.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. So Access, of course, really means Middleburg. And you can speak to that for a moment, Maria? Talk about when Access talks about its branches, I think they're talking about business banking offices. So you have to differentiate between Access "branches" and Middleburg branches. Can you explain what I mean by that?

Maria P. Tedesco - *Union Bank & Trust - President*

Yes. Middleburg branches were really very good consumer branches. When we look at the Access branches, or the legacy Access, I guess, would be the way to describe them, they're really run like business banking offices. And we're really excited about that model, and taking that model and replicating it in the markets that would give us the greatest opportunity to grow small business and business banking customer base. That opportunity could be -- that same model could be taken and utilized throughout the network. It's --

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John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

So to that point, that is an urban market business centric, essentially, small business branch. Not a mass-market consumer branch. Access was never a consumer bank. It was built to be a branch-light business bank. We have markets where that would work. We could do that in Raleigh. We could open a branch in Charlotte. There are markets in Virginia and Richmond that profile to where we could -- we should reorient certain of our -- not all that many, but certain markets that are in business-intensive areas where we could effectively take a page out of the Access playbook. When you go into Middleburg, Middleburg was really more of a mass affluent type of bank in a very affluent county. And so what we will bring to the table is we'll bring a broader product set. There were changes that were made to the Middleburg franchise post-Access. And there are some things that we will be able to bring to the table that we think will be welcome. They no longer offer things like free checking for mass market consumer. They no longer have Saturday hours in branches. That sort of thing. So Union will be able to bring more product offering to the mass market opportunity and mass affluent opportunity at Middleburg. We're very excited about what we're going to be able to do there. Maria hit exactly the right point. Union's tradition at retail is one-size-fits-all. There's one way of doing things. Now that we are the Virginia bank across such diverse markets, ranging from Northern Virginia down to my hometown of Radford, Virginia, population 15,000, that is a bad idea. We cannot treat all branches as if one size fits all. We will segment them. Some will profile toward business. Some will profile toward mass market. Some will profile toward mass affluent/private banking. And they'll all have a slightly different way of going about their delivery based upon what the opportunity presents.

Maria P. Tedesco - *Union Bank & Trust - President*

And we'll hire the staff to reflect that opportunity.

Unidentified Participant

Just one more question around the decision to move business banking from retail to a commercial bank. What drove that, and why do you think that's a better home for that --

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John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

I can answer that because Dave Ring and John Stallings and I did it. It was being mismanaged. There was no comprehension whatsoever of what that business should've been doing in the retail channel at that time. And I'm sorry to be blunt, but it's true. It was being driven as a lending channel, which is completely backward. There was no comprehension that business banking is really principally a depository opportunity. And so it also was creating conflict. There were things that were being done in business banking where it was crashing into the commercial banking effort and it was creating tension and inconsistency, so it needed to be moved over to the commercial channel. And we needed to be able to manage. We do not want to create scenes within our own organization, and so that was more appropriately placed under the commercial channel, and that's why. Now we're not talking about small business, mom-and-pops. We're talking about companies which have sales from $1 million typically to, what would say, Dave? $5 million? So that really needed to be run out of the commercial segment. And importantly, if you're the regional president in Roanoke, Virginia, you do have purview over those business bankers as well so that they're not trying to fight each other. You cannot control that whole thing. So that's why we did it.

Other questions on retail? Again, we have -- we'll have time at the end for a broad Q&A. All right. At this point, we have -- I'd like to introduce to you our Chief Information Officer and Head of Technology, Dean Brown. Thank you, Maria. Dean is a native Richmond-er. Dean grew up at one of the great Virginia regional banks called Signet. And for some of you who are under 40 years old, did you know that Capital One is based in Virginia, because it was spun out of Signet? Signet created Capital One. Capital One is the largest private employer in Richmond, employs 9,000 people there. We'll see a lot of our people have backgrounds at Capital One. Dean Brown was at Signet. He saw it happen. He was spun out with it, grew up at Capital One, went on to be involved in some smaller technology companies, and then we brought him home. And this was my predecessor having done -- so 4 years ago. I think Dean has done a remarkable job in terms of repositioning technology and operations at Union to meet the needs of the organization. And I'm excited that you have the opportunity to hear from him now. Dean?

Dean M. Brown - *Union Bank & Trust Company - Chief Information Officer & Executive VP*

Thank you, John.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

He's a no-nonsense kind of guy. Just prepare yourself.

Dean M. Brown - *Union Bank & Trust Company - Chief Information Officer & Executive VP*

The IT guys just had a technical failure. Okay. So you guys have just listened to the business. You heard from wealth, you heard from retail, you heard from commercial. There's a common theme. The common theme is growth. And so the question that I can imagine you guys are asking is, okay, can this small community bank support all this growth. And we've expressed we're not a small community bank anymore. But the question is relevant; can we support the growth? And it's actually a question that the bank asked itself a few years back. So a little bit of history, and this was before I got here. From 1990 through 2014, the bank grew through its normal growth patterns, went from $300 million to $4 billion. Then there was an inflection point in 2014. There was the StellarOne acquisition, and the bank went through that acquisition, but in essence, almost doubled the volumes through both loans and deposits. And on the backside of that acquisition integration conversion, there was a lot of stress on the system. So the bank asked itself, can we support ourselves going forward? So introduce me, February of 2015, I came in to answer that question. So the way I answered that question is I structured it, and I structured it by looking at 5 different areas. The first area was with regard to the talent. Did we have the right people in place and the competencies that could grow the bank?

The second was around systems and infrastructure. Systems and infrastructure, there's a lot more volume, can the systems support that volume? Can it support the bank in a growth mode? Information and cybersecurity. Huge, right? So the bank -- the way I expressed it before, the bank was never a target. It was too small. Well, we're starting to get bigger and starting to become a target. So did we have the protections we needed for the bank?

Then in bank operations, sort of similar to the system and infrastructure. All the processes that we have in the back office, can they be supported by the volumes and the increased volumes that we expect? And then on top of all of that, can we do other great things? Can we grow the bank through projects? And so we looked at change and execution and delivery. And one of the other things that we looked at were, do we have the ability to do another acquisition? Can we scale? So that's what that, the bolded item is there. The answer to the question in February, or I should say the summer of 2015, was no, we were not ready.

So we had to change some things. Set a tone. So you guys have all seen mission and vision statements before. I'd like you to focus here. As we changed the sort of the moniker of the IT and operations world, and we said, we're a service organization. We're a service organization to our internal customers, the business, as well as our external customers, and that was a significant focus. The other thing that we wanted to do was challenge ourselves. And so we said we're partners of choice. Now what does that mean? So if you think about all of the things that IT and operations deliver today in banking, a lot of it can be outsourced, okay? And so what we said was, we want to be the partner of choice. We want our internal customers to want to utilize us as opposed to somebody else.

And the last item on here that I'll point out is strategic. Strategic is simply code for proactive versus reactive. In the past, the bank had been from an operational support perspective, very reactive and caught up with the business. We needed to be in front of the business and not hold the business back. So we set a different tone.

The other thing we did was we declared imperatives and goals. And so we put that across 4 different items here. Executional excellence, which is a controlled, reliable environment we needed to ensure. The other thing we needed to do is make sure that it was efficient. Not only is it efficient today, but it continues to be efficient. And so we gain efficiencies as we get bigger. Growth enablement. We needed to deliver on the business objectives. So there's a lot of projects and new things that are being done. We've got the PMO in place, we said we were going to ensure that those projects were actually completed on time and on budget.

The item on our growth enablement where it talks about capacity, that's not only our systems, but that's also our operations. And we wanted to ensure that at any given time, we were able to absorb 2x our current size. So why is 2x important? 2x is important because we're going to grow, but then we're also likely going to acquire. And if we're going to acquire, we need to be able to absorb up to a merger of equals, right? If it gets to the other side, we're not being -- we're not acquiring or being acquired, then it probably doesn't matter at that point. But that was one of the things that we wanted to ensure. Engage teammates. We needed to make sure that we had the right team in place. And then with under all of that, we wanted to make sure that we protected our infrastructure, we protected the asset that we had.

So the first thing we did was hire an experienced team. This, to me, is the most exciting slide that I have. I know it doesn't look exciting to you guys. This shows the realm of responsibility that I have. But it also talks about centers of excellence and the services that are provided under each area. But even more importantly, there are people above each one of those areas. And so I'm going to speak a little bit about each one of them, and all of them are new. There are no -- there's nobody on my management team that is here when I got here. The first one is in bank operations. The lady's name is Barbara Fischer. She's been in banking and bank operations for 35 years. She's done 26 full bank conversions in her career.

Continue on, you look at IT operations. Josh Parsons, known quantity. John talked about known quantities before. Somebody I worked with before, so it's a very easy hire. I know what the person's going to produce. When I worked with him, we were at a company that had a branch network of 2,500 branches across the country. If you can run 2,500 branches across the country, I think you can handle Virginia and any growth that we have in the near future.

Cybersecurity, we've got Ron Buchanan. Ron comes from Capital One. He's sort of the local mad scientist that we have. He's done a fantastic job in securing the bank. Something of interest of Ron, the FBI actually calls Ron on a monthly basis and wants to know what's going on in the community as it relates to banking, as it relates to threats and things that we're doing to protect ourselves. It's a great relationship to have back and forth.

The data warehouse area is Mike D'Aiutolo. Now talking about in the past, this is a little different. Mike joined us in 2017. I worked with Mike at Capital One. He was one of the original forces behind Capital One's data exploitation with regard to analytics. And most recently, has worked with Teradata, where he spent 8 years deploying data warehouses in a similar fashion to what we're doing today.

Corporate assets. I've got Linda Majikes. She was with Signet Bank back in the day when Signet was growing and going through the same curve that we're currently growing through. And she ran facilities and security for them.

And last but not least is the portfolio management office. I'm speaking about project portfolio here. Gentleman's name is David Cupps. I actually used to work for David Cupps at Capital One, and we established the first PMO at Capital One, and that legacy is still there today.

So I was going through the slides this morning, preparing for the presentation, and I had all these numbers with the years I just showed. And I thought about it and I said, "Well, I should add these up." It's over 200 years of banking and technology experience within -- just within the management team that I have. And I think that if you look at the rest of the organization, there's probably a lot more years than that.

So we took that team, we had our declared imperatives, and we went and executed and delivered. And what this shows is how we delivered on those goals. I'm not going to, of course, go through all of these, but I'll point to a few items. Execution excellence. One of the things we did is our network was on a single line. So we had networks going down literally every day. We made the network redundant so that the branches would stay up. The other thing that we did, and this encompasses a lot of the things on the slide, is we put service catalogs in place. So there are certain services that we provide to our internal and external customers. We declared what they were. We set an expectation. We set the SLAs, and we meet those every month. They have monthly business reviews where we review the SLAs and ensure they we're doing what we said we're going to do.

Growth enablement. A couple of things there. We establish a PMO. The PMO allows for the business to write business cases on a standard basis. Those business cases are then driven into a prioritization exercise so that we know all of the projects that we're working on, which one are high-priority. And then also, we ensure that we have the resources available and allocated to accomplish those projects. Projects in the past that had been in churn, we're now delivering projects on time and on budget.

Down at the bottom of growth enablement was a big deal. We're, of course, on FIS. They provide our core system, Horizon. And so we're going through growth and my question was, "I don't know how much we're going to grow, but can you support us at $30 billion?"

"Why? You're a $9 billion bank." I said, "Well, we're not going to be a $9 billion bank forever." I said, "Can you support us at $30 billion? Otherwise, we need to go somewhere else." They brought IBM in, they did a capacity study, and the answer coming back was, "No, we can't. But how we can is if we move you to a dedicated hardware platform." And so we did that. We moved to that hardware platform and we're good with $30 billion and beyond. So that was a big deal for us.

Engaged teammates. A lot of that has to do with the people that are hired. And my sentiment is you hire good people and they hire good people. So As hire As, if you've ever read the topgrading book.

The last item that was on our imperatives had to do with cybersecurity. I'm not again going to read through all the things that we did, but there were 4 areas where we focused. Number one was awareness for our teammates. We put programs in place, made sure they were aware of how cybersecurity can be exploited. A lot of it is social engineering. So we helped our teammates. Then we protected our perimeter, the network. We made sure that nobody could get in. Following that, we protected our internal systems. So you can do some damage if you're already inside. So we did protected our workstations and our servers. And the last thing we did, we looked at the data and we encrypted the data and made sure that was secure.

So how do we know that we did a good job? Well, we have pen tests that occur on an annual basis. We've just got finished with one, passed with flying colors, and more importantly, there's been no significant breaches or events since I've been here.

All right. So we proclaimed that we were ready, and there really wasn't a test or a proof point until we had Xenith come along. So Xenith comes along and we said, "Okay, we think we're ready. What is it going to take to integrate processes, people, systems and ensure the efficiencies are met?" So we've put together a structure that I'll talk about in a little bit. We executed. And now we're on the backside of Xenith. And everything we said we were going to do, we did, with little to absolutely no disruption to the customer base. That's -- you can't say that a lot in conversions and integrations these days. There's always problems. We did not have a single problem as we worked through that process. Oh, and we made it harder on ourselves. We actually changed our business online banking system in the middle of it all just because it'd be fun, right? So we did that.

