

# Citizens Bancorp of Virginia, Inc.

## PRESS RELEASE - FOR IMMEDIATE DISTRIBUTION

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### Record 2012 Earnings Seen At 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 record earnings of \$3.450 million, or \$1.50 per share, for the twelve months ended December 31, 2012, an 8.1% increase over the \$3.192 million, or \$1.37 per share, reported for 2011. The Company's return on assets was 1.04% in 2012 compared to .97% in 2011. Earnings for the fourth quarter of 2012 were \$807 thousand as compared to the \$842 thousand in the same period last year.

#### Earnings Highlights

Net income for 2012 was positively impacted by an increase of \$11 thousand in net interest income, a \$128 thousand increase in noninterest income and a \$386 thousand decline in the provision for loan losses. These were partially offset by an increase in noninterest expense of \$145 thousand. The Company's net interest margin decreased slightly from 4.18% in 2011 to 4.14% in 2012.

Earnings performance in the fourth quarter was impacted by a decrease in net interest income to \$2.966 million from the \$3.056 million in the fourth quarter of 2011. Noninterest income increased by \$54 thousand, or 7.7%, to \$755 thousand compared to the fourth quarter of 2011 and noninterest expense increased to \$2.570 million from \$2.479 million in the fourth quarter of 2011. There were no material changes in any income or expense category. The Company's net interest margin decreased to 4.07% from 4.28% for the same period in 2011. This decrease is attributable to a continuing period of historically low interest rates which is resulting in an industry-wide margin compression. We expect this margin compression to remain a challenge over the near term.

#### Balance Sheet

At December 31, 2012, total Company assets were \$338.9 million, an increase of \$10.3 million over December 31, 2011. The Bank's loan portfolio ended the period at \$191.7 million, representing a decrease of 4.0%, or \$7.9 million, from the prior year. This decrease is the result of continued weak loan demand.

Deposit growth continued as total deposits grew to \$282.6 million from \$271.6 million over 2011. We are particularly pleased that noninterest-bearing demand deposits increased to \$42.0 million, or 13.2%, from \$37.1 million at the end of 2011.

#### Capital Strength

The Company's total equity at December 31, 2012 rose to \$43.3 million. Total risk-based capital and Tier 1 risk-based capital ratios were approximately 22.9% and 21.7%, 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. Net charge-offs decreased to \$181 thousand in 2012 from \$501 thousand in 2011. Nonaccruing loans as a percentage of loans increased to 1.53% as of December 31, 2012 from 1.04% at December 31, 2011.

President and CEO, Joseph D. Borgerding commented, "We are proud of achieving record earnings in a very challenging economic environment for the banking industry. The key factors that contributed to the record year include our ability to maintain a consistent level of net interest income, solid growth in noninterest income, and a substantial reduction in the provision for loan losses as the loan portfolio continues to stabilize. The Bank was also very successful in its strategic initiative to grow low-cost core transactional deposits which benefits our cost of funds and positively impacts the net interest margin."

## **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 on Form 10-K for the year ended December 31, 2011 and its other filings with the Securities and Exchange Commission.

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

<b>Assets</b>	<b>(Unaudited) December 31, 2012</b>	<b>December 31, 2011</b>
Cash and due from banks	\$ 8,198	\$ 6,124
Interest-bearing deposits in banks	2,093	2,606
Federal funds sold	12,145	10,445
Securities available for sale, at fair market value	100,426	84,512
Restricted securities, at cost	866	933
Loans, net of allowance for loan losses of \$2,470 and \$2,352	189,320	197,363
Premises and equipment, net	6,392	6,790
Accrued interest receivable	1,606	1,635
Other assets	1,142	2,357
Bank-owned life insurance	8,752	8,446
Other real estate owned, net of valuation allowance of \$220 in 2012 and \$181 in 2011	7,990	7,430
	<b>\$ 338,930</b>	<b>\$ 328,641</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 41,962	\$ 37,079
Interest-bearing	240,671	234,518
Total deposits	\$ 282,633	\$ 271,597
FHLB advances	5,000	5,000
Other borrowings	6,661	6,009
Accrued interest payable	450	608
Accrued expenses and other liabilities	842	3,581
Total liabilities	\$ 295,586	\$ 286,795
<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, 2,263,612 for 2012 and 2,326,242 for 2011	1,132	1,163
Additional paid-in capital	--	--
Retained earnings	41,461	40,533
Accumulated other comprehensive income	751	150
Total stockholders' equity	\$ 43,344	\$ 41,846
	<b>\$ 338,930</b>	<b>\$ 328,641</b>

