



**PRESS RELEASE  
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**May 4, 2012**

**VIRGINIA NATIONAL BANK REPORTS FIRST QUARTER 2012 EARNINGS**

[Charlottesville, VA] Virginia National Bank of Charlottesville, Virginia reported net income for the first quarter of 2012 of \$501 thousand, or \$0.19 per share for the three months ended March 31, 2012. This result is a 73.3% increase in net income as compared to the three months ended March 31, 2011, when the net income was \$289 thousand, or \$0.11 per share. The return on average assets for the quarter ended March 31, 2012 was 0.42%, as compared to 0.25% in the same period in 2011. For March 31, 2012, the Bank reported total consolidated assets of \$489.5 million, an increase of \$25.4 million or 5.5% from the \$464.1 million reported at December 31, 2011. Year-over-year total asset growth at March 31, 2012 was \$28.5 million, 6.2% greater than at March 31, 2011. During the first quarter of 2012, the Bank experienced margin compression as a result of both the continuing low interest rate environment and increasing competition among banks seeking to attract or retain high credit-quality customers by offering more competitive loan rates. Increases in non-interest income and a reduction in non-interest expense helped offset the impact of net interest margin compression for the three months ended March 31, 2012. New loan production for the first quarter of 2012 was steady, with period end balances at March 31, 2012 increasing by \$2.1 million or 0.7% from December 31, 2011.

“Virginia National Bank continues to perform extremely well, and this performance occurred in the midst of an economic environment that shows very little conviction of firmly turning the corner,” said Glenn Rust, President and CEO. “Our commitment to our customers remains true, and we will never lose our focus of providing the highest quality service. Bank management will continue to manage those areas where we have control, namely: operating expenses, deposit gathering, and asset quality. The results for the first quarter of 2012 indicated that we showed success in all three areas.”

Highlights for the first quarter of 2012 include:

- Asset quality remains strong with non-accrual loans-to-total loans at 0.22%, net charge-offs-to-average loans at 0.11%, and an allowance for loan losses-to-gross loans ratio of 1.29% at March 31, 2012.

- Deposit growth increased to \$436.4 million at March 31, 2012, a \$24.5 million or 6.0% growth from \$411.9 million at December 31, 2011, and a \$24.3 million or 5.9% growth from \$412.1 million at March 31, 2011.
- Non-interest income increased \$127 thousand or 12.0% to \$1.189 million in the three months ended March 31, 2012 from the same period in 2011.
- Non-interest expense for the three months ended March 31, 2012 was \$4.256 million or \$340 thousand less than the \$4.596 million that was recorded for the three months ended March 31, 2011.

### **Net Interest Income**

Net interest income for the three months ended March 31, 2012 was \$3.928 million or \$31 thousand less than the \$3.959 million for the three months ended March 31, 2011. The Bank's net interest margin for the three months ended March 31, 2012 was 3.58% as compared to 3.78% for the three months ended March 31, 2011. The net interest margin decrease of 20 basis points was attributable to the decline in the earning asset yield of 34 basis points, which was offset by a decline in the cost of funds of 14 basis points. Interest income on earning assets totaled \$4.276 million for the three months ended March 31, 2012, or a decrease of \$147 thousand from the \$4.423 million reported for the same period in 2011. The earning assets yield for the three months ended March 31, 2012 was 3.89%, as compared to the 4.23% for the three months ended March 31, 2011. Average loan balances for the first quarter of 2012 were \$292.9 million, or an increase of \$400 thousand from the average balance of \$292.5 million during the first quarter of 2011. The yield on loans decreased 35 basis points to 5.17% for the three months ended March 31, 2012, as compared to 5.52% for the three months ended March 31, 2011. The average balance of investment securities for the first quarter of 2012 increased from \$26.1 million to \$95.1, as compared to an average balance of \$69.0 million for the same period in 2011. The yield of the investment securities was 2.09% during the quarter ended March 31, 2012, as compared to the 2.46% yield reported in the same period of 2011.