So now we think we're ready. And with success comes opportunity. So we established 3 more imperatives. Now these are the new strategies that we're going through.

One is growth enablement, the other executional excellence. You've heard about those. I'm not going to talk about that a lot. The third is very interesting, it's data analytics and data capabilities. This is where we're going to focus on a go-forward basis and will be the enabler for the business to grow.

So with regard to the growth enablement. Talked a little bit about the PMO. I didn't talk about the IMO. We actually established a dedicated integration management office solely focused on acquisition, integration and conversions. So we established that office when Xenith came to play. We established a playbook, a bunch of structure. We used a sledgehammer, and we purposely used a sledgehammer because we wanted to do it right. We didn't want to get anything wrong, and we wanted the ability to do it again if the opportunity arose.

And we knew we're going to be inefficient, but on the back end of that inefficient delivery, meaning we used the sledgehammer, we were very successful. One of the things that we said we were going to benefit out of that was the next time we do it, we're not going to have to use the sledgehammer. We're going to pull this off the shelf and use it. And so now we fast forward. We have Access in front of us and just recently got an update on the program. There were activities that took us from June until September when we did Xenith to accomplish. A number of activities leading to certain milestones. That same body of work has now taken us 3 weeks to accomplish in the Access exercise. So I think we are doing pretty good there.

The other thing that we need to do is continue to protect our data and our infrastructure. You can never feel safe and protected. If somebody tells you they're safe and protected and they're not going to be breached, watch out because they're about to be. And I'll sit up here and tell you that we will be breached someday. It's going to happen. It happens across the country. But what this shows is we continue to canvass the environment, understand the threats and react to those threats on a continual basis.

And we also, in the event that we can't prevent an incident, we have recovery mechanisms. And look at all the -- there's a lot of structure and things that we do that we take that incident and we reduce it as much as we can and limit the exposure to the bank. And so there's a lot of work that goes on with just that continual monitoring.

All right. So now we'll get to the -- I think, the exciting part of the strategy, which is the data imperative. And what you see here is a pyramid structure. I think everybody's used it today, so I used it too, which is how do we build a data culture? The first thing you need to do is establish it as an imperative. We established it as an imperative. The next thing you need to do is consolidate that data. Once you consolidate the data, you need to be build analytical capabilities or people or tools to attack the data. And then it becomes really powerful if you integrate all of the different systems that you have and that empowers the business leaders to grow the business. So that's how you go through it, right?

So we established it as an imperative. The next thing we do is Step 2. And so what this shows is our process by which we're going to develop our repository. If you look over on the left, you see our different data sources. At the top, you see Horizon or our core. That's our deposit and loan base. We've taken that information. We've integrated it, collected it. We've dumped it into the data warehouse, and we're now actually producing reports and analytical applications for our business partners. This is a journey we've just started. We started at the -- I think the end of last year -- no, excuse me, at the beginning of this year. And so rather than waiting and trying to establish all of our data sources, we're doing it in parallel. So at the time that we've now established Horizon in the data warehouse, we're starting to work on our other sources, both internal and external. And by the end of next year, this exercise will be complete and we will have all the data across the organization that can be utilized by the business.

Step 2 in this is then actually doing something with the data. So today, we're really good at looking at the data and telling you what happened. And that's really great for Rob when he's doing financial reporting and that type of thing. But really what you want to be able to do is to interrogate and understand, well, why did that happen? And when the real power comes is moving from hindsight into foresight and making things happen by virtue of understanding the data and then putting tactics in place so that you drive the business. That's where we're going with the data warehouse.

The other place where we're going with the data warehouse is to a CRM, customer relationship management tool. You typically move from data warehouse into CRM. That's the logical path. Here shows some applications for a CRM. So I'll just name a few. There's an efficient segmented marketing campaigns that can be established. We can do broader lending with actually less risk. We can offer products to people when they want them, so during life events. And then we can actually improve customer experience through a CRM. You might say, "Well, how do you improve customer experience through a CRM?"

I'll give you an example. Let's say you're at a store, you're buying a television and you roll your credit card with a chip or you slide it and it's declined. Well, what are you going to do? You're going to call the bank and say, "Why am I declined?" Well, before you get to be able to talk to somebody, you're going to have to go through who knows how many different press the button for 3, for customer service, et cetera, right? And you're sitting there for 10 minutes just getting to somebody.

Well, if you implement a CRM and tie it to your call center and somebody calls and you know that, that activity that just occurred, you can immediately forward that call to the representative who can help them with the decline. And they're wondering how you knew who they were and why they're calling, but that's all capable if you tie those things together.

So at the end here, what I want to do is give you the takeaways. You've got an experienced team in operations and technology. The technology and the operations, the systems and the processes are scalable and efficient. We're well protected from cybersecurity events, that type of thing, and we're going to use data as a primary asset. And lastly, what you should understand is we do have the ability and the option to grow through acquisitions. And we're well seasoned at that, and we provided for a Center of Excellence that does that very efficiently.

So with that, I'll ask John to come back up and see if you have any questions.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

No? Thank you, Dean. We do have a question.

Unidentified Participant

Just one question on technology, Dean. Can you maybe quantify the amount that the company spends on technology, either in dollar amounts or some other figure? And then maybe also a common question you hear from investors these days is, how does banks your size, from a form of $16 billion, compete against banks that are spending billions each year on technology? So I'd appreciate your perspective.

Dean M. Brown - *Union Bank & Trust Company - Chief Information Officer & Executive VP*

So for the first question you have, rather than give you a number that I'm sure is going to be wrong, I can get that back to you on that one. With regard to how do we compete with the people that are spending billions of dollars, it's very simple. All of those banks are running proprietary systems. They're doing their own development and they're doing a lot of R&D. We don't do that. We partner with providers, best-in-class, and we want to tie those systems together so that they integrate, very similar to what Wachovia or -- excuse me, what Wells or BB&T are doing on their own. So it's the utilization of those services, commodity services.

PRESENTATION

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Thank you. All right. Next will be the digital strategy. I'd like to introduce to you our Head of Digital Strategy, Sara Rountree. Sara is a digital strategist. She joined us in -- pardon me, in February of this year. She has been a great add to the team. And Sara came to us from Wells Fargo, so she has a really helpful perspective in terms of what needs to be done. She brings a very clear vision to the table in terms of the digital opportunity and the digital challenge. And when we hired Sara, my view of this role was really she is a challenger, so she does have enterprise-wide responsibility and she'll talk to you about her perspective. She doesn't necessarily own digital but she certainly makes it all work together and helps to set the strategy and is a challenger to each of us on the executive leadership team. So Sara, welcome. Thank you.

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

Great. Thank you, John. So as John mentioned, I've been here since February. So that brings me, I think, to about 9 months. I was brought here to be a thought leader around digital, to make sure that we were thinking about digital differently.

So since I've been here, put together a strategy, and I'll talk about the strategy, that ensures that we're looking at digitally, horizontally and vertically. I'm not going to talk about so much of why digital matters. I think everyone in this room understands that digital matters. It's changing financial services. I'm going to talk about why digital matters to Union and how it's helping to our brand promise of making banking easy.

So first, what do we mean by digital? So as I talk about digital, I'm really talking about that customer experience within digital. It's no longer online banking and it's no longer just your mobile app. If you think about all of the digital experiences today, there's so much more. There's that P-to-P, so person-to-person payments. There is Zelle, there is Venmo. We've got all the wallets, all the pays, Apple Pay and Samsung Pay, Google Pay, tokenization. We've got wearables. You can go to Starbucks and make a payment with your Fitbit. We have Alexa. Voice banking. And who knows what tomorrow will bring. There will be continuous and constant change over the next few years. And what my strategy is to make sure that we are able to keep up with the constantly changing times.

So if you think about what you saw in the prior slide, what is digital? Digital is moving away from just a thing. It's no longer just your mobile app. It's actually a way of doing things and it's a way of interacting with our customers. That's the digital mindset that I'm challenging our entire company to bring to the table. So as we look at digital at Union, we're really looking at it is an enabler. An enabler for better servicing and for better interacting with our customers at every touch point.

And digital is a huge component of our strategic growth and how we move forward. Maria touched earlier on high tech, high touch, but I want to reiterate that again because digital is so critical to that vision. Got up here some metrics from a recent Harris Poll. Found that most Americans actually want to bank with a local or regional bank. They cite better customer service. Union has great customer service. But why do most Americans not bank with a local or regional bank? They don't expect that bank to have a strong digital experience. Given our size, we are uniquely positioned to marry our strong customer servicing with an excellent, above-benchmark digital experience. Put that together and Union is poised very strongly for the future.

So where does Union stand today with digital? Well, like I said, I've been here 9 months. Pleasantly surprised, Union has a strong array of digital experiences. This is not meant to be all-inclusive. This is just to show a couple of examples of what we have today. We have Apple Pay. We have biometrics. You can log into your app with your face. We have -- we talked about the new Treasury platform that we have. We have account aggregation. We have online account opening.

But again, not meant to be all-inclusive. And our customers love our digital experience. Now this is only consumer. We are working and will quickly have the same benchmarks out there for the rest of our customers. But I think this shows that a smaller bank can deliver a very strong digital experience. All that said, I recognize, as customer expectations are rising and as we get bigger, it will be harder to maintain these scores. But I strongly believe that given our position and given our strategy, that we will absolutely continue to beat benchmarks.

At the same time, I absolutely recognize we have some catching up to do. We are always going to be looking at creating a better digital experience. But the way we're looking at is we're making sure that we are thinking about what matters most to our customers. So I've worked with all of the business leads you've heard from today to figure out what does matter most? So we've heard Zelle, additional pays, card controls, we've got those on the near horizon. But we're also making sure that we are not just rolling out spot solutions. We are moving towards being very thoughtful about what we roll out and how roll it out so that we can continue to optimize it and modernize it as we go forward.

So what's our approach around digital? We are -- I'm not -- up here, I'm not going to show you some new great innovation. Sorry if I'm going to disappoint you with that, but we are not planning on being the first out with a digital specific item. We are planning on enabling a future where we can find the right partners to be fast followers. Our partnerships, and Dean talked about this quite a bit, will enable us to compete in a fast-paced changing customer expectation environment. But where we're going to focus on differentiating is how we integrate digital. It's how we integrate it into every touch point. It's how we integrate it so that you can start in one channel and finish in another channel. We're just the right size where we can actually create that and not have to unwind a lot of legacy codes.

We also plan to utilize our best assets. I think you've heard almost everyone talk about our teammates. That is absolutely our best assets here. They know our customers. They know what they want. Digital also helps them. It helps them focus on what matters most, which is on that relationship management and not transaction management.

So I'm going to talk about 3 different pillars to the digital strategy. The first one, and Dean talked quite a bit about this, so I won't go too deep, and it's not necessarily the most exciting digital thing to talk about, but it's the back-end architecture. If we don't do this right, we'll fail. So we're very smart. Dean just talked about how we're taking the right partners, best-in-class partnerships, and integrating them together. Integrating them together using our data warehouse, using the CRM. Our customers and our teammates do not care how we do that. But to them, it needs to be seamless, it needs to be one Union.

And the key to all that back-end architecture is the data. It's how the data flows in and out. And I think somebody internally had told me that they think of digital as the way to marry data and the customer experience, and I love that. That is absolutely the future of digital. We talked about analytics. Same mindset with digital. Digital will only be successful as we have that data that can flow flexibly and agilely, but also securely.

So the second item. How do we think about the customer experience around digital. There's 3 categories here. So the first one, of course, what do we offer in the digital channel? I mentioned it before, we are continuing to increase our digital offerings.

Zelle, card controls, online appointment scheduling, we have those queued up for next year. But we can't forget about the offerings that we already have. Our customers don't.

If you think about where customers spend most of their time when they log in to online banking, it's BillPay. BillPay has been around for a while. Can't forget about it.

So we're putting a program in place to ensure we're continuously optimizing every single feature we have. Making sure that we modernize. So think about BillPay again. Real-time payments, payment tabs where customers don't have the select if it's a BillPay or internal transfer. We're staying on top of that and making sure we have the right partners to continue to enhance.

The third area, and this is a really important one. It's how we integrate into the other channels. This is how we differentiate. I mentioned omnichannel and that can be very tough. But again, we have the right strategy and the right leadership in place focused on digital and focusing on digital is the underlying technology that's going to enable this.

And along the same lines, that leads right into the next item. Teammates. You may not have expected the person up here talking about digital to talk about teammates as much. This is one I'm actually very passionate about. We can invest all day long in technology and digital, but if we forget about our teammates, it will all be lost. What do our customers remember and what are they posting on social media? It's the experience they had with the teammates, whether they called or walked into a branch or met with a financial adviser. They don't remember the happy path. They remember when digital broke and it might, or when digital's confusing, and it will be to some people. But it's how they got that question answered. It's the empathy they received from that teammate that matters the most.

