



**PRESS RELEASE  
FOR IMMEDIATE DISTRIBUTION**

**October 16, 2013**

**VIRGINIA NATIONAL BANK REPORTS THIRD QUARTER 2013 RESULTS**

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

Third quarter 2013 net income of \$925 thousand, or \$0.35 per share, was up from \$0.30 per share in the second quarter 2013 and up from \$0.29 per share in the third quarter of 2012. Net income for the nine months ended September 30, 2013 totaled \$2.279 million, or \$0.85 per share, representing an annualized return on average assets of 0.62% and an annualized return on average equity of 5.63%. Net income for the first nine months of 2013 was up \$0.22 per share from the \$0.63 per share for the first nine months of 2012.

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

- Net interest income of \$3.632 million for the third quarter of 2013 was \$47 thousand greater than \$3.585 million in the second quarter of 2013 and a decrease of \$388 thousand from \$4.020 million in the third quarter of 2012. For the first nine months of 2013, net interest income of \$10.817 million was down \$1.041 million (8.8%) from the first nine months of 2012. Tax-equivalent yields on interest earning assets fell by 28 basis points during the first nine months of 2013 as compared to the year earlier period, while the average interest rate paid on deposits and repurchase agreements decreased by 7 basis points for the first nine months of 2013 as compared to the first nine months of 2012. The tax equivalent net interest margin for the three months ended and the nine months ended September 30, 2013 was 3.23%.
- There was no provision for loan losses required for the third quarter of 2013 due primarily to improvements in classified loans and past due loans. During the third quarter ended September 30, 2012, the Bank recorded a recapture of the provision for loan losses of \$460 thousand. For the first nine months of 2013, the provision was \$265 thousand as compared to the net recapture of the loan loss provision totaling \$269 thousand for the first nine months of 2012.
- Non-interest income for the third quarter of 2013 was \$1.475 million or an increase of 3.9% from the \$1.419 million reported for the third quarter of 2012. The revenue increases in the third quarter of 2013 when compared to the same period in 2012 were driven primarily from bank-owned life insurance (BOLI) (\$49 thousand), brokerage services (\$32 thousand), and a one-time asset recovery (\$45 thousand). Offsetting the revenue increases were declines from gains on sale of securities (\$70 thousand) and trust revenue (\$41 thousand). For the first nine months of 2013, non-interest income was \$4.087 million, or a 7.1% increase from the \$3.817 million reported for the first nine months of 2012. The higher revenue was primarily the result of increases in VNBTrust fees (\$103 thousand), an increase in the value of BOLI (\$143 thousand), and an increase in Other Income (\$143 thousand), which includes brokerage services (\$48 thousand) and the asset recovery mentioned above. Year-to-date revenue was offset by lower deposit account fees (\$41 thousand) and lower gains on sale of securities (\$83 thousand).
- Non-interest expense for the third quarter of 2013 decreased \$938 thousand or 19.7% to \$3.817 million from the \$4.755 million reported in the third quarter of 2012. Notable reductions in non-interest expense were seen in Other Expense (\$637 thousand), Salaries and Employee Benefits (\$179 thousand), and Equipment Expense (\$94 thousand). The decline in Other Expense was primarily the result of a one-time OREO valuation write down of \$583 thousand in the third quarter of 2012. The decline in Salaries and Employee Benefits is related to the Bank's financial strategic plan for 2013. For the nine months ended September 30, 2013, non-interest

expense was \$11.515 million or \$1.976 million (14.6%) less than the \$13.491 million reported for the first nine months of 2012. The year-over-year reductions are attributable to the successful execution of the Bank's financial strategic plan, lower FDIC Deposit Insurance premiums, a decline in OREO write downs, decreased costs for marketing expenses and for card-based related expenses.

