ACCESS NATIONAL CORP
Form 10-Q/A
November 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2016

or

¨ 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: 000-49929

ACCESS NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	**82-0545425**
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

1800 Robert Fulton Drive, Suite 300, Reston, Virginia 20191

(Address of principal executive offices) (Zip Code)

(703) 871-2100

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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. Yes x 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). Yes Yes x 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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of shares outstanding of Access National Corporation's common stock, par value $0.835, as of November 7, 2016 was 10,610,279 shares.

Explanatory Note

Access National Corporation (the “Corporation”) filed its Form 10-Q for the quarter ended September 30, 2016 (the “Original Filing”) with the Securities and Exchange Commission on November 9, 2016. The Original Filing reported the regulatory components of the Corporation’s capital and risk based capital ratios in Part I, Item 2 (Management’s Discussion and Analysis of Financial Condition and Results of Operations).

Very shortly after filing the Original Filing, we learned that the regulatory components and capital and risk based capital ratios were reported incorrectly in the Original Filing. The Original Filing presented the June 30, 2016 capital and risk based capital ratios under the September 30, 2016 column. This Amendment No. 1 to the Original Filing corrects the error. This correction presents the September 30, 2016 capital and risk based capital ratios under the September 30, 2016 column as originally intended.

We are not amending any other part of the Original Filing. This amendment speaks as of the date of the Original Filing. Accordingly, this Amendment No. 1 should be read in conjunction with the Original Filing and the Corporation’s other filings with the Securities and Exchange Commission.

Part I Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with Access National Corporation’s (“Corporation”, “we”, “us”) consolidated financial statements, and notes thereto, included in the Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results for the year ending December 31, 2016 or any future period.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements. For this purpose, any statements contained herein, including documents incorporated by reference, that are not statements of historical fact may be deemed to be forward-looking statements. Examples of forward-looking statements include discussions as to our expectations, beliefs, plans, goals, objectives and future financial or other performance or assumptions concerning matters discussed in this document. Forward-looking statements often use words such as “believes,” “expects,” “plans,” “may,” “will,” “should,” “projects,” “contemplates,” “ anticipates,” “forecasts,” “intends” or otl similar meaning. Forward-looking statements in this Quarterly Report on Form 10-Q include, without limitation, statements regarding the Corporation’s beliefs regarding the future strength of the economy and labor markets and anticipated interest rates and the effect of such rates on the Corporation’s performance and net interest margin and the volume of future mortgage refinancing, as well as the Corporation’s expectations concerning operating losses and the profitability of its mortgage segment. You can also identify them by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, and actual results could differ materially from historical results or those anticipated by such statements. Factors that could have a material adverse effect on the operations and future prospects of the Corporation include, but are not limited to, changes in: collateral values, especially in the real estate market; continued challenging economic conditions or deterioration in general business and economic conditions and in the financial markets; mergers and acquisitions, including merger integration risk in connection with the Corporation’s pending merger with Middleburg such as potential deposit attrition, higher than expected costs, customer loss and business disruption associated with the integration of Middleburg, including, without limitation, potential difficulties in maintaining relationships with key personnel and other integration related-matters; the impact of any laws, regulations, policies or programs implemented pursuant to the Dodd-Frank Act or other legislation or regulation; unemployment levels; branch expansion plans; interest rates; general economic conditions; monetary and fiscal policies of the U.S. Government, including policies of the Office of the Comptroller of the Currency (“Comptroller”), the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of Richmond; the economy of Northern Virginia, including governmental spending and real estate markets; the quality or composition of the loan or investment portfolios; demand for loan products; deposit flows; competition; the liquidity of the Corporation; and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating the forward-looking statements contained herein, and readers are cautioned not to place undue reliance on such statements. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made.

For additional discussion of risk factors that may cause our actual future results to differ materially from the results indicated within forward looking statements, please see "Item 1A – Risk Factors" of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

CRITICAL ACCOUNTING POLICIES

The Corporation's consolidated financial statements have been prepared in accordance with GAAP. In preparing the Corporation's financial statements management makes estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. Management believes that the most significant subjective judgments that it makes include the following:

Allowance for Loan Losses

The allowance for loan losses is an estimate of the losses that may be sustained in our loan portfolio. The allowance is based on two basic principles of accounting: (i) FASB ASC 450-10, which requires that losses be accrued when they are probable of occurring and can be estimated, and (ii) FASB ASC 310-10, which requires that losses be accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance. An allowance for loan losses is established through a provision for loan losses based upon industry standards, known risk characteristics, management's evaluation of the risk inherent in the loan portfolio, and changes in the nature and volume of loan activity. Such evaluation considers, among other factors, the estimated market value of the underlying collateral and current economic conditions. For further information about our practices with respect to allowance for loan losses, please see Note 4 to the consolidated financial statements.

Other Than Temporary Impairment of Securities

Securities in the Corporation's securities portfolio are classified as either available-for-sale or held-to-maturity. At September 30, 2016, there were no non-agency mortgage backed securities or trust preferred securities in the portfolio. The estimated fair value of the portfolio fluctuates due to changes in market interest rates and other factors. Changes in estimated fair value are recorded in shareholders' equity as a component of other comprehensive income. Securities are monitored to determine whether a decline in their value is other than temporary. Management evaluates the securities portfolio on a quarterly basis to determine the collectability of amounts due per the contractual terms of each security. A decline in the fair value of an investment below its amortized cost attributable to factors that indicate the decline will not be recovered over the anticipated holding period of the investment will cause the security to be considered other than temporarily impaired. Other than temporary impairments result in reducing the security's carrying value by the amount of the estimated credit loss. The credit component of the other than temporary impairment loss is realized through the statement of income and the remainder of the loss remains in other comprehensive income. At September 30, 2016, there were no securities with other than temporary impairment.

