
Section 1: 8-K (8-K)

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

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 23, 2018

Fauquier Bankshares, Inc.

(Exact name of Registrant as Specified in Its Charter)

Virginia
(State or Other Jurisdiction
of Incorporation)

000-25805
(Commission File Number)

54-1288193
(IRS Employer
Identification No.)

**10 Courthouse Square,
Warrenton, Virginia**
(Address of Principal Executive Offices)

20186
(Zip Code)

Registrant's Telephone Number, Including Area Code: (540) 347-2700

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On July 23, 2018, Fauquier Bankshares, Inc. issued a press release reporting its second quarter 2018 financial results. A copy of the press release is attached as Exhibit 99.1 to this current report on Form 8-K.

The information in this Form 8-K, and the exhibit hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<u>Fauquier Bankshares Press Release Second Quarter 2018 Results</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Fauquier Bankshares, Inc.

Date: July 23, 2018

By: _____
/s/ Christine E. Headly
Christine E. Headly
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

PRESS RELEASE

CONTACT CHRIS HEADLY
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FAUQUIER BANKSHARES, INC. ANNOUNCES SECOND QUARTER 2018 RESULTS

- Net income increased 67.58% to \$1.7 million for the second quarter from \$990,000 for the second quarter of 2017 and increased 84.64% to \$3.2 million for the six months ended June 30, 2018 from \$1.8 million for the six months ended June 30, 2017;
- Net loans increased \$7.9 million or 1.59% for the second quarter compared with the first quarter of 2018 and increased \$42.3 million or 9.13% when compared with the second quarter of 2017;
- Net interest margin increased to 3.88% for the second quarter compared with 3.74% and 3.60% for the prior quarter and second quarter of 2017, respectively, and increased from 3.56% for the six months ended June 30, 2017 to 3.81% for the six months ended June 30, 2018;
- Return on average assets of 1.02% for the second quarter compared with 0.97% and 0.63% for the prior quarter and second quarter of 2017, respectively, and increased to 0.99% for the six months ended June 30, 2018 from 0.57% for the six months ended June 30, 2017;
- Return on average equity of 11.66% for the second quarter compared with 11.44% and 7.10% for the prior quarter and second quarter of 2017, respectively, and increased to 11.55% for the six months ended June 30, 2018 from 6.40% for the six months ended June 30, 2017;
- Noninterest expense as a percentage of total assets increased slightly to 0.85% for the second quarter compared with 0.80% for the prior quarter and second quarter of 2017. For the six months ended June 30, 2018 and 2017, noninterest expense as a percentage of total assets was 1.70% and 1.63%, respectively; and
- Regulatory capital remains strong with ratios exceeding the well capitalized thresholds in all categories.

WARRENTON, VA., July 23, 2018 - Fauquier Bankshares, Inc. (the Company) (NASDAQ: FBSS), parent company of The Fauquier Bank, reported net income of \$1.7 million, or \$0.44 per diluted share for the quarter ended June 30, 2018, compared with \$1.6 million, or \$0.42 per diluted share for the prior quarter and \$990,000 or \$0.26 per diluted share for the second quarter of 2017. For the six months ended June 30, 2018, net income was \$3.2 million, or \$0.86 per diluted share compared with \$1.8 million, or \$0.47 per diluted share for the six months ended June 30, 2017.

For the quarter ended June 30, 2018, the Company's return on average equity (ROE) and return on average assets (ROA) were 11.66% and 1.02%, respectively, compared with 11.44% and 0.97% for the prior quarter, respectively, and 7.10% and 0.63%, for the second quarter of 2017, respectively. For the six months ended June 30, 2018, ROE and ROA were 11.55% and 0.99%, respectively, compared with 6.40% and 0.57%, respectively, for the six months ended June 30, 2017.