#### **Other Information:**

Changes in other unaudited financial information are as follows:

- Total assets at September 30, 2013 amounted to \$483.9 million, a decrease of \$2.8 million from the \$486.7 million reported at June 30, 2013 and a \$23.7 million decrease from the \$507.6 million reported for December 31, 2012.
- Net loans outstanding at September 30, 2013 were \$294.1 million, as compared to \$290.3 million at June 30, 2013 and \$12.5 million more than the \$281.6 million balances at December 31, 2012.
- Loan delinquencies continued to decline during the third quarter of 2013 with non-accrual loans at 0.13% of outstanding loans at September 30, 2013; as compared to 0.17% at June 30, 2013 and 0.49% at December 31, 2012. At September 30, 2013 the Allowance for Loan Losses-to-Total Loans ratio was 1.16%. Additionally, for the quarter ended September 30, 2013, the Bank's net charge offs to average loans ratio was 0.13% for the quarter.
- Deposit and repo sweep accounts totaled \$429.3 million at September 30, 2013, down from the \$433.0 million at June 30, 2013 and \$449.4 million at December 31, 2012. The declines in balances during the first nine months of 2013 have been attributable in part to cyclical (annual) deposit outflows. Management has not seen any significant loss of deposit relationships, however, it was anticipated that a certain segment of customers are moving funds back into the stock and bond markets. These situations are considered normal transactional activity for the Bank's diverse customer base.
- Total shareholders' equity was \$53.723 million at September 30, 2013, up from \$52.981 million at June 30, 2013 and down \$216 thousand from the \$53.939 million reported at December 31, 2012. The reduction in shareholders' equity between December 31, 2012 and September 30, 2013 was 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 11.34% at September 30, 2013 as compared to 10.87% at December 31, 2012 and 9.92% at September 30, 2012. The book value per share at September 30, 2013 was \$19.97.
- On July 19, 2013, the Board of Directors declared the Bank's first-ever quarterly cash dividend of \$0.05 per share. The third quarter cash dividend, declared on September 17, 2013, was paid on October 10, 2013 to shareholders of record on October 1, 2013.

#### **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, as well as retail brokerage and insurance services. 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](http://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](http://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)

	September 30, 2013	December 31, 2012
	(Unaudited)	
<b>ASSETS</b>		
Cash and due from banks	\$ 11,104	\$ 15,647
Federal funds sold	21,782	56,131
Securities:		
Available for sale, at fair value	125,275	110,853
Held to maturity, at amortized cost		
(Fair value - \$6,060 in 2012)	-	5,991
Restricted securities, at cost	1,645	1,729
Total securities	126,920	118,573
Total loans	297,544	284,860
Allowance for loan losses	(3,454)	(3,267)
Total loans, net	294,090	281,593
Premises and equipment, net	9,967	10,654
Other real estate owned, net of valuation allowance	2,550	1,746
Bank owned life insurance	12,486	12,150
Accrued interest receivable and other assets	5,042	11,112
Total assets	\$ 483,941	\$ 507,606
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Demand deposits:		
Noninterest-bearing	\$ 128,596	\$ 131,559
Interest-bearing	77,567	80,916
Money market deposit accounts	85,085	102,804
Certificates of deposit and other time deposits	126,310	130,143
Total deposits	417,558	445,422
Securities sold under agreements to repurchase	11,697	4,000
Accrued interest payable and other liabilities	963	4,245
Total liabilities	430,218	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 September 30, 2013 and December 31, 2012)	6,724	6,724
Capital surplus	27,893	27,809
Retained earnings	20,264	18,254
Accumulated other comprehensive income (loss)	(1,158)	1,152
Total shareholders' equity	53,723	53,939
Total liabilities and shareholders' equity	\$ 483,941	\$ 507,606