So we're really focusing on making sure that our teammates have the right tools, the right information to help those customers. But they also have to have the right internal support system. And then, of course, we have to make sure that we have the right people and the right talent.

And I truly believe that if we focus on our teammates, we will ultimately be focusing on our customers. So what can you expect from us with digital? We have a lot that will be coming up over the next 18 months and it'll continue to change. We're staying on top of what's happening, what our competitors are doing, what our non-competitors are doing because that changes customer expectations.

One of the buckets that I mentioned earlier, catching up on table stakes. We have to make sure that we are meeting our customers' expectations. We've got -- we've really looked at a couple of different categories, so resolving our top customer pain points, making sure they enhance our existing features and making sure that we're up to par with industry standards.

Platform evolutions. We mentioned that the key to digital is the right partnerships. It's not just making sure we have the right partnerships, but we're using them in the right way and we're optimizing them.

I'll mention again we've rolled out new Treasury services, business online banking platform. We're rolling out a new online account opening platform. We're looking at how do we optimize our consumer platform. We're looking at all of that wealth experiences. We're figuring out how to use digital to service every segment of wealth and then making sure they're tied together.

We're also preparing our teammates. So beyond what I already mentioned in the earlier slide, this is how we prepare and how we invest in digital. We're making sure, and I've worked with every business leader, to get resources aligned for efficiency and effectiveness. John mentioned when I came up here that digital is not just me. I have to work with everyone across every team to ensure we have a digital future. So what I've done is made sure that we're smart about where we put resources. I can't just put a resource on my team if I don't have a resource on Dean's team to help me on the back end. So given our size, we are actually being much more lean and efficient by enabling our teammates to be focused in specific areas of digital.

And then preparing for the future. You could say this is all preparing for the future and it is. But this is more making sure that while we're rolling out new features and functionality, that we're continuing to focus on that back end. That back-end architecture, that back-end data that is absolutely going to be critical.

We -- future of digital is data, and if we don't have access to that data, we won't be able to enhance and improve in the future.

I've read this somewhere and I strongly believe that this really sums it up for Union. Digital should never stand alone. Digital alone will not differentiate us, it's how we integrate digital that will.

So as we think about digital, as I continue down the digital path, I will be focused on integrating it into every conversation, every decision and ensuring it underpins our overall strategic plan.

So with that said, I can open it up if there's any questions.

QUESTIONS AND ANSWERS

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Catherine?

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

What would you say is the most used app or program so far, and then what will be the least used program that you tried to integrate that hasn't really worked?

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

From a financial services perspective?

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

Yes.

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

The most used, so it's -- so we have a data bank, so everything's integrated into the app. The most used is BillPay. I mean, that's really what people do. The least used, online statements. You've got great transaction information, why do you need your online statement? The next least used, digital wallets. Everybody wants to provision a card. That's a very difficult change of behavior though once you get to that merchant to actually pull out your phone and use it.

Unidentified Participant

Once you have your digital portfolio optimized, how do you communicate that to your potential customers to overcome that large bank prejudice, particularly in an environment where customers are maybe using the branch network, not having that personalized contact with Union personnel?

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

Yes. No, a really good question. I'm glad you brought it up. And Duane is going to talk a little bit about that. Our findings show that our customers don't even know what we have to offer today. So there is an aspect of marketing and partnership with the marketing. But we're also looking at tools. A customer will not be engaged unless they feel confident. Customers need to feel confident about digital. So how do we get those tools out there even before they become a customer to know that they'll have that helping hand throughout the process? So really looking at marketing as well as ensuring that we're giving them assurance that we will be there all along the way.

Unidentified Participant

How is your digital, I guess, rollout going to affect your back-office workflow, especially given all your acquisitions that you've been making?

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

All great questions. So 2 things on that one. In the immediate future, we need more resources. I have actually spent days with the head of operations talking about the road map, the future and how do I align my resources with her resources, with the head of the data warehouse's resources. I mentioned it before. Lining resources up appropriately is going to help make sure that we can continue to move forward in a more lean environment. Secondly, over time, digital is actually going to help make back-office operations much more efficient. So -- while, I don't have any examples up here, and I know Dean is looking at some of this, but robotics, AI, all those types of things will actually make a lot of the back-office operations be much more efficient so that we can scale without having to continuously add resources.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Sara makes a critically important point. We haven't talked much about that so far. At Union, despite the efficiency improvement that's underway, and you'll see Rob Gorman talk about the new targets for the efficiency ratio, we saw a lot of opportunity at Union itself. A lot of manual processes. We are beginning to use robotic process automation, RPA. So yes, in fact we do have some limited instances of robotics, which basically means using optical character recognition to capture data in nonstandard formats and eliminate redundant key entry, straight-through processing, et cetera. So that's a conversation that we can have later on. It's in the early stages, but Sara says it so well. It can't just be she and her team, and she does have a team. It really touches every piece of the organization, and this is going to evolve. It's not going to happen overnight. There are some things that will be slowed down in terms of our ability to deliver them while we prioritize the access integration and conversion. Conversion will happen in May of next year. So we're not talking about a year behind schedule. But at the same time, it doesn't mean that everything comes to a halt either. Another point that she made that I like. Digital never ends. So it's a journey. It will never end. It's not as if we have 10 things we need to do and then we're done. If she knocks things off her list, new things go on the list. And so that's just a part of this living, breathing dynamic part the bank, and it -- that is the way it will be from now on.

Other questions? Wally? Actually, I'm sorry, Matt?

Matthew John Keating - *Barclays Bank PLC, Research Division - Director & Senior Analyst*

So we heard a lot about the digital initiatives as it relates to the consumer banking business. At Union, commercial banking is honestly a key focus. Can you talk about any of the initiatives that -- or how digital impacts the commercial bank? And then how you might -- how that might manifest itself?

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

Sure. So there's quite a few different areas. So unfortunately, commercial tends to be the lighter, right? So consumer tends to go out first with digital capabilities and commercial tends to not have them. We're -- Dave and I have worked pretty closely and actually his Head of Treasury Services about what does this look like. So at Union, what did we just do? What was our first priority? A completely new online banking platform for all of our commercial customers. So a lot of our focus is on optimizing that. So whenever you roll out a new platform, you almost have 6 to 8 months in just making sure that it is working right. At the same time, we're looking at integrated payables. We're looking at making sure our Treasury services are integrated. So right now, they're separate logins, making sure that it's 1 login. One look and feel. Those are the types of things that we're looking at. At the same time, digital's an enabler for our commercial bankers. So over time, and this isn't necessarily next year, we're still working on it, I'm still working on the plan with Dave, but we should be able to have tablets. We should be able to actually give them the tools they need to be able to service the customers where they want to be.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

From an internal perspective, we're implementing nCino, an end-to-end loan origination system, so we do go paperless. We are largely on electronic files today in terms of credit files, et cetera. We go completely to that. That will be a great productivity enhancer, and so that is in implementation as we speak. That decision was made probably 1.5 years ago. It was one of the first things I looked at before Dave Ring got here, and so that certainly falls into the digital space as well.

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

Yes, and I should mention on that. That's -- as we're looking at the new online account opening platform, we made a decision, let's nCino rolled out, let's get that squared away and then we can layer on the online component.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

But we do have a state-of-the-art online or Treasury management platform now, BeB banking, through Fiserv. That is up and running now. It has been implemented. The conversion of that went flawlessly. And so we are able to run with the largest of banks and meet the Treasury management needs I would say arguably for companies up to maybe $150 million, Dave? And then if you move up to, say, maybe $250 million in sales, it kind of depends. If you're a large corporate, you're not going to use us for Treasury management services. So we have what we need there.

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

And another thing on BeB through FIS is this isn't fun or exciting to talk about, but this is an example of optimizing something. So what matters most to commercial customers? Their limits. So that's on our -- that's on the radar for next year is to optimize limits. I know that doesn't sound very exciting, but that will make a huge difference in our customers' experience.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

To comment on FinTech partnerships. We were up in Milwaukee a couple of months ago to meet with FIS -- I'm sorry, I know Wally has a question. So to meet with FIS just in terms of -- we fell on the digital summit. My point to FIS was that we are your customer, we are not your captive. And so what that means is you've got to enable us to be able to plug and play any third-party application that we wish.

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

So strongly believe we have to get on board with the FinTech bandwagon. Partnerships with FinTechs will be the way we can innovate. There is thought leadership out there that we can leverage. The way we're looking at it at Union is that we first, though, have to make sure that we have the architecture that integrate them in a more optimal way. So you'll see some partnerships with some banks, I guarantee, there's those spot solutions. The way we're looking at our FinTech partnerships is being able to integrate them in a way so that our integration layer enables it to be leveraged across our assisted or non-assisted experiences. So whether you're logged into the online banking or you're walking into that bank branch, you get the insights or the capability of whatever that FinTech partnership is providing. We're also looking at that back-end architecture enables those FinTech partnerships, but that also might be internal development too. So we're really thinking about how do we enable that flexibility to pull in the right solutions at the right time.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Other questions?

Unidentified Participant

(inaudible) FinTech partnerships?

Sara O. Rountree - *Union Bank & Trust - Senior VP & Head of Digital Strategy*

So we are evaluating FinTechs in the wealth space. We are looking at temps and robo advisers and we hope to select a pilot next year. nCino is somewhat of a FinTech. They're starting to see FinTechs get so big that they're hard to call them FinTech anymore.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

What is FinTech is an interesting question. Another point I'll make along these lines is that as we evaluate products that are useful to our customers, like online account opening is a good example, we can use that very same product to improve our own process. We can use online account opening, the same tool our customer would use to open accounts at our branches. Faster, easier, simpler. So back to this point about making banking easier is mostly about making the customer experience better, but also helps us do our jobs as well more efficiently. And so there's leverage to be gained there. So this is a very exciting subject matter. And again, it's a journey, it never ends. But I feel like with Sara and her team, it's not just Sara here, with the cooperation the we have with this leadership team, we certainly have a plan, and that's really what we wanted to convey. We are on this and we do have a plan. And there's a reason why we moved digital to a strategic priority. It is a common thread that will go through the entire bank. No one is untouched by digital. Sara, thank you.

PRESENTATION

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

I'd now like to introduce our Chief Marketing Officer, Duane Smith. I'm proud to say that Duane was my very first executive hire upon joining Union, and he was hired in November of 2016. I'd been here, I guess, 2 months. The former Chief of Marketing was approaching retirement. Duane is another native Richmonder, another one who grew up at Capital One and so he saw the life cycle of Capital One, rode that up. He knows what it's like to be a part of a growth company. More recently, he had been Head of Marketing at Vonage in New Jersey, so we brought him home. I think that the transformation that we've undergone in terms of the marketing, the way we marketed bank, has been tremendous, and he'll tell you that story. Thank you, Duane.

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

Thanks, John. So it's fine that John brings up the fact that it's been 2 years now. And I look back and I can't believe how much has changed in 2 years, and it's been a blast. I love what I do, and I think we're doing a great job. But I'll let you be the judge of that. So I'll get into a little bit more detail.

But I'm also reminded of the conversation I had with John the day that I was actually being made an offer to come to Union. And John had told me in this phone call that the bank is going to change. He said, "I can't tell you exactly how it's going to change, but I do believe that marketing can play a much bigger role in the growth of this business and I want you to be a part of that." So this was music to my ears. This is what I do. This is where I've come from. The companies I've worked for in the past, the success of the company was dependent on the success of the marketing department. And that's the type of step-level change that I wanted to make at Union and the contributions that we will to make to the bank, which is good segue then to our marketing vision or the vision I created for our group is to be the engine that drives the business growth.

Now -- and that's true for, of course, each of the lines of business and different ways in which we can support them and help them grow, but it's also true at the corporate level where we have an accountability to building the brand reputation across our entire market.

So you've seen our corporate priorities laid out through multiple presentations. I just want to assure you that marketing is no exception. So actually looking back to those to inform our actions. For each and every one of them, there is work that we're going to do that's going to help further the business and help meet these objectives. And that's going to range from everything from specific initiatives in each of those lines of business to help them grow, to building a very distinct brand in the marketplace, to also even just looking into our own department to make sure that we're advancing our own capabilities.

To bring focus over this past couple of years, we focused basically on 4 different areas. The first is being very deliberate about our actions. Deliberate in design, that's having plans for each of the lines of business, that's having a strategy behind every dollar we spend, it's about having a measure for every dollar that we're actually spending. So being very deliberate in the design and making sure that we're following that through.

Similarly, being highly differentiated. We're in a business as a small regional where we are outresourced by the big banks. They've got deep teams, building capabilities, they've got larger marketing budgets. We have to show up smarter and more deliberate and standing out. If we don't break through, then we're not going to be effective, and I think we've been effective at breaking through.