Income Taxes

The Corporation uses the liability method of accounting for income taxes. This method results in the recognition of deferred tax assets and liabilities that are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The deferred provision for income taxes is the result of the net change in the deferred tax asset and deferred tax liability balances during the year. This amount combined with the current taxes payable or refundable results in the income tax expense for the current year. The Corporation's evaluation of the deductibility or taxability of items included in the Corporation's tax returns has not resulted in the identification of any material, uncertain tax positions.

Fair Value

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. The fair value estimates of existing on and off-balance sheet financial instruments do not include the value of anticipated future business or the values of assets and liabilities not considered financial instruments. For additional information about our financial assets carried at fair value, please see Note 9 to the consolidated financial statements.

Pending Acquisition of Middleburg Financial Corporation

On October 24, 2016, the Corporation announced the signing of a definitive agreement and plan of reorganization, dated as of October 21, 2016, pursuant to which the Corporation and Middleburg will merge. Under the terms of the merger agreement, Middleburg shareholders will receive a fixed exchange ratio of 1.3314 Corporation shares for each share of Middleburg common stock owned. For more information on this pending acquisition refer to Note 12 to the consolidated financial statements and the Corporation's Current Report on Form 8-K filed with the SEC on October 24, 2016.

FINANCIAL CONDITION

Executive Summary

At September 30, 2016, the Corporation's assets totaled $1.36 billion and grew $184.3 million when compared to December 31, 2015. The increase in assets was primarily due to a growth in loans held for investment of $79.0 million, a $25.0 million increase in investment securities, a $26.9 million growth in loans held for sale, and $43.2 million of growth in interest-bearing balances. The first nine months of 2016 reflected growth in all categories of loans held for investment from December 31, 2015 with the exception of consumer loans. The $79.0 million increase in loans held for investment as compared to December 31, 2015 is primarily attributable to a $26.8 million or 18.13% growth in commercial real estate – non-owner occupied loans, a $18.3 million or 8.34% increase in commercial real estate – owner occupied loans, a $13.6 million or 20.63% increase in real estate construction loans, and a $22.3 million or 9.18% increase in commercial loans. Overall, the portfolio of loans held for investment grew at an annualized rate of 11.9%. At September 30, 2016, loans secured by real estate collateral comprised 71.89% of our total loan portfolio, with loans secured by commercial real estate contributing 42.69% of our total loan portfolio, loans secured by residential real estate contributing 20.96% and real estate construction loans contributing 8.24%. Loans held for sale totaled $71.0 million at September 30, 2016, compared to $44.1 million at December 31, 2015. Loans held for sale fluctuates with the volume of loans originated during any given month and the length of time the loans are held prior to selling them in the secondary market. Deposits totaled $1.115 billion at September 30, 2016, compared to $913.7 million at December 31, 2015, an increase of $201.3 million. Noninterest-bearing deposits increased $101.8 million from $307.8 million at December 31, 2015 to $409.6 million at September 30, 2016. Savings and interest-bearing deposits increased $143.2 million from $293.7 million at December 31, 2015 to $436.9 million at September 30, 2016. Non-wholesale time deposits increased from $136.0 million at December 31, 2015 to $163.7 million at September 30, 2016, an increase of $27.7 million, while wholesale funding time deposits saw a net decrease of $71.0 million, from $176.4 million at December 31, 2015 to $105.4 million at September 30, 2016.

Net income for the third quarter of 2016 totaled $4.4 million compared to $3.9 million for the same period in 2015. Earnings per diluted share were $0.41 for the third quarter of 2016, compared to $0.37 per diluted share in the same period of 2015. Third quarter 2016 pretax earnings increased $879 thousand or 14.58% when compared to third quarter 2015 pretax earnings.

The banking segment had a decrease in pre-tax earnings when compared to the third quarter 2015 of $210 thousand, driven by an increase in our provision for loan loss of $750 thousand. The banking segment's interest income increased $1.6 million when compared to third quarter 2015 which was partially offset by an increase in salaries and benefits and interest expense of $444 thousand and $577 thousand, respectively. The mortgage segment had an increase in gains on the sale of loans of $2.5 million that resulted from an increase in the secondary margins on mortgage loans held for sale over third quarter 2015.

Net income for the nine months ended September 30, 2016 totaled $13.4 million compared to $11.5 million for the same period in 2015. Earnings per diluted share were $1.26 for the first nine months of 2016, compared to $1.09 per diluted share in the same period of 2015. For the nine month period ended September 30, 2016, the banking segment saw an increase in pretax income of $989 thousand when compared to the nine months ended September 30, 2015 due to an increase in net interest income of $3.1 million and an increase in non-interest income of $648 thousand which was partially offset by an increase in salaries and employee benefits of $2.0 million due to continued staffing expansion. When comparing the nine month period ended September 30, 2016 to the same period in 2015, the mortgage segment saw a pretax earnings increase of $2.1 million. The mortgage segment had an increase in gains on the sale of loans of $4.3 million when comparing the nine months ended September 30, 2016 to the same period in 2015 due to an increase in the secondary margins on mortgage loans held for sale, the increase was offset by a $1.6 million increase in salaries and employee benefits.

Non-performing assets (“NPAs”) totaled $5.8 million, or 0.43%, of total assets at September 30, 2016, down from $7.4 million, or 0.63% of total assets as of December 31, 2015. The Bank did not have other real estate owned at September 30, 2016. During the third quarter 2016, Access Real Estate sold its other real estate owned property with a carrying value of $500 thousand for $463 thousand. The allowance for loan loss was $14.7 million and $13.6 million at September 30, 2016 and December 31, 2015, respectively, and represented 1.52% and 1.53% of total loans held for investment at September 30, 2016 and December 31, 2015, respectively.