Interest expense for deposit accounts and borrowings for the three months ended March 31, 2012 totaled \$348 thousand, or a decrease of \$116 thousand from the \$464 thousand reported during the same three month period in 2011. The cost of funds for the quarter ended March 31, 2012 was 0.33%, a decrease of 13 basis points, when compared to the first quarter of 2011 when the cost of funds was 0.46%. This improvement is linked to the maturity and repricing of time deposits.

### **Provision for Loan Losses**

Management recorded \$131 thousand in provision for the allowance for loan losses during the quarter ended March 31, 2012. During the same period in 2011, management did not have to record any provision since there were no charge-offs and the allowance was properly provided for given the loan activity during this quarter.

During the first three months of 2012, \$98 thousand in loan balances were charged off, and there were \$20 thousand in recoveries of previously charged-off loans. During the same period in 2011, no loan balances were charged off, and there were \$7 thousand in recoveries of prior charged-off loans.

There were \$637 thousand in non-performing loans, defined as those past due ninety or more days and still accruing interest or those placed on non-accrual status, at March 31, 2012. This is a slight reduction from December 31, 2011, when non-performing loans totaled \$791 thousand. When comparing the March 31, 2012 non-performing loans to the March 31, 2011 total of \$4.568 million in non-performing loans, the decrease is \$3.931 million or 86.1%. Management believes the allowance for loan losses was adequately provided for as of March 31, 2012.

### **Non-interest Income**

Non-interest income for the quarter ended March 31, 2012 was \$1.189 million compared to \$1.062 million for the quarter ended March 31, 2011, an increase of \$127 thousand or 12.0%. Higher revenue in the first quarter of 2012 was primarily the result of an increase of \$93 thousand in VNBTrust fees, \$18 thousand in deposit account fees, and \$20 thousand in income from bank-owned life insurance and CDARS fees.

### **Non-interest Expense**

Non-interest expense totaled \$4.256 million for the three months ended March 31, 2012, a decrease of \$340 thousand or 7.4% when compared to the non-interest expense of \$4.596 million for the same period in 2011. The decrease in non-interest expense was seen in all major categories. Personnel expenses declined \$191 thousand in the three months ended March 31, 2012 and totaled \$2.261 million, as compared to the prior year period of \$2.452 million. The decrease was attributable to lower salary expenses as a result of vacant or open positions. Net occupancy and equipment expense for the first quarter of 2012 totaled \$543 thousand and \$223 thousand, respectively. Net occupancy expense decreased \$71 thousand over the prior year as a result of a decline in depreciation expense of \$22 thousand and a decline in rental expense of \$30 thousand. The decline in rental expense was attributable to the purchase of the land in the first quarter of 2012 that was previously rented and it is the site of one of the Bank's offices. Occupancy expense was favorably impacted by the increase in rental income of \$20 thousand. Equipment expense declined \$22 thousand primarily as a result of lower depreciation expense. Other expenses totaled \$1.229 million for the three months ended March 31, 2012, a decrease of \$56 thousand as compared to \$1.285 for the same period in 2011. Among the line item expenses that decreased in the first quarter of 2012 were FDIC deposit insurance of \$37 thousand, losses and charge-off expenses of \$44 thousand, and professional fees of \$53 thousand. These savings were partially offset by higher loan expenses of \$43 thousand and higher plastics expenses of \$23 thousand, as compared to the first quarter of 2011.

## **Balance Sheet**

Consolidated assets totaled \$489.5 million at March 31, 2012, an increase of \$25.4 million or 5.5% from the \$464.1 million reported at December 31, 2011. Total assets at March 31, 2012 represent an increase of \$28.5 million or 6.18% from March 31, 2011, when total assets were \$461.0 million. Federal Funds Sold balances increased \$21.5 million to \$66.1 million from the \$44.6 million at December 31, 2011; this increase in liquidity was primarily the result of the 6.0% increase in deposit account balances during the three months ended March 31, 2012. Investment securities also increased \$3.6 million to \$95.5 million, as compared to \$91.9 million at December 31, 2011. Gross loans outstanding totaled \$294.6 million, an increase of \$2.1 million from the \$292.5 million reported at December 31, 2011, and an increase of \$5.2 million or 1.8% from the \$289.4 million reported at March 31, 2011. The allowance for loan losses of \$3.794 million increased \$53 thousand from the \$3.741 million reported at December 31, 2011, and \$57 thousand higher than the \$3.737 million reported at March 31, 2011.