We've also brought a more analytical approach to our decision-making. So again, I mentioned earlier looking at every dollar we spend, we have decision forms that are built around the information that we're learning from our tests. We've got a test-and-learn agenda going on at all times, and we're really optimizing every time we learn something new and applying that to our business.

And then right skills and right teams. So this is about making sure my team is the right group there to actually lead this work. It's about having the right agencies and partners in place giving us the capabilities we need, and also the tools to help us deliver that success.

Believe it or not, more than half of my team is new in the past few years. So a bit of turnover there to make sure we've got the right people in place, and we hired for where we're going. We hired folks with that big bank experience. I love the way John describes as people who understand the issues at a big bank, the things that we can actually attack in our marketing to make them our competitive advantage. These people understand those things very well. But they also understand building a brand and what it means to run big brands. Several of us on my team and even in the executive team came from Capital One. And that's -- I think they bring 2 very important sides to marketing from that experience. The first is Capital One is one of the most analytical organizations that I think you can come across in the way that they use data to inform their actions and their decisions. So that's a core component of how we run things. But the other is the brand itself. When I joined there, the Capital One brand was actually buried into the disclosure of a direct mail piece that was Visa or MasterCard. So it was an unknown brand. So it started with defining what that brand is about, making sure it's embedded in everything that you do as a business and then bringing it to life through disruptive advertising, which I think they've done a very effective job of. So that experience, of course, bodes well for what we need to do here at Union.

So from an agency perspective, what I inherited, if you will, was a really strong agency, one that I continue to work with, the Westbury Group out of Richmond. But they are more of a generalist agency. And it -- as we advanced in our capabilities and our needs, we needed to look beyond them for expertise. So I'm proud to say that actually by using the exact same dollars or actually maybe a little bit less than what I used to spend with them, I've now added a broader roster of agencies that I can work with that bring deeper capabilities, more so in digital probably than anywhere else. But one example I'll call out that I think really brings to life what the value is -- of getting the right people in place can really do for you is the Martin Agency. If you're not familiar with the Martin Agency, they're one of the best ad agencies in the country, and we hired them for only the mass media buying part of our business. So it -- they brought in capabilities for targeting and reconciling our purchases and bringing significantly greater buying power to the table, such as I believe we are, for the same spend, generating anywhere from 20% to 25% more presence in the marketplace. That's a significant increase in -- of our exposure without the increase in investments.

But of course, the work that we all do as a team in our agencies is -- all ties back to our brand. And you've been hearing a lot about our brand here today, but I reflect -- I want to reflect on a definition I keep pointing back to because most people think about brand as advertising, and that's clearly part of it. But I love this quote, "A brand is a promise that when kept creates preference." So the question on the table is what is our promise? What is it we choose to be to our customers? And this is where we make banking easy comes from and this is who we're going to -- what we're going to build out as a bank and how we'll differentiate ourselves. And again, it's spread across all the products and services that we sell, it's the experiences we create for our customers as they're coming in the door and as we service them and of course, the marketing itself.

So when we think about our marketing approach, this is a place where I think we are very differentiated from the bigger banks. So if you think about a Wells Fargo or a Bank of America, as they think about what they would call regional marketing, they're probably going to refer to Virginia more likely, probably Mid-Atlantic, maybe South, but -- or even East Coast. They're not going to be thinking at a micro level. But we just have the ability to think at a smaller level and look for those nuances of differences between markets. So what we've done is look at basically our opportunity. And some of the way Maria was describing the opportunities at a branch level, that's one part of what we do, but we're also looking at our breakthrough potential. What is the competitive set out there? How much are they spending? What market share do we have? But we've used that to help inform groupings of Tier 1 through Tier 3 markets that inform the decisions we make on our investments here. So every market, we get our highly targeted direct mail, digital marketing, things that we know are going to be very efficient. And then the next layer up of that would be more brand-like advertising, which scales on the opportunity both in channels that we would use as well as the overall investments.

Once a year, occasionally, with -- a couple of times a year, we'll do a brand tracking study to measure how well we're breaking through in the market and how well we're resonating with the customers and prospects in those markets. And this is the most recent report that we've pulled that compares how we're doing relative to the larger competitors in our market. And it's not a surprise that the larger banks that are -- again, deeper resourced than we are, they have a greater awareness. They are better known in the market. They've got a bigger presence and bigger marketing budgets. However, I'm proud of the fact that at the bottom part of this graph, we're breaking through. For those who actually see us, are familiar with us, they prefer us. Our consideration rates are higher than the competitive set. And this is really important because as we grow the population that is aware, the messages are resonating and they're beginning to prefer us. So the more we can break through, the more people we can reach, the greater we can grow the business.

This is a similar measure but this is going a little bit deeper on the consideration drivers themselves. So these -- this is a list of equities that we measure are basically subsets of what drive consideration. And we measure again ourselves against the competitors. And again, you must first be aware of us to have an opinion about consideration in these elements. So for each of the banks listed here, it is that subset that we're talking about. But you can see, for those who are aware of Union, we're doing better than every one of the other banks on every one of these dimensions. It's also worth noting Wells Fargo's low position here. We know that they've been declining for the past few years and frankly, we're taking advantage of it. We're trying to shift that mindset over to Union.

As we look at the work we do kind of in the line of business level the -- currently, the -- the commercial division and the wealth division need very similar things of us. So our agendas are very similar so I've lumped them together for the slide. The first is just driving that awareness. Reaching more people, especially the new subsegments that we're interested in as Dave goes deeper into niche populations that he wants to sell to, we're going to find ways to get in front of those customers and make sure they're aware of our brand. Second to that, and very related, is increasing that consideration. So how do we make sure that we're selling our capabilities and selling our team? We're putting our leaders at the forefront of that and promoting the things that we actually are able to deliver to make sure that they're aware that we're in that business and we know how to do it. And then finally, event marketing. It's a big part of this part of the business. We help create events where we can entertain existing clients to cement existing relationships, but also invite new customers or prospects in to hopefully win new business.

Here's a few examples of some of the ads that we've run for the commercial and small business space. And again, you can see that we're deliberately promoting the people and the type of work we do. And Dave mentioned this earlier, where we can, we try to use testimonials, too. And we've been doing a lot more of those recently, and here's a couple where we did that. And the nice thing about the testimonials is, is not just us saying that we're good and we know how to do this work. But we're using real examples in that market to help people get their head around the kind of work that we do. It brings it to life and it leverages the equity of that particular brand might bring to the table.

Here's some similar examples on the wealth side where -- and here on the left, we've promoted Holly Stallworth who's -- who won an award. We want to make sure people knew of the credibility she had in the investment space. To the right, Jess Ellington. We're using a video format in social media to promote his thought leadership in the investment space and to show our credibility in the space. So really, just building up our people and again the capabilities that underlie the work that they do.

On the retail side, we've got a very robust agenda and it starts with the value propositions themselves. Free checking is a core component of our marketing. It's a differentiator in the marketplace and it's really used as a traffic driver. It's used to make people come into the branch or come to us online to then investigate their options. And from there, we actually make sure we put them in the right product based on their particular needs. We're also building out several other value propositions. Maria spoke to the mass affluent population and we're midstream now on looking at new value props we can go after that group with.

And then on the driving awareness and consideration. We've got continuity advertising across multiple channels for this particular part of our business. We try to do it in a very differentiated way. Again, we need to break through because we're competing with big budgets out there. So I'll show you an example of that in just a minute. But I'll also mention that we've got a growing area of this direct-to-consumer marketing. So this is digital and direct mail marketing and that's basically inviting customers to come to us online or call us and, of course, go to the branches if that's their preference. But this is -- as people are more and more comfortable buying products online, including financial services, we're frankly going out there and trying to optimize this particular part of our business to get more than our fair share. We know we can grow it, and we're looking forward to doing more of that over the coming year.

So I'm going to show you a couple of TV ads that we've been running over the past couple of years. Before doing so, I want to give you just a little bit of background on them. As I indicated, we need to break through. So these were designed to break through, but they're also designed to speak very directly to consumer frustrations. Our research showed that people who've had a lot of pent-up frustrations with the big banks, a lot of the bad news that we've heard primarily from Wells was very top of mind for customers and they, frankly, are frustrated that they didn't have a better option. So this was all about setting up Union as a better option to that work. So If you don't mind, let's run this video.

(presentation)

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

So hopefully what you saw in that advertising is we're really clear about what customers are feeling. We're really clear about who we consider our competition to be and where we want to steal customers from. And that we've actually put on the table reasons to believe that we're a better option. So that was what the ads are designed to do and I think we're breaking through. You saw we got great consideration numbers, and I think that these ads were also key components of what's helped us win the Best Bank awards that we won from Money Magazine and Forbes.

So it's also been mentioned that we entered the Hampton Roads or Coastal Virginia market earlier this year with the Xenith acquisition. So as we entered that market where we're largely unknown, we needed a launch plan that was going to help again breakthrough, get our awareness up and we deployed all the traditional channels. But we did do something a little bit different. And frankly, it's one of those things you pull out when you know you're underspent relative to the competition. And we used naming rights. So we deliberately went out and bought sponsorships that would basically embed our name into other people's advertising and marketing. So the example that I'll first point to is the Union Bank & Trust Pavilion. This is an amphitheater in the Portsmouth market that does roughly 20 concerts and events every year. And for every one of those concerts, they do significant amount of marketing through multiple channels to drive people to those concerts. By forcing our name into their name, it basically brought us significantly greater exposure. So in this particular case, we've estimated that we're getting an incremental 250 million impressions of our brand through this new market. So a pretty interesting way to just force some more awareness around our name.

We did something very similar for the one just beneath that, the Patriotic Festival. It's a 3-day concert series done in Virginia Beach and draws a phenomenally large crowd. It's a lot of fun, if you've ever been. But they too do a ton of marketing over multiple months to drive people to this event and we became the Union Bank & Trust Patriotic Festival to force our name out there. So from this one, we estimated we achieved about a $50 million incremental impressions for that buy.

And then to the bottom left of this graph is a little bit of our initial success, measured through those same brand tracking studies we do. We did a supplemental one for this particular market to see how we're doing after just a few months in market. So we launched mid-April, we did a poll, basically end of June, 1st of July, and you can see we're moving the needle already on increasing those who've heard of the bank as well as the consideration levels for us. I -- Maria addressed this earlier and we're talking about the performance of the old Xenith branches and I think this is an example of a way in which we're going to lift those branches up to the performance levels that we've seen at Union. They haven't historically had a ton of marketing support and now they do. We're driving people into those branches and we're driving business through things like this and this is an early indication that we're headed in the right direction.

So as we look to 2019, we have lots of plans. We always got plans. And this particularly year, we want to start leaning into some new news. We want to expand the way people think about air capabilities. So we're going to look to other products and other services. And specifically, I'll call out Zelle is one that we're rather committed to. Zelle peer-to-peer payments, if you're not familiar. So it begins to shape people's perspectives -- perceptions that Union does have the digital capabilities they're looking for. So it begins reshaping what we actually can deliver, hopefully broadens the population that would even consider us to begin with. As they're awarded, we will continue to lean into the Best Of recognition that we get and embed that into our advertising. And then we're going to also leverage something that no other banks across Virginia has and as that's these multiple collegiate sponsorships where we have the ability to use their marks, their logos and any of our marketing, we're putting them on our debit cards. We have the ability to tap into their alumni bases. So these relationships have the opportunity for us to stand out in a very different way and get us access to new populations, which is pretty exciting. And maybe a little bit of a tease in that we are also working directly with the University of Virginia and Ralph Sampson on a component of that advertising for next year that hopefully will come to fruition. It's looking pretty good thus far. So big stuff for next year.

So to wrap it up, hopefully you see we got an aggressive agenda and a lot of work underway, but it all is tied back to making banking easier and being this brand that I know we can be. It's across the products that we take to market, the experiences that we're creating and, of course, the marketing itself.

With that, I'll take questions.

QUESTIONS AND ANSWERS

Unidentified Analyst

It might be too early for this, but maybe you can talk a little bit about some specific strategies you're going to be implementing in the Northern Virginia Access market and how that compares to what you did in the Hampton Roads market.

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

Yes. So It is early in our development of the strategies, but I do think it will be a little bit different. I think it's a place where we need to show up in a very welcoming way to their retail presence in particular where they are -- I think they're excited about what Union can deliver. They're excited about what we're going to bring back to that market. So we need to show up in a very authentic way. So that's the word I would leave you with. I know we're also going to have to be very selective about the channels we use. It's an expensive market. So again, one of the advantages of working with the marketing agency is their targeting capabilities and they're already showing me some pretty interesting ways in which we're going to be able to get to that target efficiently. So it's going to be different, but I don't have any doubt we can still do this.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

The point I'll make again, Access. Legacy Access is a branch-light business bank. It does not have mass market customers. They'll deal with the personal needs of the business clientele. Middleburg Bank, which still operates under the Middleburg brand, that's a different story. And so that looks more like something you recognize out of Union. So in that Access Bank brand area, I would expect that we're going to market as a business bank because that's where the client base is. There will be important strategy questions over time. Maria, David Ring, Duane, obviously, will have a say on that matter. But you're not going to see television advertising like you saw here in the Greater Washington area, that wouldn't make any sense.

