

Virginia National Bankshares Corp
Form 10-Q
November 13, 2014

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **000-55117**

VIRGINIA NATIONAL BANKSHARES CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

46-2331578
(I.R.S. Employer
Identification No.)

404 People Place, Charlottesville, Virginia
(Address of principal executive offices)

22911
(Zip Code)

(434) 817-8621

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes " No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes " No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer "

Accelerated filer "

Non-accelerated filer "

(Do not check if a smaller reporting company)

Smaller reporting company x

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 7, 2014:

Class of Stock	Shares Outstanding
Common Stock, Par Value \$2.50	2,699,836

VIRGINIA NATIONAL BANKSHARES CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	\$ 14,505	\$ 12,871
Federal funds sold	33,912	27,201
Securities:		
Available for sale, at fair value	142,627	133,027
Restricted securities, at cost	1,501	1,645
Total securities	144,128	134,672
Total loans	289,621	300,034
Allowance for loan losses	(3,094)	(3,360)
Total loans, net	286,527	296,674
Premises and equipment, net	9,513	9,824
Other real estate owned, net of valuation allowance	1,507	2,372
Bank owned life insurance	12,923	12,595
Accrued interest receivable and other assets	4,996	16,785
Total assets	\$ 508,011	\$ 512,994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Noninterest-bearing	\$ 140,037	\$ 140,911
Interest-bearing	81,282	80,832
Money market deposit accounts	91,119	84,555
Certificates of deposit and other time deposits	120,092	124,162
Total deposits	432,530	430,460
Securities sold under agreements to repurchase	14,102	16,297
Accrued interest payable and other liabilities	1,238	8,281
Total liabilities	447,870	455,038
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; 2,699,836 and 2,690,320 issued and outstanding at September 30, 2014 and December 31, 2013, respectively (including 288 non-vested shares at September 30, 2014 and December 31, 2013)	6,749	6,725
Capital surplus	28,121	27,915
Retained earnings	25,542	24,747
Accumulated other comprehensive loss	(271)	(1,431)
Total shareholders' equity	60,141	57,956
Total liabilities and shareholders' equity	\$ 508,011	\$ 512,994

See Notes to 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,	September 30,	September 30,	September 30,
	2014	2013	2014	2013
Interest and dividend income:				
Loans, including fees	\$ 3,100	\$ 3,257	\$ 9,396	\$ 9,777
Federal funds sold	23	18	64	55
Investment securities:				
Taxable	545	459	1,595	1,346
Tax exempt	118	114	358	330
Dividends	20	19	62	58
Other	6	4	12	10
Total interest and dividend income	3,812	3,871	11,487	11,576
Interest expense:				
Demand and savings deposits	53	52	152	171
Certificates and other time deposits	173	180	511	578
Federal funds purchased and securities sold under agreements to repurchase	9	7	27	10
Total interest expense	235	239	690	759
Net interest income	3,577	3,632	10,797	10,817
(Recovery of) provision for loan losses	-	-	(118)	265
Net interest income after provision for (recovery of) loan losses	3,577	3,632	10,915	10,552
Noninterest income:				
Trust income	444	756	1,404	2,168
Customer service fees	217	231	656	695
Debit/credit card and ATM fees	186	188	543	543
Earnings/increase in value of bank owned life insurance	112	114	328	336
Gains on sales of securities	-	34	16	50
Other	196	152	435	295
Total noninterest income	1,155	1,475	3,382	4,087
Noninterest expense:				
Salaries and employee benefits	2,357	2,004	6,949	6,013
Net occupancy	495	510	1,478	1,532
Equipment	126	133	393	465
Other	1,278	1,170	3,875	3,505
Total noninterest expense	4,256	3,817	12,695	11,515
Income before income taxes	476	1,290	1,602	3,124
Provision for income taxes	94	365	269	845
Net income	\$ 382	\$ 925	\$ 1,333	\$ 2,279
Earnings per share, basic	\$ 0.14	\$ 0.35	\$ 0.49	\$ 0.85
Earnings per share, diluted	\$ 0.14	\$ 0.35	\$ 0.49	\$ 0.85

See Notes to Consolidated Financial Statements.

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(dollars in thousands)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	\$ 382	\$ 925	\$ 1,333	\$ 2,279
Other comprehensive income (loss)				
Unrealized gain (loss) on securities, net of tax of \$28 and \$604 for the three and nine months ended September 30, 2014; and net of tax of (\$39) and (\$1,185) for the three and nine months ended September 30, 2013	52	(74)	1,171	(2,299)
Adjustment to unrealized income on securities due to the transfer of the held-to-maturity securities to available-for-sale, net of tax of \$12 for the three and nine months ended September 30, 2013	-	22	-	22
Reclassification adjustment net of tax of \$0 and (\$5) for the three and nine months ended September 30, 2014; and net of tax of (\$12) and (\$17) for the three and nine months ended September 30, 2013	-	(22)	(11)	(33)
Total other comprehensive income (loss)	52	(74)	1,160	(2,310)
Total comprehensive income (loss)	\$ 434	\$ 851	\$ 2,493	\$ (31)