Total deposit account balances were \$436.4 million at March 31, 2012, an increase of \$24.5 million when compared to \$411.9 million at December 31, 2011. At March 31, 2011, deposit account balances totaled \$412.1 million, 5.9% lower than at March 31, 2012. Stockholders' equity at March 31, 2012 was \$49.3 million, resulting in a book value per common share of \$18.33, which compares to stockholders' equity of \$48.9 million at December 31, 2011 and \$45.9 million at March 31, 2011 resulting in a book value per common share of \$18.19 and \$17.08, respectively. The Bank's capital level was considered "well-capitalized" according to regulatory guidelines at March 31, 2012, with the Tier 1 Leverage ratio at 10.12% and Total Risk-Based ratio at 14.59%.

## **About Virginia National Bank**

Virginia National Bank began operations in July 1998 and is headquartered in Charlottesville, Virginia. It has four banking offices in Charlottesville, two in Winchester and two in Orange, Virginia. The Bank serves the needs of owner-operated businesses and individuals in the City of Charlottesville, Albemarle County, Orange County, and the City of Winchester. The Bank offers a full range of banking and related financial services, including checking accounts, NOW accounts, money market deposit accounts, certificates of deposit, individual retirement accounts, online banking, treasury and cash management, personal and business card services, merchant card services, and commercial and consumer loans. The Bank is committed to providing its customers with banking services comparable to those that larger regional and nationwide banks generally reserve for their larger clients. Investment management and trust services are offered through the Bank's wholly owned subsidiary, VNBTrust, N.A. The Bank's stock trades on the OTC Bulletin Board under the symbol "VABK". Additional information on the Bank is also available at its website: [www.vnb.com](http://www.vnb.com).

## **Forward-Looking Statements**

Certain information contained in the foregoing press release is derived from financial statements of Virginia National Bank. Information based on other sources is believed by management of Virginia National Bank to be

reliable, but has not been independently verified. To the extent any statements express or imply a view about future performance, they may be deemed to be forward-looking statements. Although management of the Bank reasonably believes any such statements to be reasonable, future events and predictions are subject to circumstances that are not within the control of the Bank and its management, and actual events in the future may be substantially different from those expressed in this release. The Bank's past results are not necessarily indicative of future performance. Factors that could cause future performance to differ from past performance or anticipated performance could include, but are not limited to, changes in national and local economies or market conditions; changes in interest rates, deposits, loan demand, and asset quality; competition; changes in banking regulations and accounting principles or guidelines.

For more information, review reports filed by Virginia National Bank with the Office of the Comptroller of the Currency, including the Bank's Annual Report on Form 10-K for the year ended December 31, 2011, available at [www.vnb.com](http://www.vnb.com), before making any investment decision about Virginia National Bank. Virginia National Bank undertakes no obligations to revise, update, or clarify any forward-looking statements to reflect changes, events or conditions after the date of this release.

**VIRGINIA NATIONAL BANK AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	[Unaudited] March 31, 2012	Dec. 31, 2011
<b>ASSETS</b>		
Cash and due from banks	\$ 10,085	\$ 12,477
Federal funds sold	66,054	44,567
Securities:		
Available for sale, at fair value	83,743	84,150
Held to maturity, at amortized cost	10,022	5,988
Restricted securities, at cost	1,731	1,728
Total securities	95,496	91,866
 Total loans	 294,647	 292,532
Allow ance for loan losses	(3,794)	(3,741)
Total loans, net	290,853	288,791
 Premises and equipment, net	 11,644	 10,692
Other real estate ow ned, net of valuation allow ance	4,242	4,242
Bank ow ned life insurance	6,933	6,869
Accrued interest receivable and other assets	4,209	4,562
Total assets	\$ 489,516	\$ 464,066
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Demand deposits:		
Noninterest-bearing	\$ 135,770	\$ 120,989
Interest-bearing	70,296	68,622
Money market deposit accounts	89,668	90,815
Certificates of deposit and other time deposits	140,661	131,442
Total deposits	436,395	411,868
Securities sold under agreements to repurchase	3,109	2,623
Accrued interest payable and other liabilities	704	654
Total liabilities	440,208	415,145
 <b>Shareholders' equity:</b>		
Preferred stock, \$2.50 par value, 2,000,000 shares authorized, no shares outstanding	-	-
Common stock, \$2.50 par value, 5,000,000 shares authorized; 2,690,220 shares issued and outstanding in 2012; and 2,690,220 shares issued and outstanding in 2011	6,723	6,723
Capital surplus	27,758	27,705
Retained earnings	13,274	12,773
Accumulated other comprehensive income	1,553	1,720
Total shareholders' equity	49,308	48,921
Total liabilities and shareholders' equity	\$ 489,516	\$ 464,066

