

UNITED STATES
OFFICE OF THE COMPTROLLER OF THE CURRENCY
WASHINGTON, D.C. 20219

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 24, 2013

VIRGINIA NATIONAL BANK

(Exact name of registrant as specified in its charter)

Virginia
(State or Other
Jurisdiction of
Incorporation)

23616
(OCC Charter Number)

54-1902129
(IRS Employer
Identification Number)

222 East Main Street, Charlottesville, Virginia
(Address of Principal Executive Office)

22902
(Zip Code)

Registrant's telephone number, including area code: (434) 817-8621

Not Applicable

(Former name or former address, if changed since last report)

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 24, 2013, Virginia National Bank (the "Bank") issued a press release announcing its financial results for the period ended June 30, 2013. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Virginia National Bank on July 24, 2013 (furnished as a part of this Form 8-K).

VIRGINIA NATIONAL BANK

Date: July 24, 2013

By: /s/ Ronald E. Baron
Ronald E. Baron
Executive Vice President and
Chief Financial Officer



**PRESS RELEASE
FOR IMMEDIATE DISTRIBUTION**

July 24, 2013

VIRGINIA NATIONAL BANK REPORTS SECOND QUARTER 2013 RESULTS

Charlottesville, VA -- Virginia National Bank of Charlottesville, Virginia reported its unaudited, consolidated financial results for the three-month and six-month periods ended June 30, 2013.

Second quarter 2013 net income of \$816 thousand, or \$0.30 per share, was up from \$0.20 per share in the first quarter 2013 and up \$0.15 per share from the second quarter of 2012. Net income for the six months ended June 30, 2013 totaled \$1.354 million, or \$0.50 per share, representing an annualized return on average assets of 0.56% and an annualized return on average equity of 5.00%. Net income for the first six months of 2013 was up \$0.16 per share from the \$0.34 per share for the first six months of 2012.

Highlights related to Virginia National Bank's earnings results include:

- Net interest income of \$3.585 million was down from \$3.600 million in the first quarter of 2013 and \$3.910 million in the second quarter of 2012. For the first six months of 2013, net interest income of \$7.185 million was down \$653 thousand (8.3%) from the first six months of 2012. The prolonged period of low interest rates continues to compress the net interest margin. Tax-equivalent yields on investment securities and loans fell by 28 basis points during the first six months of 2013 as compared to the year earlier period, while the average interest rate paid on deposits and repurchase agreements decreased by 12 basis points for the first six months of 2013 as compared to the first six months of 2012.
- The provision for loan losses for the second quarter of 2013 was \$45 thousand, down from \$220 thousand for the first quarter 2013 and \$60 thousand in the second quarter of 2012. For the first six months of 2013, the provision was \$265 thousand or \$74 thousand greater than the provision recorded for the first six months of 2012.
- Non-interest income for the second quarter of 2013 was \$1.480 million or an increase of 22.4% from the \$1.209 million reported for the second quarter of 2012. Increases in revenue from trust and brokerage services of \$215 thousand and \$13 thousand, respectively, were the primary drivers of higher non-interest income in the quarter, along with an increase of \$47 thousand in the value of bank-owned life insurance (BOLI). A gain of \$16 thousand on the sale of securities occurred during the second quarter of 2013 as the restructuring of the investment portfolio continued. For the first six months of 2013, non-interest income was \$2.612 million, or an 8.9% increase from the \$2.398 million reported for the first six months of 2012. The higher revenue was primarily the result of increases in VNBTrust fees (\$144 thousand), an increase in the value of BOLI (\$94 thousand), and an increase of Other Fee Income (\$41 thousand).
- Non-interest expense for the second quarter of 2013 decreased 13.1% or \$585 thousand to \$3.895 million from the \$4.480 million reported in the second quarter of 2012. Notable reductions in non-interest expense were seen in Other Expense (\$287 thousand), and Salaries and Employee Benefits (\$198 thousand). The decline in Other Expense was primarily the result of a one-time OREO valuation write down of \$262 thousand in the second quarter of 2012. The decline in Salaries and Employee Benefits is related to the cost reductions that are part of the Bank's multi-year financial strategic plan. For the six months ended June 30, 2013, non-interest expense was \$7.698 million or \$1.038 million (11.9%) less than the \$8.736 million reported for the first six months of 2012. The year over year reductions are attributable in part to the successful execution of the Bank's financial strategic plan, lower FDIC Deposit Insurance premiums, a