Marc Bogan, President and CEO said, "We are very satisfied with second quarter and year-to-date financial results. We believe the strategies we have implemented are beginning to take hold, and the results are being realized. In spite of the continued positive trends in earnings, current loan and deposit competition in our local and regional markets is very challenging. Our lending team is focused on building relationships that will enhance and diversify our balance sheet while maintaining superior credit quality. Our retail deposit team is aligning our deposit products and pricing to encourage deposit growth and to retain our existing portfolio. Our increased profitability, in part, is attributed to the efforts of managed asset growth and controlling our cost of deposits as changes in the interest rate environment impact our industry as a whole. We continue to be pleased with our progress as we enter the second half of 2018."

Total assets were \$651.5 million on June 30, 2018 compared with \$682.1 million for the prior quarter and \$646.3 million on June 30, 2017. Net loans

were \$505.6 million on June 30, 2018, an increase of \$7.9 million compared with the prior quarter and an increase of \$42.3 million compared with June 30, 2017. Total deposits were \$565.8 million on June 30, 2018 compared with \$577.2 million for the prior quarter and \$571.9 million on June 30, 2017. Low cost transaction deposits (demand and interest checking accounts) were \$345.1 million on June 30, 2018 compared with \$351.5 million for the prior quarter and \$359.7 million on June 30, 2017.

Net interest margin was 3.88% for the second quarter of 2018 compared with 3.74% for the prior quarter and 3.60% for the second quarter of 2017. Net interest income was \$5.9 million for the second quarter of 2018 compared with \$5.7 million for the prior quarter and \$5.2 million for the second quarter of 2017. Net interest margin for the six months ended June 30, 2018 and 2017 was 3.81% and 3.56%, respectively.

The Company's allowance for loan loss methodology determines the level of loan provision at the end of each quarter. Based on loan portfolio growth, net charge-off history, asset quality indicators, impaired loans and other qualitative factors, the provision for loan losses decreased to \$12,000 for the second quarter compared with \$300,000 for the prior quarter and \$235,000 for the second quarter of 2017. This resulted in the allowance for loan losses of \$5.0 million or 0.98% of total loans on June 30, 2018 compared with \$5.4 million or 1.07% of total loans for the prior quarter and \$4.3 million or 0.92% of total loans on June 30, 2017.

Nonperforming assets were \$9.1 million on June 30, 2018, compared with \$10.9 million on March 31, 2018 and \$10.7 million on June 30, 2017. Included in nonperforming assets for the quarter were \$2.7 million of nonaccrual loans and \$1.4 million of other real estate owned. Net loan charge-offs were \$434,000 for the second quarter of 2018 compared with net loan recoveries of \$7,000 for the prior quarter and net loan charge-offs of \$434,000 for the second quarter of 2017.

Noninterest income was \$1.6 million in the second quarter of 2018, compared with \$1.9 million for the prior quarter and \$1.4 million for the second quarter of 2017. Noninterest income for the six months ended June 30, 2018 and 2017 was \$3.5 million and \$2.8 million, respectively. Noninterest expense for the second quarter of 2018 was \$5.6 million compared with \$5.5 million for the prior quarter and \$5.2 million for the second quarter of 2017. Noninterest expense for the six months ended June 30, 2018 and 2017 was \$11.1 million and \$10.6 million, respectively.

Shareholders' equity was \$57.7 million on June 30, 2018 compared with \$56.7 million on March 31, 2018 and \$56.3 million on June 30, 2017. Book value per common share was \$15.29 on June 30, 2018 compared with \$15.01 on March 31, 2018 and \$14.93 on June 30, 2017.

The Company's strategic objectives continue to focus on growth, profitability and shareholder value with the goal of becoming a top performing community bank. Management continues its commitment to:

- Increasing profitability through net interest income and maintaining a strong net interest margin by focusing on competitive loan and deposit pricing within the markets we serve.
- Growing the balance sheet through new and existing loan and retail products and services. Our private banking initiative, online consumer lending platform and retail deposit products offer our customers valuable financial services that will enhance our product offerings and contribute to the growth of the Company.
- Analyzing opportunities for noninterest income through our established Wealth Management, Retail and Mortgage Banking teams. Our Wealth Management Services division was founded in 1919 and provides trust, estate, brokerage, financial planning and private banking services, while one of our newest initiatives, Mortgage Banking, originates residential loans that are sold on the secondary market. Our ancillary deposit services, which are tied to existing retail products, provide our customers with financial convenience at competitive rates.
- Managing and controlling noninterest expenses within established growth parameters. Management continues to focus on expense controls and has maintained quarterly noninterest expense as a percentage of assets at a rate below total asset growth for the year.