The unemployment rate for Fairfax County, Virginia was at 3.2% as of July 2016 and still well below the 4.0% unemployment rate for the state of Virginia at the end of September 2016 and 5.0% for the nation at the end of September 2016. Information reviewed at the Federal Open Market Committee’s (FOMC) November 2016 meeting indicated the labor market strengthened and economic activity has picked up from the modest pace seen in the first half of the year with solid job gains. The FOMC reaffirmed its view that the current target rate for the federal funds rate remains accommodative to support further improvement in labor market conditions and a return to 2% inflation. The historically low interest rate environment continues to negatively impact yields of variable loans and the securities portfolio. The Corporation’s net interest margin for the three months ended September 30, 2016 decreased to 3.49% from the three months ended September 30, 2015 percentage of 3.70%. While there is no certainty to the magnitude of any impact, the continued extended period of low short-term interest rates, as presently forecasted by the Federal Reserve, will continue to have an adverse effect on the net interest margin.

The latest Case-Shiller Home Price data available shows home prices increased 5.3% for the twelve months ended August 2016. The Consumer Confidence Index increased in August 2016, to 101.1, up from 96.7 in July 2016. Retail sales for August 2016 were 1.9% greater than a year earlier. As such, we remain cautious and have generally retained more cautious loan underwriting criteria established during the financial crisis period of 2007 – 2009. In spite of these challenges, we are proactive in seeking new client relationships driven by our target market profile: business-to-business and business-to-government companies with annual revenue of $1 million to $100 million and the various banking services needed by the business and the professionals associated with the businesses. The Corporation is optimistic with a strong capital base and being positioned for continued growth.

Securities

The Corporation’s securities portfolio is comprised of U.S. government agency securities, mortgage backed securities, corporate bonds, a CRA mutual fund, certificates of deposit, and asset backed securities as well as municipal bonds. The portfolio does not have any non-agency mortgage backed securities or trust preferred securities.

At September 30, 2016 the fair value of the securities portfolio totaled $199.7 million, compared to $174.5 million at December 31, 2015. Included in the fair value totals are held-to-maturity securities with an amortized cost of $9.2 million (fair value of $9.5 million) and $14.3 million (fair value of $14.3 million) at September 30, 2016 and December 31, 2015, respectively. Securities classified as available-for-sale are accounted for at fair market value with unrealized gains and losses recorded directly to a separate component of shareholders' equity, net of associated tax effect while held-to-maturity securities are carried at amortized cost. Investment securities are used to provide liquidity, to generate income, and to temporarily supplement loan growth as needed.

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Restricted Stock

Restricted stock consists of FHLB stock and FRB stock. These stocks are classified as restricted stocks because their ownership is restricted to certain types of entities and they lack a market. Restricted stock is carried at cost on the Corporation's financial statements. Dividends are paid semiannually on FRB stock and quarterly on FHLB stock.

Loans

The loan portfolio constitutes the largest component of earning assets and is comprised of commercial real estate – owner occupied, commercial real estate – non-owner occupied, residential real estate, commercial, real estate construction, and consumer loans. All lending activities of the Bank and its subsidiaries are subject to the regulations and supervision of the Comptroller. The loan portfolio does not have any pay option adjustable rate mortgages, loans with teaser rates or subprime loans or any other loans considered "high risk loans". Loans totaled $966.5 million at September 30, 2016 compared to $887.5 million at December 31, 2015, an increase of $79.0 million or 8.9%. Comprising the growth, commercial real estate – owner occupied loans increased $18.3 million, commercial loans increased $22.3 million, real estate construction loans increased $13.6 million, residential real estate loans increased $1.1 million, and commercial real estate – non-owner occupied increased $26.8 million. Offsetting the growth was a decrease in consumer loans of $3.1 million. The overall increase in loans reflects results from our marketing outreach as well as continued improvement in loan demand by local businesses. Please see Note 4 to the consolidated financial statements for a table that summarizes the composition of the Corporation's loan portfolio. The following is a summary of the loan portfolio at September 30, 2016.

Commercial Real Estate Loans – Owner Occupied: This category of loans represented the second largest segment of the loan portfolio and was comprised of owner occupied loans secured by the commercial property, totaling $238.2 million, representing 24.65% of the loan portfolio at September 30, 2016. Commercial real estate loans are secured by the subject property and underwritten to policy standards. Policy standards approved by the Board of Directors from time to time set forth, among other considerations, loan-to-value limits, cash flow coverage ratios, and the general creditworthiness of the obligors.

Commercial Real Estate Loans – Non-Owner Occupied: This category of loans represented the fourth largest segment of the loan portfolio and was comprised of loans secured by income producing commercial property, totaling $174.3 million and representing 18.04% of the loan portfolio at September 30, 2016. Commercial real estate loans are secured by the subject property and underwritten to policy standards as listed above.

Residential Real Estate Loans: This category represented the third largest segment of the loan portfolio and included loans secured by first or second mortgages on one to four family residential properties. This segment totaled $202.6 million and comprised 20.96% of the loan portfolio as of September 30, 2016. Of this amount, the following sub-categories existed as a percentage of the whole residential real estate loan portfolio as of September 30, 2016: home equity lines of credit, 21.7%; first trust mortgage loans, 71.4%; and junior trust loans, 6.9%.

Home equity lines of credit are extended to borrowers in our target market. Real estate equity is often the largest component of consumer wealth in our marketplace. Once approved, this consumer finance tool allows the borrowers to access the equity in their homes or investment properties and use the proceeds for virtually any purpose. Home equity lines of credit are most frequently secured by a second lien on residential property. The proceeds of first trust mortgage loans are used to acquire or refinance the primary financing on owner occupied and residential investment properties. Junior trust loans are loans to consumers wherein the proceeds have been used for a stated consumer purpose. Examples of consumer purposes are education, refinancing debt, or purchasing consumer goods. The loans are generally extended in a single disbursement and repaid over a specified period of time. Loans in the residential real estate portfolio are underwritten to standards within a traditional consumer framework that is periodically reviewed and updated by management and the Board of Directors and takes into consideration repayment source and capacity, value of the underlying property, credit history, savings pattern, and stability.

