



FOR IMMEDIATE RELEASE

VIRGINIA NATIONAL BANKSHARES CORPORATION ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

Charlottesville, VA – October 20, 2017 – Virginia National Bankshares Corporation (OTCQX: VABK) (the “Company”) today reported third quarter 2017 net income of \$1.7 million or \$0.72 per diluted share, a 25.0% increase compared to net income of \$1.4 million or \$0.59 per diluted share recognized during the third quarter of 2016.

“We continue to generate solid earnings in this sustained low interest rate environment,” stated Glenn W. Rust, President and Chief Executive Officer. “Our efficiency ratio remains low at 58.6% for the third quarter and 58.1% year-to-date. Our return on average assets was 1.11% for the quarter and 1.15% for the first nine months of the year. Our dedication to strong credit quality remains, as represented by our significantly low level of non-performing assets. Our ongoing efforts to attain an effective mix of earning assets, including restructuring the securities portfolio to earn higher yields, and prolonged low cost of funds continue to place us in a position for success.”

Third Quarter 2017 Financial Highlights

- The annualized return on average assets of 1.11% increased from 0.98% for the third quarter of 2016.
- The efficiency ratio was 58.6%, improving from 63.8% for the third quarter of 2016.
- Average gross loans totaled \$497.0 million, up \$74.4 million or 17.6% from the \$422.6 million averaged during the third quarter of 2016.
- The allowance for loan losses as a percentage of total loans was 0.76% as of September 30, 2017 and September 30, 2016, compared to 0.77% at December 31, 2016. A provision for loan losses of \$168 thousand was recognized in the third quarter of 2017.
- Total assets of \$610.3 million were 7.2% higher than the September 30, 2016 balance of \$569.5 million. The year-over-year net growth in assets was funded by expansion in core deposits and short-term borrowings.
- Low-cost deposits, which include both noninterest and interest-bearing checking accounts as well as money market accounts, remained in excess of 77% of total deposits.
- The loan-to-deposit ratio was 98.8%, compared to 91.9% at December 31, 2016 and 87.0% at September 30, 2016. This increase is in line with our strategy to achieve an effective mix of earning assets and liabilities on our balance sheet.
- The tax-equivalent net interest margin (NIM) of 3.70% improved 20 basis points as compared to the prior quarter level of 3.50% and improved 29 basis points as compared to the prior third quarter NIM of 3.41%.
- Net interest income of \$5.5 million increased \$946 thousand or 20.9% compared to \$4.5 million for the third quarter of 2016.

Third Quarter 2017 Financial Highlights, continued

- The cost of funds of 23 basis points increased five basis points from 18 basis points in the same period in the prior year, remaining low compared to peers.
- Noninterest income of \$1.2 million declined \$255 thousand or 18.0% compared to the same quarter in the prior year, primarily driven by a \$78 thousand loss on the sale of securities, compared to a gain in the comparable period of \$181 thousand. During the current quarter, we restructured a portion of our investment portfolio to achieve higher yields, resulting in the realized losses.
- Noninterest expense of \$3.9 million increased by \$96 thousand or 2.5% compared to third quarter of 2016, partially due to the expenses associated with hiring experienced loan officers.
- Tangible book value per share was \$26.50, compared to \$24.49 at December 31, 2016 and \$24.57 at September 30, 2016. Dividends of \$386 thousand were declared during the third quarter of 2017, while the remaining net income of \$1.4 million or 77.9% was retained.
- Capital ratios continue to be well in excess of regulatory requirements for well-capitalized banks.

About Virginia National Bankshares Corporation

Virginia National Bankshares Corporation, headquartered in Charlottesville, Virginia, is the bank holding company for Virginia National Bank (the "Bank"). The Bank has four banking offices in Charlottesville, one in Winchester and one in Orange, as well as a loan production office in Harrisonburg. The Bank offers a full range of banking and related financial services to meet the needs of individuals, businesses and charitable organizations. Investment management, wealth advisory, and trust and estate services are offered through VNB Wealth Management, the trade name of VNBTrust, N.A., the Bank's wholly owned subsidiary. Retail brokerage and investment advisory services are offered under the name of VNB Investment Services.