decrease in losses from fraudulent transactions, a decline in OREO write downs, and decreased costs from card-based expenses and telecommunications expense.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets at June 30, 2013 amounted to \$486.7 million, a decrease of \$4.3 million from the \$491.0 million reported at March 31, 2013 and a \$20.9 million decrease from the \$507.6 million reported for December 31, 2012.
- Net loans outstanding at June 30, 2013 were \$290.3 million, as compared to \$288.8 million at March 31, 2013 and \$8.7 million more than the \$281.6 million balances at December 31, 2012.
- Loan delinquencies declined significantly during the second quarter of 2013 with loans delinquent 90 days or more and non-accrual loans at 0.17% of outstanding loans at June 30, 2013; as compared to 0.44% at March 31, 2013 and 0.51% at December 31, 2012. Much of the decrease in loan delinquencies during the second quarter of 2013 was the result of a loan's collateral property that went to foreclosure and is now held as other real estate owned. At June 30, 2013 the Allowance for Loan Losses-to-Total Loans ratio was 1.21%. Additionally, for the quarter ended June 30, 2013, the Bank experienced a net recovery of previously charged-off loans of 0.03% of average loans for the quarter.
- Deposit and repo sweep accounts totaled \$433.0 million at June 30, 2013, down from the \$436.0 million at March 31, 2013 and \$449.4 million at December 31, 2012. The decline in balances during the first six months of 2013 have been attributable in part to cyclical (annual) deposit outflows from certain large depositors and depositors making large, one-time purchases in cash. These situations are considered normal transactional activity for the Bank's diverse customer base.
- Total shareholders' equity was \$52.981 million at June 30, 2013, down from \$54.124 million at March 31, 2013 and \$53.939 million reported at December 31, 2012. The reduction in shareholders' equity in the first six months of 2013 is a result of the reduction in net unrealized gains from available-for-sale securities, with the decline in fair value securities attributable to increases in long-term interest rates. The Tier 1 Leverage Ratio was 11.10% at June 30, 2013 as compared to 10.87% at December 31, 2012 and 9.48% at June 30, 2012. The book value at June 30, 2013 was \$19.70 per share.

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 one in Orange, Virginia. The Bank serves the needs of owner-operated businesses and individuals in the City of Charlottesville, Albemarle County, Orange County, the City of Winchester, and the contiguous counties in Virginia. 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 Markets Group's - QB Markets under the symbol "VABK". Additional information on the Bank is also available at www.vnb.com.

Forward-Looking Statements; Other Information

Statements which express or imply a view about the expected future performance of Virginia National Bank are "forward-looking statements." While Bank management believes 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. 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, employment or market conditions; changes in interest rates, deposits, loan demand, and asset quality; competition; changes in banking regulations and accounting

principles or guidelines; and performance of assets under management. These statements speak only as of the date made, and the Bank does not undertake to update any forward-looking statements to reflect changes or events that may occur after this release.

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.

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, 2012, available at www.vnb.com, before making any investment decision about Virginia National Bank.

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

	June 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 10,833	\$ 15,647
Federal funds sold	31,666	56,131
Securities:		
Available for sale, at fair value	119,152	110,853
Held to maturity, at amortized cost (Fair value - \$2,733 in 2013, \$6,060 in 2012)	2,699	5,991
Restricted securities, at cost	1,645	1,729
Total securities	123,496	118,573
Total loans	293,855	284,860
Allowance for loan losses	(3,547)	(3,267)
Total loans, net	290,308	281,593
Premises and equipment, net	10,099	10,654
Other real estate owned, net of valuation allowance	2,550	1,746
Bank owned life insurance	12,372	12,150
Accrued interest receivable and other assets	5,416	11,112
Total assets	\$ 486,740	\$ 507,606
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Noninterest-bearing	\$ 117,951	\$ 131,559
Interest-bearing	74,758	80,916
Money market deposit accounts	105,135	102,804
Certificates of deposit and other time deposits	126,083	130,143
Total deposits	423,927	445,422
Securities sold under agreements to repurchase	9,032	4,000
Accrued interest payable and other liabilities	800	4,245
Total liabilities	433,759	453,667
Shareholders' equity:		
Preferred stock, \$2.50 par value, 2,000,000 shares authorized, no shares outstanding	-	-
Common stock, \$2.50 par value, 10,000,000 shares authorized; 2,690,220 shares issued and outstanding in 2013 and 2012 (including 575 non-vested shares at June 30, 2013, and December 31, 2012)	6,724	6,724
Capital surplus	27,867	27,809
Retained earnings	19,474	18,254
Accumulated other comprehensive income (loss)	(1,084)	1,152
Total shareholders' equity	52,981	53,939
Total liabilities and shareholders' equity	\$ 486,740	\$ 507,606