Commercial Loans: Commercial loans represented the largest segment of the loan portfolio, totaling $264.8 million and representing 27.40% of the loan portfolio as of September 30, 2016. These loans are made to businesses or individuals within our target market for business purposes. Typically the loan proceeds are used to support working capital and the acquisition of fixed assets of an operating business. We underwrite these loans based upon our assessment of the obligor(s)' ability to generate operating cash flows in the future necessary to repay the loan. To address the risks associated with the uncertainties of future cash flows, these loans are generally well secured by assets owned by the business or its principal shareholders/owners and the principal shareholders/owners are typically required to guarantee the loan.

Real Estate Construction Loans: Real estate construction loans, also known as construction and land development loans represented the fifth largest segment of the loan portfolio and totaled $79.6 million and represented 8.24% of the loan portfolio as of September 30, 2016. These loans generally fall into one of three categories: first, loans to individuals that are ultimately used to acquire property and construct an owner occupied residence; second, loans to builders for the purpose of acquiring property and constructing homes for sale to consumers; and third, loans to developers for the purpose of acquiring land that is developed into finished lots for the ultimate construction of residential or commercial buildings. Loans of these types are generally secured by the subject property within limits established by the Board of Directors based upon an assessment of market conditions and updated from time to time. The loans typically carry recourse to principal owners. In addition to the repayment risk associated with loans to individuals and businesses, loans in this category carry construction completion risk. To address this additional risk, loans of this type are subject to additional administration procedures designed to verify and ensure progress of the project in accordance with allocated funding, project specifications and time frames.

Consumer Loans: Consumer loans, the smallest segment of the loan portfolio, totaled $7.0 million and represented 0.71% of the loan portfolio as of September 30, 2016. Most loans in this category are well secured with assets other than real estate, such as marketable securities or automobiles. Very few consumer loans are unsecured. As a matter of operation, management discourages unsecured lending. Loans in this category are underwritten to standards within a traditional consumer framework that is periodically reviewed and updated by management and the Board of Directors and takes into consideration repayment capacity, collateral value, savings pattern, credit history, and stability.

Loans Held for Sale ("LHFS")

LHFS are residential mortgage loans originated by the Mortgage Division of the Bank to consumers and underwritten in accordance with standards set forth by an institutional investor to whom we expect to sell the loans for a profit. Loan proceeds are used for the purchase or refinance of the property securing the loan. Loans are sold with the servicing released to the investor. At September 30, 2016, LHFS at fair value totaled $71.0 million compared to $44.1 million at December 31, 2015.

The LHFS are closed by the Mortgage Division and held on average fifteen to thirty days pending their sale to government sponsored entities as well as mortgage banking subsidiaries of large financial institutions. During the third quarter of 2016 we originated $168.8 million of loans processed in this manner, compared to $120.0 million for the third quarter of 2015. Loans are sold without recourse and subject to industry standard representations and warranties that may require the repurchase by the Bank of loans previously sold. The repurchase risks associated with this activity center around early payment defaults and borrower fraud.

Allowance for Loan Losses

The allowance for loan losses totaled $14.7 million at September 30, 2016 compared to $13.6 million at December 31, 2015. The allowance for loan losses was equivalent to 1.52% and 1.53% of total loans held for investment at September 30, 2016 and December 31, 2015, respectively. Adequacy of the allowance is assessed and increased by provisions for loan losses charged to expense no less than quarterly. Charge-offs are taken when a loan is identified as uncollectible. For additional information about the allowance for loan losses, please see Note 4 to the consolidated financial statements.

Non-performing Assets

At September 30, 2016 and December 31, 2015, the Bank had non-performing assets totaling $5.8 million and $7.4 million, respectively. Non-performing assets consist of non-accrual loans. All non-performing loans are carried at the expected liquidation value of the underlying collateral.

The following table is a summary of our non-performing assets at September 30, 2016 and December 31, 2015.

	September 30, 2016		December 31, 2015	
	(Dollars In Thousands)			
Non-accrual loans :				
Commercial real estate - owner occupied	$ 213		$ -	
Commercial real estate - non-owner occupied	-		5,486	
Residential real estate	-		163	
Commercial	4,631		722	
Real estate construction	1,001		1,046	
Total non-accrual loans	5,845		7,417	
Other real estate owned ("OREO")	-		-	
Total non-performing assets	$ 5,845		$ 7,417	
Restructured loans included above in non-accrual loans	$ 1,501		$ 1,046	
Ratio of non-performing assets to:				
Total loans plus OREO	0.60	%	0.84	%
Total Assets	0.43	%	0.63	%
Accruing Past due loans:				
90 or more days past due	$ -		$ -	

During 2014, Access Real Estate LLC (ARE) transferred an undeveloped commercial lot that was originally purchased for possible future banking center expansion to other assets available-for-sale when management listed the property for sale. The land, originally purchased for $1.2 million, was recorded at its appraised value less costs to sell estimated to be $500 thousand. The property was sold in the third quarter of 2016 for $463 thousand.

At September 30, 2016 and December 31, 2015, the Bank had no loans past due 90 days or more and still accruing interest.