The Company's stock trades on the OTC Markets Group's OTCQX Market under the symbol "VABK." Additional information on the Company is also available at www.vnbcorp.com.

Forward-Looking Statements; Other Information

Statements which express or imply a view about projections, predictions or the expected future performance of Virginia National Bankshares Corporation are "forward-looking statements." Such statements are often characterized by use of qualified words such as "expect," "believe," "estimate," "project," "anticipate," "intend," "will," "should," or words of similar meaning or other statements concerning the opinions or judgment of the Company and its management about future events. While Company management believes such statements to be reasonable, future events and predictions are subject to circumstances that are not within the control of the Company and its management, and actual events in the future may be substantially different from those expressed. The Company'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 Company 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 the unaudited consolidated financial statements of Virginia National Bankshares Corporation. The Company filed audited consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2016 with the Securities and Exchange Commission on March 27, 2017. Information based on other sources is believed by management of the Company to be reliable, but has not been independently verified.

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

| | <u>September 30, 2017</u> (Unaudited) | <u>December 31, 2016 *</u> | <u>September 30, 2016</u> (Unaudited) |
|---|--|----------------------------|--|
| ASSETS | | | |
| Cash and due from banks | \$ 7,143 | \$ 10,047 | \$ 9,103 |
| Federal funds sold | 3,155 | 28,453 | 32,925 |
| Securities: | | | |
| Available for sale, at fair value | 71,049 | 56,662 | 70,447 |
| Restricted securities, at cost | 2,709 | 1,709 | 1,709 |
| Total securities | <u>73,758</u> | <u>58,371</u> | <u>72,156</u> |
| Loans | 501,024 | 482,135 | 430,889 |
| Allowance for loan losses | <u>(3,824)</u> | <u>(3,688)</u> | <u>(3,278)</u> |
| Loans, net | 497,200 | 478,447 | 427,611 |
| Premises and equipment, net | 7,437 | 8,046 | 8,245 |
| Bank owned life insurance | 14,229 | 13,917 | 13,807 |
| Goodwill | 372 | 372 | 372 |
| Other intangible assets, net | 604 | 680 | 705 |
| Accrued interest receivable and other assets | <u>6,430</u> | <u>6,697</u> | <u>4,615</u> |
| Total assets | <u>\$ 610,328</u> | <u>\$ 605,030</u> | <u>\$ 569,539</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Demand deposits: | | | |
| Noninterest-bearing | \$ 166,544 | \$ 176,098 | \$ 176,063 |
| Interest-bearing | 98,528 | 96,869 | 91,808 |
| Money market deposit accounts | 128,149 | 136,658 | 114,903 |
| Certificates of deposit and other time deposits | <u>114,049</u> | <u>115,026</u> | <u>112,405</u> |
| Total deposits | 507,270 | 524,651 | 495,179 |
| Repurchase agreements and other borrowings | 37,001 | 19,700 | 13,540 |
| Accrued interest payable and other liabilities | <u>1,208</u> | <u>1,625</u> | <u>1,542</u> |
| Total liabilities | <u>545,479</u> | <u>545,976</u> | <u>510,261</u> |
| 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; 2,410,680, 2,368,777 and 2,368,777 issued and outstanding at September 30, 2017, December 31, 2016 and September 30, 2016, respectively | 6,027 | 5,922 | 5,922 |
| Capital surplus | 22,036 | 21,152 | 21,262 |
| Retained earnings | 37,082 | 32,759 | 31,581 |
| Accumulated other comprehensive income (loss) | <u>(296)</u> | <u>(779)</u> | <u>513</u> |
| Total shareholders' equity | <u>64,849</u> | <u>59,054</u> | <u>59,278</u> |
| Total liabilities and shareholders' equity | <u>\$ 610,328</u> | <u>\$ 605,030</u> | <u>\$ 569,539</u> |

* Derived from audited consolidated financial statements

VIRGINIA NATIONAL BANKSHARES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

(Unaudited)