Fauquier Bankshares, through its operating subsidiary, The Fauquier Bank, is an independent community bank offering a full range of financial services, including internet banking, mobile banking with mobile deposit, commercial, retail, insurance, wealth management, and financial planning services through eleven banking offices throughout Fauquier and Prince William counties in Virginia. Additional information is available at www.tfb.bank or by calling Investor Relations at (800) 638-3798.

This press release may contain "forward-looking statements" as defined by federal securities laws. These statements address issues that involve risks, uncertainties, estimates and assumptions made by management, and actual results could differ materially from the results contemplated by these forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in: interest rates and the shape of the interest rate yield curve, general economic conditions, legislative/regulatory policies, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury, the FDIC and the Board of Governors of the Federal Reserve System, the quality or composition of the loan and/or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in our market area, our plans to expand our branch network and increase our market share, and accounting principles, policies and guidelines. Readers should consider these risks and uncertainties in evaluating our forward-looking statements and should not place undue reliance on such statements. We undertake no obligation to update these statements following the date of this news release.

FAUQUIER BANKSHARES, INC.
Selected Financial Data By Quarter

	At or For the Quarter Ended,				
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
<i>(Dollars in thousands, except per share data)</i>					
EARNINGS STATEMENT DATA:					
Interest income	\$ 6,540	\$ 6,370	\$ 6,191	\$ 6,001	\$ 5,713
Interest expense	686	652	556	515	509
Net interest income	5,854	5,718	5,635	5,486	5,204
Provision for loan losses	12	300	125	110	235
Net interest income after provision for loan losses	5,842	5,418	5,510	5,376	4,969
Noninterest income	1,624	1,863	1,380	1,290	1,393
Noninterest expense	5,574	5,481	5,288	4,998	5,150
Income before income taxes	1,892	1,800	1,602	1,668	1,212
Income taxes	233	214	2,145	387	222
Net income (loss)	<u>\$ 1,659</u>	<u>\$ 1,586</u>	<u>\$ (543)</u>	<u>\$ 1,281</u>	<u>\$ 990</u>
PER SHARE DATA:					
Net income (loss) per share, basic	\$ 0.44	\$ 0.42	\$ (0.14)	\$ 0.34	\$ 0.26
Net income (loss) per share, diluted	\$ 0.44	\$ 0.42	\$ (0.14)	\$ 0.34	\$ 0.26
Cash dividends	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Weighted average shares outstanding, basic	3,773,739	3,768,197	3,762,677	3,765,359	3,769,201
Weighted average shares outstanding, diluted	3,783,159	3,777,114	3,772,700	3,773,813	3,778,532
Book value	\$ 15.29	\$ 15.01	\$ 14.92	\$ 15.20	\$ 14.93
BALANCE SHEET DATA:					
Total assets	\$ 651,529	\$ 682,120	\$ 644,613	\$ 631,717	\$ 646,265
Loans, net	\$ 505,623	\$ 497,691	\$ 497,705	\$ 485,326	\$ 463,309
Securities, including restricted investments	\$ 75,018	\$ 72,520	\$ 73,699	\$ 68,682	\$ 65,539
Deposits	\$ 565,835	\$ 577,241	\$ 570,023	\$ 556,209	\$ 571,902
Transaction accounts (demand & interest checking accounts)	\$ 345,063	\$ 351,485	\$ 361,246	\$ 348,005	\$ 359,725
Shareholders' equity	\$ 57,698	\$ 56,666	\$ 56,142	\$ 57,185	\$ 56,259
PERFORMANCE RATIOS:					
Net interest margin ⁽¹⁾	3.88%	3.74%	3.75%	3.75%	3.60%
Return (loss) on average assets	1.02%	0.97%	(0.33)%	0.80%	0.63%
Return (loss) on average equity	11.66%	11.44%	(3.77)%	8.96%	7.10%
Efficiency ratio ⁽²⁾	77.16%	77.24%	74.35%	72.62%	76.81%
Yield on earning assets	4.33%	4.16%	4.12%	4.09%	3.94%
Cost of interest bearing liabilities	0.58%	0.54%	0.47%	0.45%	0.45%

(1) Net interest margin is calculated as fully taxable equivalent net interest income divided by average earning assets and represents the Company's net yield on its earning assets.