Unidentified Analyst

Duane, how do you feel about the pending rebranding of the wealth business to Middleburg?

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

So John referenced some of the research we have done earlier, that actually I brought to him. So I'm excited about it. The research clearly indicated that there's more credibility to an independent brand than the bank brand. So I think it's got nothing but positive opportunity for that particular part of the business. I also think that there's a selling opportunity from the retail side to basically suggest I've got exclusive access to this thing, branded differently, that feels bigger and more special and more capable.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

And the added advantage is if you're a Middleburg Wealth, Middleburg client or if you live in the Middleburg area, which has great emotional attachment to that Middleburg brand, it's a good thing because it doesn't change. In fact, I was in the press, I was interviewed by the Fauquier Times, the local newspaper, and they ran a -- we couldn't have paid for better advertising. It talks about how Union is going to come in and Union is going to have a bigger product offering. Union is going to take the Middleburg Wealth, Middleburg brand across its system, retire Union Wealth. And it was fabulous. So we know the audience that we're speaking to. And I agree, Duane is in fact the party that came to the table giving me the unwelcome news that...

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

We had a brand opportunity.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Correct. We had a grand opportunity, I'll leave it at that. So it all worked out well.

Unidentified Analyst

Maybe as you think about the marketing spend as a percentage of budget or percentage of assets, when you joined, do you think there was an underspending in it? Or do you think it was more of a kind of reallocation needed to happen similar to some of the examples that you gave us?

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

Yes. That's a good question. I do think it was more of a reallocation opportunity. The way the money was being spent wasn't as focused. There was virtually no digital marketing, which 2 years ago, it's another opportunity. So mostly reallocation.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

And I think that, I'll leave it at this and I'll say this delicately. The old advertising approach was not consistent with the brand standard that we have today. How's that? So I think we're a lot smarter about what we're doing and planned for.

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

I hope so.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Other questions?

PRESENTATION

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Okay. Thank you, Duane. Now we have the last formal presentation. I'll then have some concluding remarks, which are brief and then we'll take questions. Up now is Chief Financial Officer, Rob Gorman. Rob, interestingly, I think of Rob as being the second of the new leadership hires. He's actually the second longest-serving senior executive at Union. He's been here 6 years. And only ahead of him would be Loreen LaGatta in the back of the room, hailing from Brooklyn, New York, which would be evident if you spoke to her. Loreen joined just about maybe 6 months ahead of you, Rob, I think. And she was the first of the outside hires. So my predecessor did recognize the needs of the organization were changing and hired some really good people. I certainly finished that job. Rob grew up at Fleet, later at SunTrust and then he joined Union. And I must say, when you're that new Chief Executive Officer, you have a lot of questions about the integrity of the financials. And you do wonder about the controls that are in place, so I was -- I would say at first, impressed and secondly, relieved about the strength of Rob and the finance organization, and I would also add, and this is a great compliment, Rob is probably the most strategic chief financial officer I've worked with. So Rob, you're up.

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

Thank you, John, for those kind words. What he means by being one of the older folks on the executive team that joined about 6 years ago is Loreen and I are very long in the tooth compared to everybody else on the team. We have more experience, I guess, that's better. Yes. Before I start on my slides, I'd like to respond to a question that Matt Keating had, which was, what's the spending we do in the technology and operations area. We spend about $22 million in operations and about $28 million a year on the technology side. So in Dean's world, he's got basically a budget of about $50 million.

Okay. I think what you've heard through all of the presentations today is that Union is well positioned. We're well positioned to differentiate ourselves from our competition and our marketplace and we're also well positioned to generate above average returns to our shareholders. But what does well positioned really mean? And I think what it means is all the themes that we've been talking about so far up until my presentation, we have the right scale. Now with adding Access, we're going to be over $16 billion in assets, $11 billion in loans and about $12 billion in deposits. And that scale is really important. As you've heard today, we are able to invest in all of our businesses, commercial, retail and wealth. There's opportunities in each of this businesses and we're able to invest in each of those. In addition, we're also able to invest in adding products and services that our clients and customers want. And big part of that is, of course, the digital strategy that you heard, adding capabilities on the digital banking side we're able to invest in.

And finally, I would say we're also able to invest in our teammates. We want to reward for performance. We're able to do that, generate the performance, we reward you. Then we're also investing in the tools that make their jobs easier, make them more effective and efficient as they serve our clients across the franchise. In addition, we're now in the right markets. A couple of years ago, we had a very nice franchise, but there was some missing pieces. Two of the missing pieces are now filled and the we feel like we got this -- the right franchise to deliver the quality service and products across the Virginia marketplace. And those key markets are -- when we acquired Xenith, we got into the very popular -- very high growth and well populated Hampton Roads area, which Duane just talked a bit about in terms of how we're marketing there. And with the Access acquisition, when we close that in the first quarter of 2019, we'll be in the most populated area and that's Virginia -- Northern Virginia.

So if you look at our franchise, we're now in Virginia, the top 3 most populated markets, Northern Virginia, Richmond and Hampton Roads. In addition, we think we're well positioned because we've got the right strategy. We have a focus on loan diversification. We're focused on growing our C&I or our commercial book of business and reducing our reliance on the commercial real estate business. So we've got a differentiated strategy from the competitors in our market.

We also heard today that we've got a great deal of upside in both our wealth management businesses, a lot of opportunity there, and our retail businesses and we're working on those strategies to execute the upside or to gain that upside going forward, as you heard from Maria and John was filling in on the wealth side.

And finally, I think hopefully you've heard today that we've got the right team in place. The right team to execute the strategy that we're putting in place. Not only who's in the room here, but we've also got quality people back in the -- back home in Virginia that can help us execute the strategy going forward.

As John mentioned earlier, we've got a franchise that we don't believe can be replicated with the addition of Access come the first quarter of 2019. We've got -- we've created tremendous scarcity value as John had mentioned earlier. And certainly, everybody understands that to remain independent, we're going to have to earn our independence. And that means we're going to have to focus and deliver on top-tier financial performance going forward. As John mentioned earlier, if we don't do it as a management team, there's going to be somebody that will come in and do it for us and that's something we really don't want to do. We think we can execute on our strategy and deliver that top-tier financial performance.

We think we have a unique value proposition versus our competitors in our markets. I mentioned that we have scale, we can now compete against large national banks, super regional banks and also community banks in our marketplace. So we can compete against all of those. We've got the scale to do so. We've also got tremendous strength. Our balance sheet is strong, it's big. Capital levels, we've got the capital that can support the growth that we're expecting both from an organic perspective and an acquisition -- potential acquisition down the road, support of that. Of course, organic is the #1 strategy, potential acquisitions are really more of a secondary strategy. We'll do those if they make sense from a shareholder perspective, but we're really focused on growing on an organic basis. And what you'll find is, as we now are changing our strategy a bit to focus on the C&I versus the commercial real estate lending side, we're going to be able to take market share from the big guys. And that's what we're all focused on, at least on the commercial front, and there's a lot of opportunity to, of course, to grow our franchise and our market share on the retail and wealth sides as well.

And of course, there's a lot of opportunity. We're committed to top-tier financial performance and you can see we're making good progress there. But there is still a tremendous opportunity for us to deliver better, higher earnings potential and I'll talk a bit about some of our targets going forward related to top-tier financial performance of what our opportunity is there.

And finally, I would say we're a shareholder-driven company. We've a good dividend, it's a stable dividend. We'll continue to pay out in the 35% to 40% payout. That's our target payout ratio and it will be obviously some upside to the dividend as we see our earnings increase. In addition, we're also very focused on stock appreciation as well. Total shareholder return is what we focus on at Union.

As I mentioned before, we've got tremendous balance sheet strength. As of June 30 of this year, we've got $13 billion worth of assets. As you recall, we closed the Xenith transaction January 1 of this year. That put us over $10 billion. We did that very efficiently. We've got cost saves and benefits that offset the impact of going over that $10 billion mark. So we're very happy with that particular transaction, which helped us grow through that $10 billion threshold. And now you can see, with the addition of Access in the first quarter, we're going to be over $16 billion, $11 billion in loans and $12 billion in deposits and a market capital of greater than $3 billion.

I'm not sure everybody in the room fully understands that we think Union has been a growth story. And I'll go back to when I started in 2012, we were a $4 billion organization. Fast forward 5 or 6 -- I guess 6 years, since I've been here 6 years. Fast forward, we're 4x that amount in terms of assets, loans and deposits. So good growth both from an organic basis and an acquisition basis; over time, we've had acquisitions as well as organic growth. You can see on the slide here, I kind of looked at the last 3 years of growth actually through Q3 '18. You can see loans and deposits have grown about 20%. Of course, part of that growth was related to the Xenith transaction we closed earlier this year. But if you back out the acquisitions, we still were 12%, 13% growers on an organic basis. Again, we're focused on organic, and secondary strategy is acquisitions.

You can also see the growth has dropped to the bottom line. We've had good compound annual growth rate of 18% over the last 3 years. If you back out -- some of you -- I know some of you will say, well, part of that was the tax -- the lower tax rate. But if you back out the tax rate in the 2018 number, you still -- we still grew on a CAGR of above 13%. So very strong double-digit growth from an earnings perspective.

As we've also mentioned, we focus on 3 major financial metrics as we evaluate how we're doing both internally and versus our peers. And those 3 metrics are operating return on tangible common equity, operating return on assets and our efficiency ratio. And you can see we've been making decent progress from the time we implemented -- so backup. About 3 years ago in 2015, we put forward a 3-year strategic plan and we set some targets related to those plans that I'll go through it in a minute, making progress on each of these metrics. And you can see since 2015, we've had some pretty good progress and it's more recent -- '17 and '18 is where we see the most improvement there. We expect that, that improvement will continue in '19 and beyond once we close the Access deal. And you can see, we also had a big focus on reducing the operating efficiency ratio. You can see we were in the high 60s back in '15. Hard to believe we're now below 60% and we continue to drive that to lower 50s.

So let me reiterate what I think we've talked about several times. Folks know in this room as you know us, 3 years ago we set some financial targets for those 3 metrics that I talked about. Return on tangible common equity wanted to be -- we wanted to be top-tier, top-quartile in our peer group, so we set these ranges. Return on tangible common equity of 15% to 17%. We want to be firmly in that range. Return on assets 1.3% to 1.5%. Again, we set these 3 years ago and by the end of this year, we want to hit those; and efficiency ratio of less than 55%. The good news is we're going to deliver on that in the fourth quarter. So as John had mentioned, he talk a bit about that. We fully expect that you'll see the current financial targets will be firmly in those ranges from an ROTCE, ROA and efficiency ratio. I also want to remind everybody that the management team is putting their money where their mouth is. We are -- the management team is, on a short-term incentive basis, our incentives are tied to reaching those metrics in the fourth quarter. We feel very confident we're going to do that. But again, that says that we're incenting the right behaviors in our company.

Going forward, Access allows us to increase or raise the bar, so to speak, on those targets. And you can see once we close the Access deal, once we get the full cost savings out of the Access deal, which will be towards the end of next year, you should see that we should be able to produce a return on tangible common equity in the 16% to 18% range, a return on assets of 1.4% to 1.6% and an efficiency ratio below -- 50% or below going forward, which is, again, I believe a tremendous accomplishment over the last 3 years to go from high 60s to below 50%, which will be pretty impressive results.

We like to say that we're a shareholder value-driven company. We focus on the shareholder. We want to make sure that we can produce above-average returns for our shareholder base over a period of time. But you can see here on this slide that we have outperformed our peer group, which we depict as the KRX Index, the [Keith] Regional Bank Index. You can see both on a 1 year -- or on a 1 year, 3 year and 5 year, we've outperformed that index, which we think is a very strong performance. You can see in the middle there, the 3-year returns -- relative total shareholder returns, we've outperformed the KRX by about 20-plus percent. Interesting enough, that is the period of time that we set with our 3-year strategic plan and it ends this year. So a very positive result. We have focused attention, our strategies, and it's produced results for our shareholders.

I'll also point out that we've got a very nice dividend. It's a growing dividend on a compound annual basis. We've been growing that dividend over 10% a year. I expect that, that will continue. Again, we have a payout ratio of 35% to 40%. As earnings go up, you'll see that continues to grow. We do expect earnings to grow in the double-digit going forward as well. I should -- what I also want to mention is, we've got a very solid capital position both currently and then post-Access. You can see we're well-capitalized on all regulatory capital ratios. And we've got, we're just above on a CRE concentration ratio, we're just about 300%. Once we close the Access deal, we're still going to be a very well capitalized from a regulatory point of view on each of the regulatory capital ratios. And I should point out, that includes the reclassification from Tier 1 to Tier 2 related to our Trust Preferred capital. So we continue to be Tier 1 and the leverage ratio still well above the well-capitalized levels. So we don't feel like there's any need to raise capital based on the Access transaction.