Deposits

Deposits are the primary sources of funding loan growth. At September 30, 2016, deposits totaled $1.12 billion compared to $913.7 million on December 31, 2015, an increase of $201.3 million or 22.03%. Noninterest-bearing deposits increased $101.8 million or 33.06% from $307.8 million at December 31, 2015 to $409.6 million at September 30, 2016. Savings and interest-bearing deposits increased $143.2 million or 48.74% from $293.7 million at December 31, 2015 to $436.9 million at September 30, 2016. Non-wholesale time deposits increased from $136.0 million at December 31, 2015 to $163.7 million at September 30, 2016, an increase of $27.7 million or 20.38%, while wholesale funding deposits saw a net decrease of $40.3 million or 21.02%, from $191.9 million at December 31, 2015 to $151.6 million at September 30, 2016.

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Shareholders' Equity

Shareholders' equity totaled $121.3 million at September 30, 2016 compared to $109.1 million at December 31, 2015. The increase in shareholders' equity is due mainly to retained earnings net of dividends paid. Banking regulators have defined minimum regulatory capital ratios that the Corporation and the Bank are required to maintain. These risk based capital guidelines take into consideration risk factors, as defined by the banking regulators, associated with various categories of assets, both on and off the balance sheet. Both the Corporation and Bank are classified as well capitalized, which is the highest rating.

Beginning January 1, 2015, the Corporation calculates its regulatory capital under the Basel III Final Rules which modified the definition of "well capitalized" and implemented changes in the risk weights of assets. The following table outlines the regulatory components of the Corporation's capital and risk based capital ratios under these new rules.

	September 30, 2016	December 31, 2015	
	(In Thousands)		
Tier 1 Capital:			
Common stock	$ 8,860	$ 8,805	
Capital surplus	21,159	19,953	
Retained earnings	90,026	81,385	
Less: Net unrealized loss on available for sale equity securities	(49)	(1,380)	
Less: Disallowed goodwill and intangibles net of associated deferred tax liabilities	(1,730)	(280)	
Total Tier 1 capital	118,266	108,483	
Allowance for loan losses	13,507	12,200	
Total risk based capital	$ 131,773	$ 120,683	
Risk weighted assets	$ 1,078,593	$ 973,908	
Quarterly average assets	$ 1,324,511	$ 1,161,080	
Risk-Based Capital Ratios:			**Regulatory Minimum**
Common equity tier 1 capital ratio	10.96 %	11.14 %	5.125 %
Tier 1 capital ratio	10.96 %	11.14 %	6.625 %
Total capital ratio	12.22 %	12.39 %	8.625 %
Leverage Capital Ratios:			
Tier 1 leverage ratio	8.93 %	9.34 %	4.000 %

RESULTS OF OPERATIONS

Summary

Net income for the third quarter of 2016 totaled $4.4 million compared to $3.9 million for the same period in 2015. Earnings per diluted share were $0.41 for the third quarter of 2016, compared to $0.37 per diluted share in the same period of 2015. Third quarter 2016 pretax earnings increased $879 thousand or 14.58% when compared to third quarter 2015 pretax earnings. The banking segment had a decrease in pre-tax earnings when compared to the third quarter 2015 of $210 thousand, driven by an increase in the provision for loan loss over third quarter 2015 of $750 thousand. The banking segment’s interest income increased $1.6 million when compared to third quarter 2015 which was partially offset by an increase in salaries and employee benefits and interest expense of $444 thousand and $577 thousand, respectively. The mortgage segment had an increase in gains on the sale of loans of $2.5 million that resulted from an increase in the secondary margins on mortgage loans held for sale over third quarter 2015.

Net income for the nine months ended September 30, 2016 totaled $13.4 million compared to $11.5 million for the same period in 2015. Earnings per diluted share were $1.26 for the first nine months of 2016, compared to $1.09 per diluted share in the same period of 2015. For the nine month period ended September 30, 2016, the banking segment saw an increase in pretax income of $989 thousand when compared to the nine months ended September 30, 2015 due to increases in net interest income of $3.1 million and non-interest income of $648 thousand which was partially offset by an increase in salaries and employee benefits of $2.0 million, due to continued staffing expansion, as well as an increase of $750 thousand in the provision for loan loss. When comparing the nine month period ended September 30, 2016 to the same period in 2015, the mortgage segment saw a pretax earnings increase of $2.1 million. The mortgage segment had an increase in gains on the sale of loans of $4.3 million when comparing the nine months ended September 30, 2016 to the same period in 2015 due to an increase in the secondary margins on mortgage loans held for sale, the increase was offset by a $1.6 million increase in salaries and employee benefits.

Net Interest Income

Net interest income, the principal source of earnings, is the amount of income generated by earning assets (primarily loans and investment securities) less the interest expense incurred on interest-bearing liabilities (primarily deposits) used to fund earning assets. Net interest income before the provision for loan losses totaled $11.1 million for the three months ended September 30, 2016 compared to $10.1 million for the same period in 2015. The annualized yield on earning assets was 4.01% for the quarter ended September 30, 2016 compared to 4.08% for the same period in 2015. The cost of interest-bearing deposits and borrowings increased to 0.81% for the quarter ended September 30, 2016 compared to the quarter ended September 30, 2015 at 0.61%. Net interest margin was 3.49% for the quarter ended September 30, 2016 compared to 3.70% for the same period in 2015.

Net interest income before the provision for loan losses totaled $32.5 million for the first nine months of 2016 compared to $29.3 million for the same period in 2015. The annualized yield on earning assets for the first nine months of 2016 was 4.04% compared to 4.06% for the same period in 2015. The cost of interest-bearing deposits and borrowings for the first nine months of 2016 was 0.78% compared to 0.56% for the same period in 2015. Net interest margin was 3.54% for the first nine months of 2016 compared to 3.69% for the same period in 2015.

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Volume and Rate Analysis

The following tables present the dollar amount of changes in interest income and interest expense for each category of interest earning assets and interest-bearing liabilities.