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012
	[UNAUDITED]	[UNAUDITED]	[UNAUDITED]	[UNAUDITED]
Interest and dividend income:				
Loans, including fees	\$ 3,257	\$ 3,749	\$ 9,777	\$ 11,233
Federal funds sold	18	30	55	89
Investment securities				
Taxable	459	463	1,346	1,393
Tax exempt	114	64	330	86
Dividends	19	18	58	54
Other	4	2	10	4
Total interest and dividend income	<u>3,871</u>	<u>4,326</u>	<u>11,576</u>	<u>12,859</u>
Interest expense:				
Demand and savings deposits	52	51	171	176
Certificates and other time deposits	180	254	578	822
Federal funds purchased and securities sold under agreements to repurchase	7	1	10	3
Total interest expense	<u>239</u>	<u>306</u>	<u>759</u>	<u>1,001</u>
Net interest income	<u>3,632</u>	<u>4,020</u>	<u>10,817</u>	<u>11,858</u>
Provision for (recovery of) loan losses	-	(460)	265	(269)
Net interest income after provision for loan losses	<u>3,632</u>	<u>4,480</u>	<u>10,552</u>	<u>12,127</u>
Noninterest income:				
Trust income	756	797	2,168	2,065
Customer service fees	231	221	695	736
Debit/credit card and ATM fees	188	182	543	538
Increase in value of bank owned life insurance	114	65	336	193
Gain on sale of investment securities	34	104	50	133
Other	152	50	295	152
Total noninterest income	<u>1,475</u>	<u>1,419</u>	<u>4,087</u>	<u>3,817</u>
Noninterest expenses:				
Salaries and employee benefits	2,004	2,183	6,013	6,624
Net occupancy expense	510	538	1,532	1,612
Equipment expense	133	227	465	686
Other	1,170	1,807	3,505	4,569
Total noninterest expenses	<u>3,817</u>	<u>4,755</u>	<u>11,515</u>	<u>13,491</u>
Income before income taxes	1,290	1,144	3,124	2,453
Provision for income taxes	365	351	845	748
Net income	<u>\$ 925</u>	<u>\$ 793</u>	<u>\$ 2,279</u>	<u>\$ 1,705</u>
Earnings per share, basic	0.35	0.29	\$ 0.85	\$ 0.63
Earnings per share, diluted	0.35	0.29	\$ 0.85	\$ 0.63
Weighted average shares outstanding, basic	2,690,220	2,690,220	2,690,220	2,690,220
Weighted average shares outstanding, diluted	2,690,537	2,690,220	2,690,379	2,690,220

# VIRGINIA NATIONAL BANK AND SUBSIDIARY

## Per Share, Performance and Capital Ratios

	Three Months Ended				
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
<b>Per Share Data:</b>					
Earnings per weighted average share	0.85	0.30	0.20	1.41	0.29
Weighted average shares outstanding	2,690,220	2,690,220	2,690,220	2,690,220	2,690,220
Actual shares outstanding at period end	2,690,220	2,690,220	2,690,220	2,690,220	2,690,220
Book value per share at period end	\$19.97	\$ 19.70	\$ 20.12	\$ 20.05	\$ 18.73
<b>Performance Ratios:</b>					
Return on average assets	0.19%	0.19%	0.04%	3.10%	0.64%
Net interest margin (FTE) <sup>1</sup>	3.23%	3.22%	3.21%	3.34%	3.47%
Efficiency ratio <sup>2</sup>	74.74%	76.90%	80.38%	51.37%	87.43%
<b>Capital and Other Ratios:</b>					
<b>(Ratios are period end, unless stated otherwise)</b>					
Tier 1 leverage ratio	11.34%	11.10%	10.85%	10.87%	9.92%
Total risk-based capital ratio	16.23%	16.29%	16.29%	16.21%	14.73%
Allowance for loan losses to total loans	1.16%	1.21%	1.19%	1.15%	1.14%
Non-accruing loans to total loans	0.13%	0.17%	0.44%	0.49%	0.21%
Net charge-offs (net recoveries) to average loans (annualized)	0.13%	-0.03%	0.01%	0.49%	-0.15%

<sup>1</sup> The net interest margin is reported on a fully tax equivalent basis (FTE). GAAP income presented on the income statement for investment securities totaling \$596 thousand and \$547 thousand for the periods ended September 30, 2013 and for September 30, 2012, respectively, has been adjusted to \$635 thousand and \$569 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.

<sup>2</sup> 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.

**Virginia National Bank Contact:      Ronald E. Baron, EVP & CFO**  
**434-817-8510**