And importantly, you can see that our CRE or commercial real estate concentration ratio goes below 300% and that's where we'd like to see it remain, although it can fluctuate a little below or a little higher depending on what the growth looks like in a particular quarter. I would like to just make a couple comments on how we manage capital. One important point to make on capital is that we've set capital targets. Number 1 -- rule #1 is we always want to be considered well capitalized from a regulatory point of view. We've also put our -- set our targets internally from a capital target perspective based on our enterprise risk profile whether that's credit interest rate risk, liquidity risk, et cetera. We focus in on that, see what that does to our ratios, make sure we don't underperform on a well-capitalized perspective depending on the economy or what happens on a risk profile basis. We do look at our -- we do a 3-year capital stress test. We bring that into the equation, what is the downside on an adverse and a severely adverse case, what does that do to our capital? We dial that into our capital ratios, again, to make sure we can withstand any adverse economic scenarios. Then, of course, we want to make sure that we evaluate our strategic plan, what capital do we need to support our strategic plans going forward.

The other thing I'll note, and this is not news for most folks, capital management priority #1, as I mentioned earlier, is organic growth. We need to support that growth. We think we've got the ability to grow upper single digits on the asset side. We need to support that growth going forward, a lot of opportunity there. We've got a consistent dividend. As I mentioned earlier, we'll pay out targeted -- the board has a target of 35%, 40% payout. In the event that we have excess capital, we look towards -- we will look towards doing repurchases. We also would look towards maybe increasing the dividend or obviously we would be looking at that excess capital to assist us in any potential acquisitions going forward. I also want to leave you with what we consider excess capital.

We have a tangible capital equity ratio target of 8.5%. Anything above that, we consider excess capital that can be used for those other returns to our shareholders that makes sense.

Finally, my last slide here, I'd like to give you our view of the outlook for 2019, Union's outlook. And I want to make sure that you understand where we're going here and what the assumptions are. We're basically -- the context that we built our outlook on is really an economy that's pretty stable. We're not looking for big highs or deterioration of the economy. It's pretty much what you see is what you get going forward. No big adjustments there. We do continue to project that we're going to see upper single-digit growth, both in the loan and deposit side. That will allow us to maintain a 95% loan-to-deposit ratio. We want to fund our loan growth with core deposits, so we continue to focus on that metric as well. And I think you've seen throughout the data we've got opportunities on both sides of the balance sheet, both loans and deposits.

Core net interest margin, again, this is core excludes any accretion income that was from Xenith or will come with the Access. We feel we're going to see a stable core margin going forward. If there's any delta there, we think it will be a bias on the upside going forward. The underpinnings of that are we're looking at the feds who have raised the fed funds rate in December and then 2 more times in '19. We're also looking at a fairly -- on the longer side, we don't see a steepening of the curve. We're pretty much where we are today. There could be a little more steepness. If that happens, there's definitely more upside in the margin next year if we see a steepening of the curve.

Part of that assumption to that stable NIM is that we see earning asset betas keeping in line with our deposit betas. On a deposit beta perspective, we're looking at between 50% and 60% next year. We're kind of in the 40s to 50 now. We definitely want to produce positive operating leverage. We continue to believe that we can run at a 2 to 1 revenue growing at twice the percentage as expenses. We think that's a metric we want to continue not only in '19, but continue forward. That excludes anything that comes in from the Access or another way to say it, we've adjusted Access in those -- in that operating leverage to make it apples and apples.

Credit outlook. We don't see a lot of systemic issues coming from the credit side. So pretty much what we see is what we'll get next year, remains fairly benign. Now that could -- every quarter, there could be some lumpiness in a quarter. But overall, we feel like it's going to stay fairly benign.

Of course, importantly, we need to make sure we integrate Access and get the cost savings. We've got 30% cost savings baked into that transaction. There's about $25 million of expense. And we expect to get 60% of that in the calendar year of 2019. By the end of the year, for the most part, we should have a full run rate of that benefit going into 2020.

And finally, I'll leave you with financial metrics that we're expecting to achieve. Again, top-quartile hitting the metrics in the targets that we set. Return on tangible common equity of 16-plus percent, ROA of 1.3-plus percent and efficiency ratio in the low 50s. Again, those numbers are for 2019. Once we fully integrate Access, you'll see, we'll hit those post-Access targets that I set where we've raised the bar going forward. You can see -- you can expect to see that in 2020.

So with that, glad to entertain any questions that you might have. Catherine?

QUESTIONS AND ANSWERS

Unidentified Participant

You talked about the capital levels and excess capital and everything. Just wondering, with CECL coming up and the uncertainties surrounding implementation of that, do you think you need to be a little more cautious in regards to excess capital until there's further clarity there?

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

Yes, yes. Certainly, we're not expecting that we will put any repurchase in place. We have a pending acquisition, as you know. Yes, we'll continue to evaluate that going forward. Once we feel comfortable with that, we may return that excess capital.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

On the expense side, 50 is a big number from where you've come on the efficiency ratio target. Can you talk a little bit about outside of cost savings, how you view your core expense growth rate? And then can you talk a little bit too about -- it feels like you've had a lot of hires over the past couple of years, how we think about how that should look moving forward and then how the digital plan and IT spending kind of fits into that as well?

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

So in terms of the efficiency ratio and the growth rates of expenses or revenue, we're looking at about 4%, 4.5% expense growth rate. Some of that is being invested in digital. Over a period of time, we expect that next year we'll probably invest $2.5 million or so in digital. That's going to ramp up going into 2020 and 2021. But we feel like we can manage to a 4%, 4.5% expense rate. On the revenue side, we're talking -- we're saying 2x. We're talking upper single-digit growth rate. And if you think about it, if we are growing our loan book upper single-digits and our -- we have a stable margin, you should see that materialize. So we feel comfortable that we'll be able to achieve that. But we do have -- it's both revenue and expense management.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Catherine, on the hiring side, the last role left on the senior executive team is in fact the Head of Retail as we mentioned. Dave Ring mentioned, with respect to the commercial banking hiring, you should see that really slow now. Now the 26 new hires to C&I this year, those are not all net new hires to Union. We've had a number of retirements. We've had folks that are at a point in their career to where the new Union is not the right place for them. So we're pretty good about working through situations where the company may no longer be a fit. That is something where I think we're actually very good that at. So that does not imply that we're up 26 FTE in that particular case. So I don't see any big surge in hiring.

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

We don't see it -- I mean, we are adding digital FTEs as you've heard Sara mentioned and I think Dean mention. So in those 2 areas, we are adding to their teams. The other side of that, as John had mentioned earlier, we have some opportunities to be more efficient on the Union front. RPA or robotic process automation is a big, big opportunity to take manual processes out of our day-to-day work. And there should be some nice opportunities there. Now, that's going to come over a period of time. We are probably going to be investing that this year in 2020.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Because Union is a growth story, what I've observed in my 2 years is we have a tendency to throw new FTE at our growth. And by improving processes, by having more automation, by eliminating low value-added tasks, we're able to grow the company without adding as many FTEs. So that's an opportunity. And Rob, I think from my perspective, the financial targets that we've laid out do contemplate the hiring that's going to need to be done. We don't want to get into a lot of detail about our ability to extract further cost out of Union itself absent the Access cost saves, for example, but it's there. And so by taking that approach, that essentially puts an accountability on some of the hiring leaders to extract efficiencies out of their own organization so they can align resources with the opportunity and redeploy that expense. Do we have another question? Oh, Wally?

William Jefferson Wallace - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Earlier today, John, you spoke about the new treasury management platform and how you anticipate that will be a significant driver of fee income growth in the coming years. Could you talk a little bit about how -- what your anticipation is of how that might drive fee income growth and what that portion of the income might look like?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Well, fee income, Rob, right now, if you look at the corporation post-Union Mortgage Group, fee income as a percentage is pretty low.

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

It's about 15, yes. Spread income is about 85% of our total revenue, 15% non-interest [bearing].

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

And Dave Ring, I don't know that we've communicated externally any sort of target for treasury management. It's difficult to say what that number is from my chair. What is your -- it certainly will be growing double-digit from where we are today. Your perspective on treasure management fee opportunity?

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

Sure. The opportunity is both deposit growth and fee income. And we're already seeing from May to now, some significant fee income growth as a percentage of treasury management fees. They'll certainly be in the double digits.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Right. And we're also able to deal with larger companies because we're $16 billion bank. Remembering that we were seeing go on in the company at this point is the maturation of Xenith, the only Richmond area commercial and industrial bank that is now Union. Access is in the only commercial and industrial bank in Northern Virginia, that's about to be Union, that will have a balance sheet 5x the size of what they're accustomed to in a rapid growth market called Northern Virginia. And so -- and with our gaining brand recognition and credibility dealing with some larger companies, we see a lot of upside. So Wally, I really am reluctant to speculate as to what that percentage will be, but it will move north. Access is going to help us there, too.

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

John, one more thing. We've put some structural things in place in treasury where we have an inside sales force now servicing the retail franchise and small business where it used to be a one-on-one conversation with clients face-to-face.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. That's a great point.

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

We've done some things to really move the needle on the smaller...

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

There was very little done in terms of effectively delivering treasury management products to small business or business banking. But now that it's in the right channel, we're aligned. And again, we segment -- we do not send an in-person treasury management sales officer out to meet with a true small business. We have other ways that we can deliver that.

William Jefferson Wallace - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Just as a follow-up then on fee income. Do you anticipate that you need to have closer to peer level, say, 20%, 22% of your revenues generated from fee income to achieve your top-tier financial performance or can you do it with 15%?

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

I'll take a shot at that. We can do it with 15% to 20%. We do anticipate that with the addition of Access that, that number is going to go to about 17% because they do have a mortgage business, as you know. That will drive that noninterest income number up a bit. But all of our projections for top-tier financial performance are built around the fact that the net interest income is probably going to grow at least as fast as noninterest income unless we do some major acquisition of some sort, which is not likely to happen.

Efficiency ratio, that's a different story in terms of being really top-tier because models are different, a lot more noninterest income for other different operating models to drive that number to the low 40s, if you will, some in the 30s, I guess. We're never going to get there up from that point.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes, it would take a structural change to the company to really ramp that percentage that's fee-based income. Having said that, we can increase it. What we're saying right now is, over time, what would you think, Rob?

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

We're building our 3-year strategic plan for the next 3 years and a target we have right now in that plan is 20%. How are we going to get there, we haven't quite figured that out yet.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

It will be a combination...

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

That's over 3 years.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

The additional scale and wealth, the additional opportunity, treasury management fee-based services, there will be certain fee opportunities coming out of the consumer bank as well. But I think the treasury management should be a meaningful one, certainly out of the commercial space. So there's a lot a potential there. But this will still be a spread-dependent bank because we don't have a lot of outsized fee-based business lines for better or for worse.

Other questions of Rob? We will come back and do a final Q&A open session. Okay, so I have some concluding remarks. And they will be fairly brief but I do owe you the forward look of in terms of what we think the organization looks like as we move ahead. So moving forward, if there's one message I want you to walk away from is for you to hear that we believe the organic growth of our company is our first priority. That is the highest priority we have at Union, organic performance. So on the left-hand of the slide, execute the strategy and maintain organic performance. That is our most -- that is our highest obligation. I do hope that over the course of this afternoon, you've come to conclude that we have a strategy. We believe it's a differentiated strategy. We are executing it. I hope we've convinced you that there's one thing we can do at Union Bank as a leadership team, we can make change happen. I think we've proven that. So we're here to execute the strategy. Build this company one customer at a time, consistently achieve top-tier financial metrics as we've said before. Why? Because we have no choice but to do otherwise. The organization is too valuable. Scarcity value here is extreme. There is no opportunity to underperform over any sustained period of time.

We think there's a long runway in these existing markets. I know I get questions from time to time, are you going to run out of room in Virginia or Maryland or North Carolina? Remember, we're in North Carolina now. We operate as a branch-light business bank. We largely have what we need. We may open an office in the Piedmont Triad area. We could add to the team that we have and Raleigh and Charlotte. We largely have what we need. Baltimore, we've added resources. We like Baltimore, we know it well. We think it's a good commercial and industrial market and we are moving upstream throughout Virginia and we've just entered the largest, most populous, wealthiest market in Virginia, Northern Virginia, with a combination with Access. And I do think that this Amazon announcement is going to be a tremendous stimulant up there. That will have lots of implications, which by the way, will have spillover benefit elsewhere in Virginia too. We should talk about it that before we're done.

Secondly, M&A. Yes, M&A is still an opportunity. It is a secondary strategy for us. It is not our primary strategy. The way we think about it and I'll elaborate on this on the next slide in more detail, there are no must-haves. There's nothing we have to do. When I walked in the door, I could not have said that, I could not have said to you there's nothing we need to do. Why? Because we were facing an imminent $10 billion crossing and we did it in the most elegant of fashions with the combination with Xenith, which really made everything since possible, thankfully. There's nothing we have to have here. Negotiated deals only. We demonstrated that with Xenith, that was a negotiated deal. We demonstrated that with Access, that was a negotiated deal. Contiguous markets. We like the power that we have of this dense compact franchise. The way we view the world at the moment, we see Virginia, north to Maryland, south into North Carolina. That's about it for a now. That may not always be the case, but we think we've got a lot of opportunity in that Mid-Atlantic area.