	Three Months Ended September 30, 2016 compared to 2015		
	Change Due To:		
	Increase / (Decrease)	Volume	Rate
	(In Thousands)		
Interest Earning Assets:			
Investments	$ 165	$ 175	$ (10)
Loans held for sale	157	214	(57)
Loans	1,236	1,333	(97)
Interest-bearing deposits	64	10	54
Total increase (decrease) in interest income	1,622	1,732	(110)
Interest-Bearing Liabilities:			
Interest-bearing demand deposits	64	15	49
Money market deposit accounts	183	60	123
Savings accounts	27	29	(2)
Time deposits	85	(152)	237
Total interest-bearing deposits	359	(48)	407
FHLB Short-term borrowings	37	(14)	51
Securities sold under agreements to repurchase	(1)	(2)	1
FHLB Long-term borrowings	181	185	(4)
Total increase (decrease) in interest expense	576	121	455
Increase (decrease) in net interest income	$ 1,046	$ 1,611	$ (565)

	Nine Months Ended September 30, 2016 compared to 2015		
	Change Due To:		
	Increase / (Decrease)	Volume	Rate
	(In Thousands)		
Interest Earning Assets:			
Investments	$ 489	$ 535	$ (46)
Loans held for sale	12	58	(46)
Loans	4,206	3,962	244
Interest-bearing deposits	169	37	132

Total increase (decrease) in interest income	4,876	4,592	284
Interest-Bearing Liabilities:			
Interest-bearing demand deposits	170	32	138
Money market deposit accounts	339	129	210
Savings accounts	100	93	7
Time deposits	575	(17)	592
Total interest-bearing deposits	1,184	237	947
FHLB Short-term borrowings	77	(136)	213
Securities sold under agreements to repurchase	(5)	(5)	-
FHLB Long-term borrowings	512	521	(9)
Total increase (decrease) in interest expense	1,768	617	1,151
Increase (decrease) in net interest income	$ 3,108	$ 3,975	$ (867)

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Average Balances, Net Interest Income, Yields Earned and Rates Paid

The following tables present for the periods indicated the total dollar amount of interest income from average interest earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed in dollars and rates.

Yield on Average Earning Assets and Rates on Average Interest-Bearing Liabilities

Three Months Ended

	September 30, 2016			September 30, 2015		
(Dollars In Thousands)	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Assets:						
Interest-earning assets:						
Securities	$191,794	$1,033	2.15 %	$159,450	$868	2.18 %
Loans held for sale	63,667	574	3.61 %	40,465	417	4.12 %
Loans[(1)]	947,622	11,073	4.67 %	833,341	9,837	4.72 %
Interest-bearing balances and federal funds sold	72,680	98	0.54 %	59,216	34	0.23 %
Total interest-earning assets	1,275,763	12,778	4.01 %	1,092,472	11,156	4.08 %
Noninterest-earning assets:						
Cash and due from banks	13,251			10,765		
Premises, land and equipment	6,819			6,893		
Other assets	42,642			32,470		
Less: allowance for loan losses	(13,964)			(13,526)		
Total noninterest-earning assets	48,748			36,602		
Total Assets	$1,324,511			$1,129,074		
Liabilities and Shareholders' Equity:						
Interest-bearing deposits:						
Interest-bearing demand deposits	$137,387	$127	0.37 %	$112,776	$63	0.22 %
Money market deposit accounts	224,548	257	0.46 %	141,821	74	0.21 %
Savings accounts	37,892	47	0.50 %	14,845	20	0.54 %
Time deposits	277,014	918	1.33 %	331,412	833	1.01 %
Total interest-bearing deposits	676,841	1,349	0.80 %	600,854	990	0.66 %
Borrowings:						
FHLB short-term borrowings	38,043	69	0.73 %	58,207	32	0.22 %
Securities sold under agreements to repurchase and federal funds purchased	14,881	4	0.11 %	21,928	5	0.09 %
FHLB long-term borrowings	75,000	213	1.14 %	10,000	32	1.28 %
Total borrowings	127,924	286	0.89 %	90,135	69	0.31 %
Total interest-bearing deposits and borrowings	804,765	1,635	0.81 %	690,989	1,059	0.61 %

Noninterest-bearing liabilities:						
Demand deposits	390,997			324,763		
Other liabilities	10,095			8,753		
Total liabilities	1,205,857			1,024,505		
Shareholders' Equity	118,654			104,569		
Total Liabilities and Shareholders' Equity	$1,324,511			$1,129,074		
Interest Spread[2]			3.19 %			3.47 %
Net Interest Margin[3]		$11,143	3.49 %		$10,097	3.70 %

[1] Loans placed on nonaccrual status are included in loan balances.

[2] Interest spread is the average yield earned on earning assets, less the average rate incurred on interest-bearing liabilities.

[3] Net interest margin is net interest income, expressed as a percentage of average earning assets.

Yield on Average Earning Assets and Rates on Average Interest-Bearing Liabilities

