

# Citizens Bancorp of Virginia, Inc.

## PRESS RELEASE - FOR IMMEDIATE DISTRIBUTION

**Dated: August 1, 2014**

### **Solid Second Quarter Earnings Reported by Citizens Bancorp of Virginia, Inc.**

**Blackstone, Virginia** Citizens Bancorp of Virginia, Inc. (the "Company") (OTCBB: CZBT), the parent company of Citizens Bank and Trust Company (the "Bank"), reported earnings of \$977 thousand, or \$0.44 per share, for the quarter ended June 30, 2014, versus \$1,015 thousand, or \$0.45 per share, for the comparable 2013 quarter. Earnings for the first six months of 2014 were \$1.915 million, or \$0.85 per share, compared to \$1.748 million, or \$0.77 per share, for the prior year. The Company's earnings for the 2013 period were impacted by a \$202 thousand charge to pension expense resulting from the lump sum payments of accrued pension benefits.

The Company's return on assets was 1.15% and 1.18% for the 2<sup>nd</sup> quarter of 2014 and 2013, respectively. The Company's net interest margin increased from 3.94% in the 2<sup>nd</sup> quarter of 2013 to 4.02% in 2014. While the net interest margin has shown improvement, we expect margin compression to remain a challenge over the near term.

#### **Balance Sheet**

At June 30, 2014, total Company assets were \$340.9 million, an increase of \$5.4 million from December 31, 2013. The Bank's loan portfolio ended the period at \$187.4 million, virtually unchanged from the \$187.6 million at the prior year end.

Deposit growth has remained steady as total deposits grew to \$285.3 million from \$282.9 million at year end 2013. Noninterest-bearing demand deposits increased to \$43.7 million and interest-bearing deposits increased to \$241.6 million from \$42.1 million and \$240.8 million, respectively, at the prior year end.

#### **Capital Strength**

The Company's total equity at June 30, 2014 rose to \$45.8 million. Total risk-based capital and Tier 1 risk-based capital ratios were approximately 24.6% and 23.4%, respectively. Both ratios significantly exceed the current regulatory standards for well capitalized status.

#### **Credit Quality**

The Bank's loan portfolio has continued to perform well and remains stable. Nonaccruing loans as a percentage of loans decreased to 1.60% as of June 30, 2014 from 2.08% at December 31, 2013. Other Real Estate Owned (OREO) has declined from \$6.4 million at December 31, 2013 to \$4.9 million at June 30, 2014.

President and CEO, Joseph D. Borgerding commented, "The Company had very solid performance in the second quarter. Earnings for the first six months exceeded the comparable period in 2013 by 9.6%. We are pleased with our consistent growth in deposits accompanied by meaningful progress in the reduction of nonperforming assets."

#### **About Citizens Bancorp of Virginia, Inc. and Citizens Bank and Trust Company**

Citizens Bank and Trust Company was founded in 1873 and is the second oldest independent bank in Virginia. The Bank has eleven offices in the Counties of Amelia, Chesterfield, Nottoway and Prince Edward, along with one branch

in the city of Colonial Heights and one in the Town of South Hill, Virginia. Citizens Bancorp of Virginia, Inc. is the parent company of the Bank and is headquartered in Blackstone, Virginia. The Company's stock trades on the OTC Bulletin Board under the symbol "CZBT". Additional information on the Company and the Bank is also available at its web site: [www.cbtva.com](http://www.cbtva.com).

### **Cautionary Statement about Forward-Looking Statements**

We caution you that certain statements in this release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that our expectations with respect to these forward-looking statements are based upon reasonable assumptions within the bounds of our business operations, there can be no assurance that the actual results, performance or achievements of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. For more details on factors that could affect expectations, see the Company's Annual Report for the year ended December 31, 2013.

**CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY**  
**Consolidated Balance Sheets**  
(Dollars in thousands, except share data)

<b>Assets</b>	<b>(Unaudited) June 30, 2014</b>	<b>December 31, 2013</b>
	<b>2014</b>	<b>2013</b>
Cash and due from banks	\$ 6,812	\$ 7,111
Interest-bearing deposits in banks	1,655	2,319
Federal funds sold	18,130	11,097
Securities available for sale, at fair market value	103,230	102,046
Restricted securities, at cost	455	558
Loans, net of allowance for loan losses of \$2,378 in 2014 and \$2,339 in 2013	185,071	185,264
Premises and equipment, net	8,188	7,843
Accrued interest receivable	1,629	1,594
Other assets	1,529	2,187
Bank-owned life insurance	9,220	9,065
Other real estate owned, net of valuation allowance of \$207 in 2014 and 2013	4,944	6,370
	<b>\$ 340,863</b>	<b>\$ 335,454</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 43,712	\$ 42,088
Interest-bearing	241,594	240,808
Total deposits	285,306	282,896
Other borrowings	8,147	7,472
Accrued interest payable	337	326
Accrued expenses and other liabilities	1,320	1,319
Total liabilities	295,110	292,013
<b>Stockholders' Equity</b>		
Preferred stock, \$0.50 par value; authorized 1,000,000 shares; none outstanding	-	-
Common stock, \$0.50 par value; authorized 10,000,000 shares; issued and outstanding, 2,238,509 for 2014 and 2,247,429 for 2013	1,119	1,124
Additional paid-in capital	-	-
Retained earnings	44,129	43,173
Accumulated other comprehensive (loss)	505	(856)
Total stockholders' equity	45,753	43,441
Total liabilities and stockholders' equity	<b>\$ 340,863</b>	<b>\$ 335,454</b>

**CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY**  
**Consolidated Statements of Income**  
(Dollars in thousands, except per share data)

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2014	2013	2014	2013
Interest and Dividend Income				
Loans, including fees	\$ 2,783	\$ 2,897	\$ 5,521	\$ 5,734
Investment securities:				
Taxable	307	319	622	636
Tax-exempt	278	269	549	527
Federal Funds sold	10	9	17	17
Other	9	12	19	22
<b>Total interest and dividend income</b>	<b>3,387</b>	<b>3,506</b>	<b>6,728</b>	<b>6,936</b>
Interest Expense				
Deposits	408	496	820	1,037
Borrowings	8	32	16	63
<b>Total interest expense</b>	<b>416</b>	<b>528</b>	<b>836</b>	<b>1,100</b>
<b>Net interest income</b>	<b>2,971</b>	<b>2,978</b>	<b>5,892</b>	<b>5,836</b>
Provision for loan losses	37	13	75	38
<b>Net interest income after provision for loan losses</b>	<b>2,934</b>	<b>2,965</b>	<b>5,817</b>	<b>5,798</b>
Noninterest Income				
Service charges on deposit accounts	208	227	425	455
Net gain on sales of securities	-	-	-	3
Net gain on sales of loans	32	20	40	69
Income from bank owned life insurance	79	79	155	155
ATM fee income	237	225	455	433
Other	109	87	202	167
<b>Total noninterest income</b>	<b>665</b>	<b>638</b>	<b>1,277</b>	<b>1,282</b>
Noninterest Expense				
Salaries and employee benefits	1,349	1,423	2,724	3,008
Net occupancy expense	171	148	329	302
Equipment expense	93	79	173	166
FDIC deposit insurance	58	65	119	132
Net (gain) loss on sale of other real estate owned	9	(10)	(23)	8
OREO expenses, net of rental income	15	(14)	36	(3)
Other	605	548	1,192	1,160
<b>Total noninterest expense</b>	<b>2,300</b>	<b>2,239</b>	<b>4,550</b>	<b>4,773</b>
<b>Income before income taxes</b>	<b>1,299</b>	<b>1,364</b>	<b>2,544</b>	<b>2,307</b>
Income taxes	322	349	629	559
<b>Net income</b>	<b>\$ 977</b>	<b>\$ 1,015</b>	<b>\$ 1,915</b>	<b>\$ 1,748</b>
<b>Earnings per share, basic &amp; diluted</b>	<b>\$ 0.44</b>	<b>\$ 0.45</b>	<b>\$ 0.85</b>	<b>\$ 0.77</b>

**CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY**  
**Consolidated Regulatory Capital Ratios**  
**And Performance Ratios**

(Dollars in thousands, except per share data)

	Three Months Ended				
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
<b>Per Share Data:</b>					
Earnings per weighted average share	\$0.44	\$0.42	\$0.40	\$0.41	\$0.45
Weighted average shares outstanding	2,240,122	2,242,754	2,248,371	2,250,335	2,251,975
Actual shares outstanding	2,238,509	2,242,179	2,247,429	2,249,429	2,251,212
Book value per share at period end	\$ 20.44	\$ 19.88	\$ 19.33	\$ 18.81	\$ 18.56
Dividend per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
<b>Performance Ratios:</b>					
Return on average assets	1.15%	1.13%	1.07%	1.07%	1.18%
Net interest margin, (FTE) <sup>1</sup>	4.02%	4.06%	3.99%	3.95%	3.94%
Efficiency ratio <sup>2</sup>	60.93%	61.33%	62.67%	61.83%	59.71%
<b>Capital and Other Ratios:</b>					
<b>(Ratios are period end, unless stated otherwise)</b>					
Tier 1 leverage ratio	13.26%	13.29%	13.17%	12.90%	12.54%
Total risk-based capital ratio	24.58%	24.19%	23.84%	23.10%	22.95%
Allowance for loan losses to total loans	1.27%	1.28%	1.25%	1.18%	1.19%
Nonaccruing loans to total loans	1.60%	1.80%	2.08%	2.15%	1.55%
Net charge-offs (net recoveries) to average loans (annualized)	0.10%	0.00%	-0.02%	0.18%	0.46%

<sup>1</sup> The net interest margin is reported on a fully taxable equivalent basis.

<sup>2</sup> Computed by dividing noninterest expense by the sum of net interest income (on a fully taxable equivalent basis) and noninterest income.

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