What we won't do. I think it's just as important in the context of strategy to say, here's what we will not do. Saying what you won't do is equally important to saying what you will do. It establishes clarity, it establishes discipline. We will not violate our M&A parameters to the extent that we do have future M&A. If that happens, we won't violate our parameters. The fact that we stand here in a forum like this and say it gives us backbone. And it also sends a message to the market and to the investment bankers don't even ask. We will not violate our parameters. We didn't do it with Xenith, we didn't do it with Access. We will not do competitive auctions. No interest whatsoever. We would only be interested, as was the case with Xenith and Access, in talking to companies where we had a relationship. People we respect, people who appreciated our model and believed in it and wanted to be stronger together not be the high bidder on some competitive auction. One reason why I believe that the Xenith merger went so well and why we think the Access merger is going really well is those leaders stood there in front of their teams and said, "This is the best thing for our company. This is the best thing for our customers. and this is the best thing for our shareholders. This is the best thing for Virginia" in those cases and they meant it. They believed it. Not, "Well, they were the high bidder."

Surprise the market. We will not surprise the market. What I mean by that is that if anything changes in terms of our intentions, we're going to telegraph it. Again, you weren't surprised in Xenith. You weren't surprised in Access. I think we're about as clear and transparent as anyone I know of. We will tell you what it is that we're trying to accomplish. All you have to do is listen to us. And if something changes and there may be a shift, something different on our mind, we're going to telegraph that to you in an appropriate fashion.

On M&A. It is true, I probably get more questions on M&A from the investment community than anything else. So let me be very, very specific in terms of if we were to consider additional M&A, what we would do. I think we have 3 options. The first and most important option is do nothing. Why can we do nothing? Because we don't need to do anything from here. We have what we need right now to meet our objectives organically. There's a lot of runway in these markets as I just said. That's actually the most important option. We must preserve that option. The people credibly believe that Union no longer has to do anything, because quite candidly is we perform well, and I think we will, and demonstrate this, it actually gives us more leverage to consider the second and third options.

The second option is a new message. Here's a new message we're delivering to you. We will consider smaller infills in attractive markets in the future. Not saying we'll do it, I'm simply saying we'll consider it. We have not considered that up to now because it didn't make any sense. So it could make sense to think about doing infills in strategically important markets of smaller institutions. It would be very accretive. It would eliminate a competitor. And we think that, that could make some sense. The question and the reason why we might not do it is it may not move the needle enough to be worth the effort, but I think we're demonstrating that we do have the mechanism in place on a repeatable basis if we chose M&A to where we could do it. And I think Dean and his team could pull off a small acquisition in fairly short order. So that's something new that we would consider in the future that we would not consider before.

Complete the Golden Crescent. Now I left Richmond, Virginia in 1998 when I worked for NationsBank. When they merged with Bank of America, I was sent to San Francisco. I didn't come back. The fact that I was gone from my home state for about 20 years means I have this crazy retro view of things. So every now and then, I'll pull out these relics. Here is one I'm bringing back, the Golden Crescent. Any good Virginian of my age ought to know what that means. The Golden Crescent is that area of the Mid-Atlantic that begins in Baltimore and it arcs down through Greater Washington, through Richmond, into the Greater Hampton Roads, which is what we Virginians call Coastal Virginia, Virginia Beach, Norfolk, et cetera. Why does that matter? Because that's where the vast majority of the population and the economy of this area is. It follows that corridor. And so to be able to complete that arc, push up toward Baltimore, potentially gain density in Maryland and evolve Union into a Mid-Atlantic regional bank is a viable option. I am not saying we're going to do it, but I'm simply saying it's an option. Evolve the Virginia regional into the Mid-Atlantic regional. I'm not sure who else could do that. I'm not sure anyone else could do that from this standpoint, but I do think that, that's an option that Union has.

What are we not considering? We are not considering the Greater Washington area commercial real estate monolines, as I like to call them, not because we think they're bad banks, but because they don't fit our strategy, we won't do it.

North Carolina M&A. It's not that we're not interested in North Carolina M&A. We are. The problem is, we don't see anything down there that makes sense. That has been decimated in North Carolina. All of the larger scale community banks, with 2 exceptions, have been acquired by out-of-state competitors. As we looked at that landscape, we just didn't see anything that seemed to make sense, that was that interesting to us. So it's not on our radar at this moment at all. We're not giving it any thought whatsoever. I'm not saying that will always be the case. I'm simply saying that, from this juncture, we just don't really see anything down there that would make sense, so we're not really thinking about it. That may change over time.

And then lastly, we're not going to diffuse the franchise by entering a new state through whole bank M&A. We're not going to jump directly into a new state by acquiring in the future some bank that's not in Maryland, Virginia or North Carolina. But I would reiterate, the most important opportunity is the opportunity to do absolutely nothing. We are heads down busy. We are completely intensely focused on the successful integration and conversion of Access. That conversion will happen in May, and we'll see what the future holds.

All right. Future state. What do we think this looks like 3 to 5 years out? We think, we envision, we do envision a Mid-Atlantic regional bank. We do envision that there'll come a point when we'll hold a meeting like this, and you'll walk into this not saying, that's the Virginia bank, but saying, oh, that's the Mid-Atlantic bank. Again, we'll take liberties. We'll define Mid-Atlantic as being Maryland, Virginia into North Carolina.

Specialized commercial lines. Dave Ring spoke about this earlier. We have it right now. The most mature, largest scale would be government contract finance. As we combine with Access, who's also very good in the space and a key competitor, frankly, we do, in fact, believe we will be the premier financier of government contractors for small to mid-sized government contractors in the Greater Washington area. And we are good at that, so is Access. And we gain more scale as we come together. We could potentially, as Dave Ring said, operate a business like that beyond the 3-state footprint that we have today. We could operate regionally. We have a nascent asset-based lending effort which is based in Baltimore, which is the traditional hub of ABL. Dave Ring and I are both asset-based lenders by background. Properly done, that can be a good business if we choose to pursue that, and I'm not saying we will. We could pursue that beyond the 3-state boundary that we're in right now. And we have a couple of other ideas as well about things that we could begin to execute that are specialized commercial banking lines that would operate outside of the existing footprint within the region. And we think that, that could be a sensible thing to do, and we both have experience doing that in the past.

A unified bank brand in all markets. We do think that there'll come a point where we'll no longer be Xenith Bank in North Carolina. In North Carolina, as a reminder, we operate as Xenith Bank, a division of Union Bank & Trust of Richmond, Virginia. That is our name in North Carolina. Why? Because there's a small Union Bank in North Carolina. So we can't be Union down there. There is a potential issue in Northern Virginia. There is a West Virginia bank called United. And United looks like our name. So it starts with a U. If you look at their signage, it has black lettering and their corporate color is green. The last thing we want is to be confused with the guys from West Virginia because that is not us. So it's on our mind. It doesn't mean we have to do anything about it, but we are giving consideration to what a unified brand might look like, and that's something that eventually will need to be addressed.

And then lastly, hit it again, we envision a consistent top-tier financial performer. We have no choice but to execute that. And at the end of the day, I think this will be a sound bank. I think it'll be a profitable bank. I think it'll be a growing bank that is easier to do business with, that makes banking easier. That is the new Union story, and we love telling it.

So that's our story today. I would have loved nothing more than to have had a full day with you guys. You probably wouldn't have liked that, but we have so much more that we would have loved to have talked about. We purposely chose to focus our conversation on strategy. I wanted you to meet these leaders. I wanted you to hear that we have a strategy that goes down into each business line.

Now as a reminder, as we go on to open Q&A, which we'll do for as long as you like, we do have executive leaders here who were not presenters today. The chief risk officer is here. The chief credit officer is here. The chief human resources officer is here. The treasurer, the controller, our Head of Internal Communications, Beth Shivak, is here. I do want to point that out. Beth is part of a 2-person internal communication team. When you're going to drive as much change to an organization as we've driven, you got to have people who do nothing but help you communicate it. And so we go to great lengths to be able to tell our story and to stay in touch with our people to give them context for what's going on.

Bill, is there anything else we need to cover at this point?

PRESENTATION

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

I think we're doing great.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

All right. Q&A, this is anything you would like to talk about. Are there any questions that any of us could answer for you?

QUESTIONS AND ANSWERS

Matthew John Keating - *Barclays Bank PLC, Research Division - Director & Senior Analyst*

My question relates to the M&A strategy. You mentioned one of the things you don't want to do is expand more in the Greater Washington, D.C. area. And so having just moved into Northern Virginia, maybe you could explain why you're not interested in D.C. when you may be interested in...

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Oh, I never said that. I said we're not interested in the commercial real estate monoline banks. So we have no issue with the District of Columbia, if that's what you mean, Matt? So from our standpoint, were you reading the slide that says what we will not do?

Matthew John Keating - *Barclays Bank PLC, Research Division - Director & Senior Analyst*

Yes, Greater Washington, D.C. area.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Okay. Keep reading, there should be more to it.

Matthew John Keating - *Barclays Bank PLC, Research Division - Director & Senior Analyst*

Okay. Okay. So that's one statement. Okay.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. If you look at the independent banks in the Greater Washington area, many of them of scale, what I see, and I'm speaking for me, I see commercial real estate monolines. I see bet-the-company strategy on their commercial real estate underwriting practices in a market that I once saw destroy Sovran Bank that created NationsBank. I have twice in my career been through near-death experiences with commercial real estate finance. I saw it at Sovran Bank, which damn near failed. And that's why NationsBank was created when it was acquired by NCNB. And then when I joined Regions Bank in early '08, having no idea what I was getting into, I was ultimately responsible for all commercial lines, including commercial real estate. Regions was arguably the largest bank in the country that could have failed but didn't, and it was all about overconcentration of commercial real estate. I am not a fan of concentrated commercial real estate plays. We want to take Union in the other direction.

To be clear, commercial real estate is just fine. You just don't want to bet the bank on it. There's probably nothing we're better at than commercial real estate. But if we were to go acquire one of these outsized commercial real estate monolines that operates up there, it would take us in exactly the wrong direction from everything we want to accomplish. So that's the answer. But Washington, District of Columbia is just fine. Candidly, when you're in Northern Virginia, it's all the same thing. You know it. You can't tell the difference between where Northern Virginia ends, suburban Maryland begins and the District.

Unidentified Participant

Maybe this question is for Dave Ring. But in his presentation, he spoke about how there's no longer a loan committee approval for credit decisions and that now it's a laddered signature. I'd like to just dive into that more. Union had made it through the cycle without really taking many credit losses. How do you manage the risk by changing the credit process?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Actually, Doug Woolley, I want you to join on this. Doug, in the history of Union Bank loan committees, how many times was a loan ever declined in the loan committee?

Douglas F. Woolley - *Union Bankshares Corporation - Chief Credit Officer & Senior VP*

Never.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Never. Why were loans never declined in the loan committee?

Douglas F. Woolley - *Union Bankshares Corporation - Chief Credit Officer & Senior VP*

Well, what we said was that it went through the credit process before it got to loan committee, so the loan committee didn't add underwriting value, it added transparency and disclosure and things like that. So it's the underwriting process leading up to the loan committee that added the value and protected the bank.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

So said differently or to elaborate, if you didn't already have all the required approvers onboard, you never took your loan to loan committee. If you stopped the process there, you have what's called a joint signature system, which means that you zig and zag, depending upon the size of the deal, back and forth between line officers and credit officers. The loan committee was simply unnecessary. No bank of any size to my knowledge has a loan committee. It's a bit of a relic. And so from our standpoint, we can operate a lot more efficiently if we just not do the theater of the loan committee because you still have all the same people who are approving the credit, if that makes sense. Remember, I started as a commercial credit officer, and then Dave Ring, same thing. Doesn't mean that we have line people making decisions or we don't have all the right people. Dave, you can elaborate more on it.

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

Yes. We wanted speed to the process so we didn't want that every -- wait until Tuesdays, but you had to have the packages in by a certain time and people had to have time to read it. Now it's a more integrated process. So we know what's coming in our direction earlier. So we could actually give more front-end guidance when it comes to doing transactions in the market than wait till the back end of the transaction and give back-end guidance at loan committee. So it's just a more proactive way of getting the job done. It doesn't mean we're underwriting it any less conservatively. We could still educate our staff on what kinds of deals we do and don't do through our senior credit officers and other means, and that's what we do. You'll also see on smaller bank loan committees, there might be a board member on it or somebody who is not used to doing loans, but they sit on the committee anyway. So I think we have a more professional approach to getting it done.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Dave is absolutely right. It's simply -- it is the standard credit approval mechanism for any bank of any size. The #1 benefit of the loan committee is educational for people to be able to call in and see what's getting "approved." But quite candidly, it bogs down the process, and it just didn't add any value because you've already -- the thing is approved when it comes in, so why wait. Does that answer the question? Yes, believe me, soundness, profitability and growth, we are very prudent in terms of our credit risk underwriting.