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|--------------------|---------------------------|--------------------|
| | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Interest and dividend income: | | | | |
| Loans, including fees | \$ 5,348 | \$ 4,385 | \$ 15,454 | \$ 13,012 |
| Federal funds sold | 30 | 45 | 208 | 101 |
| Investment securities: | | | | |
| Taxable | 328 | 237 | 838 | 762 |
| Tax exempt | 78 | 78 | 203 | 242 |
| Dividends | 23 | 23 | 69 | 67 |
| Other | 1 | 3 | 7 | 7 |
| Total interest and dividend income | 5,808 | 4,771 | 16,779 | 14,191 |
| Interest expense: | | | | |
| Demand and savings deposits | 108 | 68 | 341 | 203 |
| Certificates and other time deposits | 179 | 157 | 516 | 474 |
| Repurchase agreements and other borrowings | 38 | 9 | 58 | 33 |
| Total interest expense | 325 | 234 | 915 | 710 |
| Net interest income | 5,483 | 4,537 | 15,864 | 13,481 |
| Provision for (recovery of) loan losses | 168 | 104 | 213 | (291) |
| Net interest income after provision for (recovery of) loan losses | 5,315 | 4,433 | 15,651 | 13,772 |
| Noninterest income: | | | | |
| Trust income | 394 | 388 | 1,171 | 1,174 |
| Advisory and brokerage income | 132 | 106 | 387 | 287 |
| Royalty income | 22 | 11 | 198 | 20 |
| Customer service fees | 225 | 240 | 678 | 686 |
| Debit/credit card and ATM fees | 206 | 223 | 650 | 653 |
| Earnings/increase in value of bank owned life insurance | 103 | 111 | 312 | 331 |
| Fees on mortgage sales | 55 | 41 | 104 | 156 |
| Gains (losses) on sales of securities | (78) | 181 | (74) | 189 |
| Gains (losses) on sales of other assets | - | 6 | - | (21) |
| Other | 99 | 106 | 308 | 312 |
| Total noninterest income | 1,158 | 1,413 | 3,734 | 3,787 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 1,998 | 1,939 | 5,770 | 5,704 |
| Net occupancy | 461 | 465 | 1,390 | 1,413 |
| Equipment | 124 | 134 | 398 | 401 |
| Other | 1,334 | 1,283 | 3,897 | 3,859 |
| Total noninterest expense | 3,917 | 3,821 | 11,455 | 11,377 |
| Income before income taxes | 2,556 | 2,025 | 7,930 | 6,182 |
| Provision for income taxes | 811 | 629 | 2,530 | 1,921 |
| Net income | \$ 1,745 | \$ 1,396 | \$ 5,400 | \$ 4,261 |
| Net income per common share, basic | \$ 0.73 | \$ 0.59 | \$ 2.26 | \$ 1.80 |
| Net income per common share, diluted | \$ 0.72 | \$ 0.59 | \$ 2.24 | \$ 1.79 |
| Weighted average common shares outstanding, basic | 2,401,083 | 2,366,530 | 2,387,960 | 2,369,517 |
| Weighted average common shares outstanding, diluted | 2,422,048 | 2,380,393 | 2,409,481 | 2,383,910 |

VIRGINIA NATIONAL BANKSHARES CORPORATION

Financial Highlights

(dollars in thousands, except per share data)

(Unaudited)