**VIRGINIA NATIONAL BANK AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	Three Months and Year-to-Date Ended	
	March 31, 2012	March 31, 2011
	[UNAUDITED]	[UNAUDITED]
Interest and dividend income:		
Loans, including fees	\$ 3,770	\$ 3,983
Federal funds sold	13	16
Held to maturity securities:		
Taxable	27	26
Tax exempt	8	8
Available for sale securities:		
Taxable	443	378
Dividends	15	12
Total interest and dividend income	<u>4,276</u>	<u>4,423</u>
Interest expense:		
Demand and savings deposits	50	51
Certificates and other time deposits	297	412
Federal funds purchased and securities sold under agreements to repurchase	<u>1</u>	<u>1</u>
Total interest expense	348	464
Net interest income before provision for loan losses	3,928	3,959
Provision for loan losses	<u>131</u>	<u>-</u>
Net interest income after provision for loan losses	3,797	3,959
Noninterest income:		
Trust income	646	553
Customer service fees	272	254
Debit/credit card and ATM fees	168	156
Earnings/increase in value of bank owned life insurance	61	53
Other	<u>42</u>	<u>46</u>
Total noninterest income	1,189	1,062
Noninterest expenses:		
Salaries and employee benefits	2,261	2,452
Net occupancy expense	543	614
Equipment expense	223	245
Other	<u>1,229</u>	<u>1,285</u>
Total noninterest expenses	4,256	4,596
Income before provision for income taxes	730	425
Provision for income taxes	<u>229</u>	<u>136</u>
Net income	<u>\$ 501</u>	<u>\$ 289</u>
Earnings per share, basic	\$ 0.19	\$ 0.11
Earnings per share, diluted	\$ 0.19	\$ 0.11
Weighted average shares outstanding, basic	2,690,220	2,690,220
Weighted average shares outstanding, diluted	2,691,083	2,693,854

Per share information for all periods have been restated to reflect a 1.15 to 1 stock dividend paid on June 30, 2011

**VIRGINIA NATIONAL BANK AND SUBSIDIARY**  
**Per Share, Performance and Capital Ratios**

	Three Months Ended				
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
<b>Per Share Data:</b>					
Earnings per weighted average share	0.19	0.38	0.28	\$ 0.10	\$ 0.11
Weighted average shares outstanding	2,690,220	2,690,220	2,690,220	2,690,220	2,690,220
Actual shares outstanding	2,690,220	2,690,220	2,690,220	2,690,220	2,690,220
Book value per share at period end	\$ 18.33	\$ 18.19	\$ 17.90	\$ 17.49	\$ 17.08
<b>Performance Ratios:</b>					
Return on average assets	0.42%	0.90%	0.63%	0.24%	0.25%
Net interest margin	3.58%	3.68%	3.76%	3.69%	3.78%
<b>Capital and Other Ratios:</b>					
<b>(Ratios are period end, unless stated otherwise)</b>					
Tier 1 leverage ratio	10.12%	10.28%	9.89%	9.76%	9.93%
Total risk-based capital ratio	14.59%	14.35%	14.64%	14.33%	14.51%
Allowance for loan losses to total loans	1.29%	1.28%	1.27%	1.26%	1.29%
Non-accruing loans to total loans	0.22%	0.14%	0.27%	0.67%	1.55%
Net charge-offs (net recoveries) to average loans (annualized)	0.11%	0.57%	0.06%	0.10%	-0.01%

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