And Doug, how would you describe? My view is, we're pretty middle of the road. Doug, come up here. I want them to see you. Doug Woolley, Chief Credit Officer. These people don't get into these jobs because of their personalities but...

Douglas F. Woolley - *Union Bankshares Corporation - Chief Credit Officer & Senior VP*

Thank you, John. I look the same up here as I did back there, by the way.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

He is a University of Virginia graduate, hailing from New Jersey and actually began his career at the old First Union Bank. And he's been at Union for quite a while. So Doug?

Douglas F. Woolley - *Union Bankshares Corporation - Chief Credit Officer & Senior VP*

Right. I've been here longer than anybody else in this room at this organization, started in 2004. Let me make another comment about the approval process. We are 3 or 4x bigger over these last few years. And the authority level granted to the line, the regions has not changed at all. It has not increased with our growth. Still got the same low level of authority at the line, the bankers, Dave's organization, and then it goes into credit.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Pretty charming for a Chief Credit Officer.

Douglas F. Woolley - *Union Bankshares Corporation - Chief Credit Officer & Senior VP*

Keep me away from an open mic.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Other questions?

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

Casey's got one here.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Casey?

Casey Cassiday Whitman - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research*

One for you, John. You talked about infills in Virginia on a smaller scale. Can you give us a sense for how small you'd be willing to go where it made sense for you guys to over time?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

So Rob, we haven't spent a lot of time. Where's Rob Gorman? We haven't spent a lot of time talking about this. Would we go below $1 billion? Yes. How low realistically will we even think about?

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

It really depends on what market we're talking about. But I would say, we could go as low as $500 million in a particular market, get some really good synergies and efficiency gains out of it.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

I can't imagine going below $500 million. We actually get a lot of -- we get approached. We know these guys, again, a benefit of being principally a Virginia bank, and one that operates in North Carolina and Maryland. I'm more connected to Maryland at this point than I would be North Carolina, although former President John Stallings was in North Carolina for 7 years. Remember, I have lived in North Carolina. I'm technically a North Carolina banker. I was trained at the old Wachovia in Winston-Salem. So it's all about relationships. I get a lot of phone calls. A lot of smaller banks think we are their take-out, Union. And so there's another reason why we keep reiterating in public forums, negotiated deals only, will not violate parameters. What that does when we say negotiated deals only is it causes a lot of people to call on us and want to talk to us. That's exactly by intent. It kind of fleshes things out. So Casey, I'm not sure if we would or wouldn't do it. Right now, it's not even on our mind because we're so busy with Access. But I can think of a couple of scenarios where there are markets where it could be strategically beneficial if that competitor weren't there and if we picked up their depository market share and eliminated their back-office cost because we could probably readily absorb it. Whether we would do that or not, I just don't know.

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

Austin.

Austin Lincoln Nicholas - *Stephens Inc., Research Division - VP and Research Analyst*

John, maybe can you talk about specifically with Access some of the changes that were made there over the last couple of years, specifically, in the Middleburg side of the deposit franchise and maybe what you're doing or planning to do or change, maybe roll some of those back, that would be helpful.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

First of all, as far as Middleburg Wealth/Middleburg Trust, there were essentially no material changes made at all. So that's done very well, running fine, same leadership, no issue. I think that those who know the story or familiar with is that understandably, the leadership team at Access who were metropolitan commercial bankers viewed Middleburg through their lens of, we're here to deal with consumers who have complex financial needs. It was sort of, think of it as a mass affluent strategy, not a mass market strategy. And they made some changes, such as eliminated certain product sets like free checking, eliminated Saturday branch hours because their thinking was that small business customers and mass affluent didn't really need that as much. That was principally it. I think that there was turnover that occurred because you had a very traditional community bank perspective and candidly, a good one in Middleburg, and you had a change in strategy. So I'll leave it at that.

I think that they performed pretty well, had no impact whatsoever on legacy Access. It actually increased their capability because of their greater scale. And so we're certainly assessing this, but we've been clear that Union is a bank to the mass market, and we will execute a mass market strategy, which means we'll have the same product set offered to the Middleburg group that we have here. And at the same time, Maria, you may want to speak to this because I'm kind of treading into your territory. I want to reaffirm that we do see some very interesting best practices coming out of Access that we'd like to replicate.

Maria P. Tedesco - *Union Bank & Trust - President*

Yes. That's exactly right. The Access model is one -- the legacy Access branches, there's about 6 of them, have a really unique model that they are hiring branch managers who are highly capable, really business banking executives. And they're very good at going out and gathering deposits of the business banking clients. And so they've had a lot of success, so we'd like to replicate that model. We would not want to, in any way, affect it and say, those branches are now mass market because it doesn't make sense. And quite frankly, the branches and their locations don't make sense to go ahead and do that. So we'd like to preserve that. And again, replicate it and bring that back to the legacy Union branches where it makes sense. Middleburg, I think, is very different. I do think our mass affluent strategy and segmentation will help us to continue to leverage that, but we will have more of a mass market application to those branches and have the staff also represent and reflect that market.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

We'll be viewed as customer-friendly. Google Fauquier Times Union and read it. Read what they wrote. And they kind of answer this question, Austin, just in terms of, Union will be perceived as very customer-friendly and Union will bring back some things that did result in some complaints. And we think we see opportunity there. The fact that we elected to retain the Middleburg Trust/Middleburg Wealth brand and the beloved fox logo is more important than you might realize. That is a show of respect and understanding of that market. And we do understand that market as Virginia's bank. Union used to have a branch right in downtown Middleburg. I'm told the Middleburg Bank basically ran us out of town. We couldn't compete against them. We surround them. We do compete with Middleburg right now, not in Middleburg proper, but in other markets like Warrenton, Virginia. And so people know us. They know many of our folks. I think we have a good reputation. And so we think we'll be viewed with welcome arms.

Maria P. Tedesco - *Union Bank & Trust - President*

I would also add, I think we can win back customers because there was a series of exiting customers when they changed the strategy. And I believe we can win back a lot of customers in the marketplace.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. So again, we -- Access didn't have a retail banking background or business line. We do. We understand that. When I think about Access, there are elements of it that remind me of Xenith. Metropolitan, branch-light business bank, Xenith, merges with traditional community bank, Bank of Hampton Roads, to create new Xenith. And that was probably 1.5 years old, Rob, when we acquired them? And there were some issues because of the different business models. And we successfully were able to pull that off. What do we have now? Branch-light business bank, Access, operating in metropolitan Northern Virginia, merges with traditional community bank, Middleburg, and there have been a few challenges because of those 2 very different business models. So that seems to be something that we now have some experience with. And again, we're very close to that leadership team. We have a ton of respect for that group. We have a lot of connectivity between Union and Access, including Middleburg, just in terms of people in our shop who worked with people there. I should point out, our head of commercial banking for Union out of our Herndon, Northern Virginia office, who came to us through Xenith used to work for Access some time back. And so we've got a lot of connectivity there.

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

Catherine?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Other questions? Catherine?

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

I have 2 questions. So one is a follow-up on the Access conversation. Can you give us any update on the mortgage division, particularly with your agreement with...

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. Well, so our view on mortgage, we exited Union Mortgage because we weren't any good at it. I'm just going to say it. Yes, we made a little bit of money when times were good, and we lost a lot of money when times were bad. That's a terrible business model. It was a different business model from what Access has. Access is good at mortgage. And so interestingly, even though they have about the same amount of originations on a gross level, they're making pretty good money at it. We know the leader and management team of the mortgage group, and we have a lot of confidence there. Our view on Access mortgage is we intend to let it run. We do have some obligation under the agreement that we have with the third party that very kindly offered to hire nearly 3/4 of the Union Mortgage Group people, which is a part of our windup strategy and helped us out as we essentially wound down that business. There is a 2-year obligation to not compete against them. I won't get into all the details here. We purposely carved out the ability, the right to acquire a bank that happened to have a mortgage company and operate that mortgage company BAU. We are entirely within our rights. We specifically contemplated this very scenario. So we're going to let it run. That's our view.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

In the 2-year noncompete period, though, will you not be able to leverage Access into some of your legacy Union markets?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

We will have some limitations on our ability to ramp up new hiring in markets where we were but they were not, if that makes sense. And if you don't mind, I'd rather take the rest of that conversation offline.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

And then my other question is on capital management, so maybe this is for Rob. I think you somewhat answered this earlier, but I just wanted to double-check on it. So the stocks are off so much this year and you've seen a lot of your competitors announce buybacks. I think you made a comment earlier that you'll consider buybacks maybe later after Access closes. Was there any scenario where you would consider a buyback before you're able to close the Access deal?

Robert Michael Gorman - *Union Bankshares Corporation - Executive VP & CFO*

No. We don't expect that we would do anything before we close the Access deal. With the pending deal, we don't want to muddy the waters from the repurchase perspective. And we also want to make sure that we've got the right capital levels when we close that deal and not repurchase shares and dilute capital.

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

Right over there.

Unidentified Participant

So you talked a little bit about the challenges of having some similarly named banks nearby.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes.

Unidentified Participant

So I was just wondering when you talked about that unified brand in the near future, do you see any possibility of that being a brand other than Union or how would you kind of go about that?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

We are studying that. And again, to the extent that we get -- maybe rephrase it, where's Duane Smith? We think that there's equity to Union. And I really don't want to get into any detail whatsoever because I wouldn't want to give anyone any ideas. But I would simply say, it would be nice if there were some way to maintain the equity that we have in Union. Duane?

L. Duane Smith - *Union Bankshares Corporation - CMO and SVP*

Yes. I would add that, this is something we've known for a long time and something I've looked at for a year. There is no decision that's been made we're going to make a change. But from a strategy perspective, I would say that it's kind of twofold. One is leverage kind of what you got. So leverage the Union that we've built over the years, but lean into something else that actually helps us differentiate the way we need to. So it's a tightrope, and we got to figure out the right way to make it happen, but that's the strategy behind where we will go.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes. So there's work to be done there. It's not #1 on our priority list, but it is an issue. Quite candidly, Union is limiting beyond the United Bank potential or similarity. When I took this job, I started getting e-mails. I was on the West Coast with BofA for a long time. Congratulations, John, welcome back to the West Coast. They thought I was CEO of Union Bank of California, I guess. So we think Union is a great name. We love Union Bank & Trust. It's a powerful name. It is who we are. We have been Union Bank & Trust since the '20s. It represents the union of a number of small banks in Virginia. But a lot of people, other people liked it, too. It's kind of like being First National. So it's something that we're giving consideration to that needs clarification. So it is on our mind.

William P. Cimino - *Union Bankshares Corporation - VP & Director of IR*

Any other questions?

Unidentified Participant

Yes. Could you talk about your plans for the government contracting business and how that plays into your loan growth assumptions for, I guess, next year?

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

Yes, Dave Ring, where are you? Do you want to speak to from a size standpoint? What we have guided to for next year is high single-digit loan growth, and we are maintaining that guidance based on everything we know right now. I think that in the whole scheme of things, government contractor finance, it's not outsized by any means. How do you think about the opportunity, Dave?

David V. Ring - *Union Bankshares Corporation - Executive VP & Commercial Banking Group Executive*

Yes. It's a good business. We're going to focus on the small- to medium-sized government contractor groups. We have opportunities in markets we're not focused on yet like Baltimore and others. The book of business, can we say how big the book of business is, Rob? Yes. So the book of business will double. It'll be roughly $300 million of outstandings with $600 million to $700 million in commitments. So it's a good size business when you're competing against other government contractor lending groups. But we're going to grow that like we grow everything else with more of an eye on risk and where they are in the budget cycle. In the case of government contractor, then we would, how big do we want to make it? We're not going to go hire more people into it because with Access, we do double the size of the group, and we think that's more than enough runway for us. So we just couldn't execute against our market opportunities.

John C. Asbury - *Union Bankshares Corporation - President, CEO & Director*

I was at a function with the commercial team we have up in Herndon just last week, the government contractors all know each other. And so I've been to a number of functions up there with our team. And they all know each other. And they'll say nice things. Some of them told me that they do some business with Access as well. The #1 point of feedback that I'm hearing about our merger in Northern Virginia with Access is what I heard when we merged with Xenith, which is, this is great, now we aren't going to outgrow you. They all seem pretty bullish about their businesses, and they realize the importance of having more capacity. And they feared that they might at some point outgrow the bank. Other questions? No questions?

Okay. Again, we want to say thank you very, very much for spending an entire afternoon with us. This is the team. This is the executive leadership team that will carry the company forward. Thank you very much for your interest. Thank you for your support. It really is an exciting story. I think it's a bit of a unique story. I feel very privileged to be here and to be a part of this organization. We're going to stick around, so you're welcome to stick around if you wish and chat with anyone you like. Thank you so much for coming.