(2) Efficiency ratio is computed by dividing noninterest expense by the sum of fully taxable equivalent net interest income and noninterest income, net of securities gains or losses.

FAUQUIER BANKSHARES, INC.
Selected Financial Data By Quarter

	At or For the Quarter Ended,				
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
<i>(Dollars in thousands, except for ratios)</i>					
ASSET QUALITY RATIOS:					
Nonaccrual loans	\$ 2,661	\$ 3,688	\$ 3,180	\$ 2,431	\$ 2,322
Restructured loans still accruing	3,442	3,744	4,182	4,361	4,506
Student loans greater than 90 days past due and accruing	1,176	1,330	1,616	2,129	2,397
Loans greater than 90 days past due and accruing	489	772	49	565	104
Total nonperforming loans	7,768	9,534	9,027	9,486	9,329
Other real estate owned, net	1,356	1,356	1,356	1,356	1,356
Total nonperforming assets	<u>\$ 9,124</u>	<u>\$ 10,890</u>	<u>\$ 10,383</u>	<u>\$ 10,842</u>	<u>\$ 10,685</u>
Allowance for loan losses	\$ 4,978	\$ 5,400	\$ 5,094	\$ 4,428	\$ 4,279
Allowance for loan losses to total loans	0.98%	1.07%	1.01%	0.90%	0.92%
Nonaccrual loans to total loans	0.52%	0.73%	0.63%	0.50%	0.50%
Allowance for loan losses to nonperforming loans	64.08%	56.64%	56.43%	46.68%	45.87%
Nonperforming loans to total loans	1.52%	1.90%	1.80%	1.94%	2.00%
Nonperforming assets to total assets	1.40%	1.60%	1.61%	1.72%	1.65%
Net loan charge-offs (recoveries)	\$ 434	\$ (7)	\$ (541)	\$ (39)	\$ 434
Net loan charge-offs (recoveries) to average loans	0.09%	—	(0.11)%	(0.01)%	0.09%

FAUQUIER BANKSHARES, INC.
Selected Financial Data

(Dollars in thousands, except per share data)

	For the Six Months Ended,	
	June 30, 2018	June 30, 2017
EARNINGS STATEMENT DATA:		
Interest income	\$ 12,910	\$ 11,128
Interest expense	1,338	978
Net interest income	11,572	10,150
Provision for loan losses	312	285
Net interest income after provision for loan losses	11,260	9,865
Noninterest income	3,487	2,805
Noninterest expense	11,055	10,565
Income before income taxes	3,692	2,105
Income taxes	447	347
Net income	\$ 3,245	\$ 1,758
PER SHARE DATA:		
Net income per share, basic	\$ 0.86	\$ 0.47
Net income per share, diluted	\$ 0.86	\$ 0.47
Cash dividends	\$ 0.24	\$ 0.24
Weighted average shares outstanding, basic	3,770,983	3,765,372
Weighted average shares outstanding, diluted	3,779,973	3,773,625
PERFORMANCE RATIOS:		
Net interest margin ⁽¹⁾	3.81%	3.56%
Return on average assets	0.99%	0.57%
Return on average equity	11.55%	6.40%
Efficiency ratio ⁽²⁾	77.20%	80.32%
Net loan charge-offs	\$ 427	\$ 531
Net loan charge-offs to average loans	0.08%	0.11%

(1) Net interest margin is calculated as fully taxable equivalent net interest income divided by average earning assets and represents the Company's net yield on its earning assets.

(2) Efficiency ratio is computed by dividing noninterest expense by the sum of fully taxable equivalent net interest income and noninterest income, net of securities gains or losses.

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