Nine Months Ended

	September 30, 2016			September 30, 2015		
(Dollars In Thousands)	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Assets:						
Interest-earning assets:						
Securities	$183,182	$2,954	2.15 %	$149,831	$2,465	2.19 %
Loans held for sale	47,935	1,355	3.77 %	45,903	1,343	3.90 %
Loans[(1)]	922,821	32,522	4.70 %	810,096	28,316	4.66 %
Interest-bearing balances and federal funds sold	69,860	264	0.50 %	53,402	95	0.24 %
Total interest-earning assets	1,223,798	37,095	4.04 %	1,059,232	32,219	4.06 %
Noninterest-earning assets:						
Cash and due from banks	12,493			10,642		
Premises, land and equipment	6,782			6,921		
Other assets	38,142			32,731		
Less: allowance for loan losses	(13,733)			(13,438)		
Total noninterest-earning assets	43,684			36,856		
Total Assets	$1,267,482			$1,096,088		
Liabilities and Shareholders' Equity:						
Interest-bearing deposits:						
Interest-bearing demand deposits	$131,859	$360	0.36 %	$114,885	$190	0.22 %
Money market deposit accounts	185,839	522	0.37 %	121,478	183	0.20 %
Savings accounts	35,047	137	0.52 %	10,956	37	0.45 %
Time deposits	296,099	2,755	1.24 %	298,383	2,180	0.97 %
Total interest-bearing deposits	648,844	3,774	0.78 %	545,702	2,590	0.63 %
Borrowings:						
FHLB short-term borrowings	58,467	280	0.64 %	113,469	203	0.24 %
Securities sold under agreements to repurchase and federal funds purchased	15,433	11	0.10 %	22,373	16	0.10 %
FHLB long-term borrowings	71,332	576	1.08 %	6,886	64	1.24 %
Total borrowings	145,232	867	0.80 %	142,728	283	0.26 %
Total interest-bearing deposits and borrowings	794,076	4,641	0.78 %	688,430	2,873	0.56 %
Noninterest-bearing liabilities:						
Demand deposits	349,339			296,490		
Other liabilities	9,229			8,526		
Total liabilities	1,152,644			993,446		
Shareholders' Equity	114,838			102,642		
Total Liabilities and Shareholders' Equity	$1,267,482			$1,096,088		
Interest Spread[(2)]			3.26 %			3.50 %

Net Interest Margin[3]	$ 32,454	3.54 %	$ 29,346	3.69 %

[1] Loans placed on nonaccrual status are included in loan balances.

[2] Interest spread is the average yield earned on earning assets, less the average rate incurred on interest-bearing liabilities.

[3] Net interest margin is net interest income, expressed as a percentage of average earning assets.

Noninterest Income

Noninterest income consists of revenue generated from financial services and activities other than lending and investing. The mortgage segment provides the most significant contributions to noninterest income. Total noninterest income was $8.7 million for the third quarter of 2016 compared to $6.4 million for the same period in 2015. Gains on the sale of loans originated by the Banks's mortgage segment are the largest component of noninterest income. Gains on the sale of loans totaled $8.3 million for the three month period ended September 30, 2016, compared to $5.8 million for the same period of 2015. Gains on the sale of loans fluctuate with the volume of mortgage loans originated. During the three months ended September 30, 2016, the Bank's mortgage segment originated $168.8 million in mortgage and brokered loans, up from $120.0 million for the same period in 2015.

Noninterest income was $24.7 million for the first nine months of 2016 compared to $19.8 million for the same period in 2015. Gains on the sale of loans totaled $19.4 million for the nine month period ended September 30, 2016, compared to $15.1 million for the same period of 2015. During the nine months ended September 30, 2016, the Bank's mortgage segment originated $429.4 million in mortgage and brokered loans, up from $379.8 million for the same period in 2015. For the nine months ended September 30, 2016, other income reflected an increase of $570 thousand over the nine months ended September 30, 2015 of which $270 thousand was attributable to recovered costs upon the settlement of a non-accrual loan.

Noninterest Expense

Noninterest expense totaled $12.2 million for the three months ended September 30, 2016, compared to $10.5 million for the same period in 2015, an increase of $1.7 million. Salaries and employee benefits totaled $8.2 million for the three months ended September 30, 2016, compared to $6.7 million for the same period last year due to an expansion in staffing. Other operating expenses totaled $3.2 million for the three months ended September 30, 2016, compared to $3.0 million for the same period in 2015.

Noninterest expense totaled $35.6 million for the nine months ended September 30, 2016, compared to $31.4 million for the same period in 2015, an increase of $4.2 million. Salaries and employee benefits totaled $24.3 million for the nine months ended September 30, 2016, compared to $20.4 million for the same period last year due to an expansion in staffing. Other operating expenses totaled $9.0 million for the nine months ended September 30, 2016, compared to $8.7 million for the same period in 2015.

The table below provides the composition of other operating expenses.

	Nine Months Ended September 30, 2016	2015
	(In Thousands)	
Management fees	$ 935	$ 951
Business and franchise tax	717	654
Data processing	669	661
Consulting fees	584	356
Advertising and promotional	541	547
Investor fees	541	455
FDIC insurance	475	463
Accounting and auditing	460	459
Telephone	281	252
Director fees	279	333
Stock option	251	256
Publication and subscription	218	177
Early payoff	215	63
Regulatory examinations	207	188
Credit report	199	166
Insurance	188	152
Disaster recovery	151	147
Education and training	151	124
Office supplies-stationary print	149	174
Travel	125	114
FRB and bank analysis charges	123	109
Verification fees	118	81
Legal fees	117	312
SBA guarantee fee	112	125
Business development and meals	83	76
Common stock	81	82
Postage	69	68
Dues and memberships	67	73
Courier	42	45
Automotive	41	35
Appraisal fee	30	46
Other	821	969
	$ 9,040	$ 8,713

Liquidity Management

Liquidity is the ability of the Corporation to meet current and future cash flow requirements. The liquidity of a financial institution reflects its ability to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the Corporation’s ability to meet the daily cash flow requirements of both depositors and borrowers. Management monitors liquidity through a regular review of asset and liability maturities, funding sources, and loan and deposit forecasts. Asset and liability management functions not only serve to assure adequate liquidity in order to meet the needs of the Corporation’s customers, but also to maintain an appropriate balance between interest sensitive assets and interest sensitive liabilities so that the Corporation can earn an appropriate return for its shareholders.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and maturities of investment securities. Other short-term investments such as federal funds sold and interest-bearing deposits with other banks provide an additional source of liquidity funding. At September 30, 2016, overnight interest-bearing balances totaled $67.8 million and unpledged available-for-sale investment securities totaled approximately $29.0 million.