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

	Three Months Ended		Six Months Ended	
	June 30, 2013 [UNAUDITED]	June 30, 2012 [UNAUDITED]	June 30, 2013 [UNAUDITED]	June 30, 2012 [UNAUDITED]
Interest and dividend income:				
Loans, including fees	\$ 3,248	\$ 3,714	\$ 6,520	\$ 7,484
Federal funds sold	12	46	37	59
Investment securities				
Taxable	440	460	887	930
Tax exempt	113	14	216	22
Dividends	19	21	39	36
Other	6	2	6	2
Total interest and dividend income	<u>3,838</u>	<u>4,257</u>	<u>7,705</u>	<u>8,533</u>
Interest expense:				
Demand and savings deposits	61	75	119	125
Certificates and other time deposits	191	271	398	568
Federal funds purchased and securities sold under agreements to repurchase	1	1	3	2
Total interest expense	<u>253</u>	<u>347</u>	<u>520</u>	<u>695</u>
Net interest income	<u>3,585</u>	<u>3,910</u>	<u>7,185</u>	<u>7,838</u>
Provision for loan losses	45	60	265	191
Net interest income after provision for loan losses	<u>3,540</u>	<u>3,850</u>	<u>6,920</u>	<u>7,647</u>
Noninterest income:				
Trust income	837	622	1,412	1,268
Customer service fees	238	243	464	515
Debit/credit card and ATM fees	189	188	355	356
Increase in value of bank owned life insurance	111	64	222	128
Gain on sale of security	16	29	16	29
Other	89	63	143	102
Total noninterest income	<u>1,480</u>	<u>1,209</u>	<u>2,612</u>	<u>2,398</u>
Noninterest expenses:				
Salaries and employee benefits	1,982	2,180	4,009	4,441
Net occupancy expense	507	531	1,022	1,074
Equipment expense	160	236	332	459
Other	1,246	1,533	2,335	2,762
Total noninterest expenses	<u>3,895</u>	<u>4,480</u>	<u>7,698</u>	<u>8,736</u>
Income before income taxes	1,125	579	1,834	1,309
Provision for income taxes	309	168	480	397
Net income	<u>\$ 816</u>	<u>\$ 411</u>	<u>\$ 1,354</u>	<u>\$ 912</u>
Earnings per share, basic	\$ 0.30	\$ 0.15	\$ 0.50	\$ 0.34
Earnings per share, diluted	\$ 0.30	\$ 0.15	\$ 0.50	\$ 0.34
Weighted average shares outstanding, basic	2,690,220	2,690,220	2,690,220	2,690,220
Weighted average shares outstanding, diluted	2,690,220	2,693,380	2,690,220	2,690,220

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

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Per Share Data:					
Earnings per weighted average share	\$ 0.30	\$ 0.20	\$ 1.41	\$ 0.29	\$ 0.15
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	\$ 19.70	\$ 20.12	\$ 20.05	\$ 18.73	\$ 18.43
Performance Ratios:					
Return on average assets	0.19%	0.04%	3.10%	0.64%	0.32%
Net interest margin (FTE) ¹	3.22%	3.22%	3.34%	3.47%	3.30%
Efficiency ratio ²	76.90%	80.38%	51.37%	87.43%	87.51%
Capital and Other Ratios:					
(Ratios are period end, unless stated otherwise)					
Tier 1 leverage ratio	11.10%	10.85%	10.87%	9.92%	9.48%
Total risk-based capital ratio	16.29%	16.29%	16.21%	14.73%	14.74%
Allowance for loan losses to total loans	1.21%	1.19%	1.15%	1.14%	1.27%
Non-accruing loans to total loans	0.17%	0.44%	0.49%	0.21%	0.37%
Net charge-offs (net recoveries) to average loans (annualized)	-0.03%	0.01%	0.49%	-0.15%	0.09%

¹ The net interest margin is reported on a fully tax equivalent basis (FTE). GAAP income presented on the income statement for investment securities totaling \$578 thousand and \$497 thousand for the periods ended June 30, 2013 and for June 30, 2012, respectively, has been adjusted to \$610 thousand and \$499 thousand, respectively, to reflect the taxable equivalence of the tax-exempt securities using a Federal income tax rate of 34%. Other periods shown on were likewise adjusted to reflect the tax equivalent basis.

² The efficiency ratio is computed as a percentage of non-interest expense divided by net interest income and non-interest income for the three month periods shown.

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