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

	(Unaudited)		(Unaudited)	
	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Interest and Dividend Income				
Loans, including fees	3,011	3,209	12,268	12,939
Investment securities:				
Taxable	297	349	1,284	1,651
Tax-exempt	253	262	1,043	1,031
Federal Funds sold	7	6	25	21
Other	11	7	40	26
<b>Total interest and dividend income</b>	<b>3,579</b>	<b>3,833</b>	<b>14,660</b>	<b>15,668</b>
Interest Expense				
Deposits	582	745	2,533	3,528
Borrowings	31	32	124	148
<b>Total interest expense</b>	<b>613</b>	<b>777</b>	<b>2,657</b>	<b>3,676</b>
<b>Net interest income</b>	<b>2,966</b>	<b>3,056</b>	<b>12,003</b>	<b>11,992</b>
Provision for loan losses	90	160	299	685
<b>Net interest income after provision for loan losses</b>	<b>2,876</b>	<b>2,896</b>	<b>11,704</b>	<b>11,307</b>
Noninterest Income				
Service charges on deposit accounts	244	267	948	1,052
Net gain on sales of securities	1	7	28	7
Net other-than-temporary impairments	-	(10)	(28)	(50)
Net gain on sales of loans	25	35	125	87
Income from bank owned life insurance	78	74	306	296
ATM fee income	202	192	825	760
Other	205	136	420	344
<b>Total noninterest income</b>	<b>755</b>	<b>701</b>	<b>2,624</b>	<b>2,496</b>
Noninterest Expense				
Salaries and employee benefits	1,498	1,372	5,758	5,484
Net occupancy expense	136	140	598	590
Equipment expense	87	111	374	469
FDIC deposit insurance	65	66	255	392
Net (gain) on sale of other real estate owned	-	(8)	(160)	(29)
Impairment - other real estate owned	-	70	45	105
OREO expenses, net of rental income	140	107	260	175
Other	644	621	2,640	2,439
<b>Total noninterest expense</b>	<b>2,570</b>	<b>2,479</b>	<b>9,770</b>	<b>9,625</b>
<b>Income before income taxes</b>	<b>1,061</b>	<b>1,118</b>	<b>4,558</b>	<b>4,178</b>
Income taxes	254	276	1,108	986
<b>Net income</b>	<b>807</b>	<b>842</b>	<b>3,450</b>	<b>3,192</b>
<b>Earnings per share, basic &amp; diluted</b>	<b>0.35</b>	<b>0.36</b>	<b>1.50</b>	<b>1.37</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				
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
<b>Per Share Data:</b>					
Earnings per weighted average share	0.35	0.39	0.36	0.39	0.36
Weighted average shares outstanding	2,278,064	2,292,269	2,303,986	2,319,048	2,328,307
Actual shares outstanding	2,263,612	2,288,467	2,295,467	2,312,047	2,326,242
Book value per share at period end	\$ 19.15	\$ 18.97	\$ 18.59	\$ 18.27	\$ 17.99
Dividend per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
<b>Performance Ratios:</b>					
Return on average assets	0.96%	1.07%	1.00%	1.10%	1.02%
Net interest margin, (FTE) <sup>1</sup>	4.07%	4.10%	4.16%	4.23%	4.28%
Efficiency ratio <sup>2</sup>	66.81%	63.01%	65.50%	62.70%	63.80%
<b>Capital and Other Ratios:</b>					
<b>(Ratios are period end, unless stated otherwise)</b>					
Tier 1 leverage ratio	12.57%	12.78%	12.64%	12.42%	12.69%
Total risk-based capital ratio	22.90%	22.89%	22.25%	22.28%	22.05%
Allowance for loan losses to total loans	1.30%	1.24%	1.19%	1.22%	1.18%
Nonaccruing loans to total loans	1.53%	1.46%	1.18%	1.12%	1.04%
Net charge-offs (net recoveries) to average loans (annualized)	0.00%	-0.01%	0.27%	0.04%	0.34%

<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.

CONTACT: Geoffrey C. Warner  
SVP and Chief Financial Officer  
Voice: 434-292-8100 or E-mail: [Geoffrey.Warner@cbtva.com](mailto:Geoffrey.Warner@cbtva.com)

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