The Bank proactively manages a portfolio of short-term time deposits issued to local municipalities and wholesale depositors in order to fund loans held for sale and short-term investments. As of September 30, 2016, the portfolio of CDARS deposits, Insured Cash Sweep (ICS) deposits, and wholesale time deposits totaled $151.6 million compared to $191.9 million at December 31, 2015, respectively.

The liability portion of the balance sheet provides liquidity through various interest-bearing and noninterest-bearing deposit accounts, federal funds purchased, securities sold under agreement to repurchase and other short-term borrowings. At September 30, 2016, the Bank had a line of credit with the FHLB totaling $391.3 million and had outstanding a $25 million short-term loan at a fixed rate of 0.74%, $75 million in long-term loans at fixed rates ranging from 0.72% to 1.54%, and a $35 million public deposit letter of credit from the Commonwealth of Virginia Treasury Board. In addition to the line of credit at the FHLB, the Bank issues repurchase agreements. As of September 30, 2016, outstanding repurchase agreements totaled $16.3 million. The interest rates on these instruments are variable and subject to change daily. The Bank also maintains federal funds lines of credit with its correspondent banks and, at September 30, 2016, these lines totaled $62.4 million and were available as an additional funding source.

The following table presents the composition of borrowings at September 30, 2016 and December 31, 2015 as well as the average balances for the nine months ended September 30, 2016 and the twelve months ended December 31, 2015.

Borrowed Funds Distribution

	September 30, 2016	December 31, 2015
	(Dollars In Thousands)	
Borrowings:		
At Period End		
FHLB short-term borrowings	$ 25,000	$ 70,000
Securities sold under agreements to repurchase	16,336	21,129
FHLB long-term borrowings	75,000	55,000
Total at period end	$ 116,336	$ 146,129

	September 30, 2016	December 31, 2015
	(Dollars In Thousands)	
Borrowings:		
Average Balances		
FHLB short-term borrowings	$ 58,467	$ 91,992
Securities sold under agreements to repurchase	15,433	21,853
FHLB long-term borrowings	71,332	18,890
Federal funds purchased	-	164
Total average balance	$ 145,232	$ 132,899
Average rate paid on all borrowed funds	0.80 %	0.35 %

Management believes the Corporation is well positioned with liquid assets, the ability to generate liquidity through liability funding and the availability of borrowed funds, to meet the liquidity needs of depositors and customers' borrowing needs. The Corporation's ability to maintain sufficient liquidity may be affected by numerous factors, including economic conditions nationally and in our markets. Depending on the Corporation's liquidity levels, its capital position, conditions in the capital markets and other factors, the Corporation may from time to time consider the issuance of debt, equity or other securities, or other possible capital markets transactions, the proceeds of which could provide additional liquidity for its operations.

Contractual Obligations

There have been no material changes outside the ordinary course of business to the contractual obligations disclosed in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization, dated as October 21, 2016, between Access National Corporation and Middleburg Financial Corporation (incorporated by reference to Exhibit 2.1 to Form 8-K filed October 25, 2016 (file number 000-49929))
3.1	Amended and Restated Articles of Incorporation of Access National Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed July 18, 2006 (file number 000-49929))
3.1.1	Articles of Amendment to Amended and Restated Articles of Incorporation of Access National Corporation (incorporated by reference to Exhibit 3.1.1 to Form 10-Q filed August 15, 2011 (file number 000-49929))
3.2	Amended and Restated Bylaws of Access National Corporation (incorporated by reference to Exhibit 3.2 to Form 8-K filed October 24, 2007 (file number 000-49929))
	Certain instruments relating to long-term debt as to which the total amount of securities authorized thereunder does not exceed 10% of Access National Corporation's total assets have been omitted in accordance with Item 601(b)(4)(iii) of Regulation S-K. The registrant will furnish a copy of any such instrument to the Securities and Exchange Commission upon its request.
31.1*	CEO Certification Pursuant to Rule 13a-14(a)
31.2*	CFO Certification Pursuant to Rule 13a-14(a)
32	CEO/CFO Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) (incorporated by reference to Exhibit 32 to Form 10-Q filed November 9, 2016 (file number 000-49929))
101	The following materials from Access National Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 formatted in XBRL (Extensible Business Reporting Language), filed herewith: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statements of Changes in Shareholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited) (incorporated by reference to Exhibit 101 to Form 10-Q filed November 9, 2016 (file number 000-49929))
101.INS	XBRL Instance Document (incorporated by reference to Exhibit 101.INS to Form 10-Q filed November 9, 2016 (file number 000-49929))
101.SCH	XBRL Taxonomy Extension Schema (incorporated by reference to Exhibit 101.SCH to Form 10-Q filed November 9, 2016 (file number 000-49929))
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (incorporated by reference to Exhibit 101.CAL to Form 10-Q filed November 9, 2016 (file number 000-49929))
101.DEF	XBRL Taxonomy Extension Definition Linkbase (incorporated by reference to Exhibit 101.DEF to Form 10-Q filed November 9, 2016 (file number 000-49929))
101.LAB	XBRL Taxonomy Extension Label Linkbase (incorporated by reference to Exhibit 101.LAB to Form 10-Q filed November 9, 2016 (file number 000-49929))
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (incorporated by reference to Exhibit 101.PRE to Form 10-Q filed November 9, 2016 (file number 000-49929))

* filed herewith

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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 thereunto duly authorized.

	Access National Corporation (Registrant)
Date: November 10, 2016	By: /s/ Michael W. Clarke Michael W. Clarke President and Chief Executive Officer (Principal Executive Officer)
Date: November 10, 2016	By: /s/ Margaret M. Taylor Margaret M. Taylor Executive Vice President and Chief Financial Officer (Principal Financial & Accounting Officer)