At or For the Three Months Ended

| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
|--|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
| Per Common Share Data: | | | | | |
| Net income per weighted average share, basic | \$ 0.73 | \$ 0.80 | \$ 0.73 | \$ 0.63 | \$ 0.59 |
| Net income per weighted average share, diluted | \$ 0.72 | \$ 0.80 | \$ 0.72 | \$ 0.62 | \$ 0.59 |
| Weighted average shares outstanding, basic | 2,401,083 | 2,386,721 | 2,375,798 | 2,368,777 | 2,366,530 |
| Weighted average shares outstanding, diluted | 2,422,048 | 2,409,410 | 2,394,943 | 2,384,169 | 2,380,393 |
| Actual shares outstanding | 2,410,680 | 2,392,011 | 2,381,909 | 2,368,777 | 2,368,777 |
| Tangible book value per share at period end | \$ 26.50 | \$ 25.98 | \$ 25.19 | \$ 24.49 | \$ 24.57 |
| Key Ratios: | | | | | |
| Return on average assets ¹ | 1.11% | 1.19% | 1.14% | 1.03% | 0.98% |
| Return on average equity ¹ | 10.75% | 12.33% | 11.66% | 9.90% | 9.38% |
| Net interest margin (FTE) ^{1,2} | 3.70% | 3.50% | 3.54% | 3.56% | 3.41% |
| Efficiency ratio (FTE) ³ | 58.63% | 55.53% | 60.39% | 60.05% | 63.79% |
| Loan-to-deposit ratio | 98.77% | 92.91% | 86.64% | 91.90% | 87.02% |
| Net Interest Income: | | | | | |
| Net interest income | \$ 5,483 | \$ 5,327 | \$ 5,054 | \$ 4,793 | \$ 4,537 |
| Net interest income (FTE) ² | \$ 5,523 | \$ 5,360 | \$ 5,085 | \$ 4,830 | \$ 4,577 |
| Capital Ratios: | | | | | |
| Tier 1 leverage ratio | 10.30% | 9.65% | 9.84% | 10.31% | 10.24% |
| Total risk-based capital ratio | 13.51% | 13.09% | 12.98% | 12.66% | 13.04% |
| Assets and Asset Quality: | | | | | |
| Average Earning Assets | \$ 591,908 | \$ 613,992 | \$ 582,630 | \$ 540,368 | \$ 533,799 |
| Average Gross Loans | \$ 496,983 | \$ 489,806 | \$ 481,217 | \$ 449,528 | \$ 422,567 |
| Allowance for loan losses: | | | | | |
| Beginning of period | \$ 3,701 | \$ 3,633 | \$ 3,688 | \$ 3,278 | \$ 3,186 |
| Provision for (recovery of) loan losses | 168 | 115 | (70) | 402 | 104 |
| Charge-offs | 53 | 58 | - | - | 24 |
| Recoveries | (8) | (11) | (15) | (8) | (12) |
| Net charge-offs (recoveries) | 45 | 47 | (15) | (8) | 12 |
| End of period | <u>\$ 3,824</u> | <u>\$ 3,701</u> | <u>\$ 3,633</u> | <u>\$ 3,688</u> | <u>\$ 3,278</u> |
| Nonaccrual loans | \$ 186 | \$ 153 | \$ 160 | \$ 167 | \$ 173 |
| OREO | - | - | - | - | - |
| Total nonperforming assets (NPA) | <u>\$ 186</u> | <u>\$ 153</u> | <u>\$ 160</u> | <u>\$ 167</u> | <u>\$ 173</u> |
| NPA as a % of total assets | 0.03% | 0.02% | 0.03% | 0.03% | 0.03% |
| NPA as a % of total loans plus OREO | 0.04% | 0.03% | 0.03% | 0.03% | 0.04% |
| Allowance for loan losses to total loans | 0.76% | 0.75% | 0.75% | 0.77% | 0.76% |
| Non-accruing loans to total loans | 0.04% | 0.03% | 0.03% | 0.03% | 0.04% |
| Net charge-offs (recoveries) to average loans ¹ | 0.04% | 0.04% | -0.01% | -0.01% | 0.01% |

¹ Ratio is computed on an annualized basis.

² The net interest margin and net interest income are reported on a fully tax equivalent basis (FTE), using a Federal income tax rate of 34%.

³ The efficiency ratio is computed as a percentage of noninterest expense divided by the sum of fully tax equivalent (FTE) net interest income and noninterest income. This is a non-GAAP financial measure that management believes provides investors with important information regarding operational efficiency. Management believes such financial information is meaningful to the reader in understanding operating performance, but cautions that such information should not be viewed as a substitute for GAAP. Comparison of our efficiency ratio with those of other companies may not be possible because other companies may calculate them differently.

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