

# Citizens Bancorp of Virginia, Inc.

## PRESS RELEASE - FOR IMMEDIATE DISTRIBUTION

**Dated: February 5, 2015**

### **Record 2014 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 \$3.653 million, or \$1.63 per share, for the twelve months ended December 31, 2014, a 2.3% increase over the \$3.571 million, or \$1.58 per share, reported for 2013. The Company's return on assets was 1.08% in 2014 compared to 1.05% in 2013. Earnings for the fourth quarter of 2014 were \$808 thousand as compared to \$905 thousand in the same period last year.

#### **Earnings Highlights**

Net interest income only decreased by \$93 thousand or .79%, which reflects management's continued focus on maintaining the Company's net interest margin despite the low interest rate environment. The Company's net interest margin was 3.95%, unchanged from 2013. The decrease in net interest income was due to a decrease in interest income of \$529 thousand offset by a \$436 thousand decrease in total interest expense. The provision for loan losses decreased by \$40 thousand.

Earnings for the fourth quarter of 2014 declined to \$808 thousand from \$905 thousand in the fourth quarter of 2013. Noninterest income increased by \$31 thousand to \$694 thousand from \$663 thousand and noninterest expense increased to \$2.464 million from \$2.337 million. The Company's return on assets was .94% and 1.07% for the fourth quarter of 2014 and 2013, respectively. The Company's net interest margin decreased from 3.99% in the fourth quarter of 2013 to 3.85% in 2014. The Company sees margin compression as a continuing significant challenge in the next year.

As a result of its continued strong earnings performance and the stability of its earnings, the Company announced a 5.56% increase in the quarterly dividend from \$0.18 to \$0.19 per share during the third quarter of 2014. The Company had a dividend yield of 4.04% for 2014, one of the highest among Virginia banks.

#### **Balance Sheet**

At December 31, 2014, total Company assets were \$340.4 million, an increase of \$5.0 million from December 31, 2013. The Bank's loan portfolio ended the period at \$183.0 million, down \$4.6 million from the \$187.6 million reported at year end 2013.

Deposit growth has remained steady as total deposits grew to \$285.5 million from \$282.9 million at year end 2013. Noninterest-bearing demand deposits increased to \$44.8 million and interest-bearing deposits decreased slightly to \$240.6 million from \$42.1 million and \$240.8 million, respectively, at the prior year end.

#### **Capital Strength**

The Company's total equity at December 31, 2014 rose to \$45.7 million. Total risk-based capital and Tier 1 risk-based capital ratios were approximately 25.1% and 23.9%, respectively. The Bank's capital 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 declined to \$158 thousand in 2014 from \$320 thousand in 2013. Nonaccruing loans as a percentage of loans decreased to .87% as of December 31, 2014 from 2.08% at December 31, 2013. Other Real Estate Owned (OREO) has declined from \$6.4 million at December 31, 2013 to \$5.3 million at December 31, 2014.

President and CEO, Joseph D. Borgerding commented, "It is a pleasure to report a third consecutive year of record earnings and a 5.56% increase in the quarterly dividend. As we reflect on the Bank's performance in 2014, we are pleased with our consistent growth in deposits, meaningful progress in the reduction of nonperforming assets and the introduction of our new mobile banking product, which has exceeded our expectations."

## **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) December 31, 2014</b>	<b>December 31, 2013</b>
	<b>2014</b>	<b>2013</b>
Cash and due from banks	\$ 7,290	\$ 7,111
Interest-bearing deposits in banks	411	2,319
Federal funds sold	23,428	11,097
Securities available for sale, at fair market value	102,332	102,046
Restricted securities, at cost	455	558
Loans, net of allowance for loan losses of \$2,331 in 2014 and \$2,339 in 2013	180,698	185,264
Premises and equipment, net	8,003	7,843
Accrued interest receivable	1,666	1,594
Other assets	1,460	2,187
Bank-owned life insurance	9,376	9,065
Other real estate owned, net of valuation allowance of \$217 in 2014 and 2013	5,322	6,370
	<b>\$ 340,441</b>	<b>\$ 335,454</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 44,864	\$ 42,088
Interest-bearing	240,615	240,808
Total deposits	285,479	282,896
Other borrowings	6,695	7,472
Accrued interest payable	273	326
Accrued expenses and other liabilities	2,335	1,319
Total liabilities	294,782	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, 2,233,234 for 2014 and 2,247,429 for 2013	1,116	1,124
Additional paid-in capital	-	-
Retained earnings	44,926	43,173
Accumulated other comprehensive (loss)	(383)	(856)
Total stockholders' equity	45,659	43,441
Total liabilities and stockholders' equity	<b>\$ 340,441</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 December 31, (Unaudited)		Twelve Months Ended December 31, (Unaudited)	
	2014	2013	2014	2013
Interest and Dividend Income				
Loans, including fees	\$ 2,640	\$ 2,786	\$ 10,857	\$ 11,347
Investment securities:				
Taxable	290	321	1,208	1,293
Tax-exempt	278	265	1,106	1,062
Federal Funds sold	12	5	40	26
Other	5	10	33	45
<b>Total interest and dividend income</b>	<b>3,225</b>	<b>3,387</b>	<b>13,244</b>	<b>13,773</b>
Interest Expense				
Deposits	367	443	1,582	1,945
Borrowings	7	10	32	105
<b>Total interest expense</b>	<b>374</b>	<b>453</b>	<b>1,614</b>	<b>2,050</b>
<b>Net interest income</b>	<b>2,851</b>	<b>2,934</b>	<b>11,630</b>	<b>11,723</b>
Provision for loan losses	37	70	150	190
<b>Net interest income after provision for loan losses</b>	<b>2,814</b>	<b>2,864</b>	<b>11,480</b>	<b>11,533</b>
Noninterest Income				
Service charges on deposit accounts	235	227	902	924
Net gain on sales of securities	-	-	-	3
Net gain on sales of loans	34	21	106	111
Income from bank owned life insurance	79	79	312	313
ATM fee income	229	227	921	879
Other	117	109	408	379
<b>Total noninterest income</b>	<b>694</b>	<b>663</b>	<b>2,649</b>	<b>2,609</b>
Noninterest Expense				
Salaries and employee benefits	1,348	1,370	5,434	5,747
Net occupancy expense	152	133	641	599
Equipment expense	106	90	393	349
FDIC deposit insurance	55	62	229	260
Net (gain) loss on sale of other real estate owned	(4)	-	(47)	(4)
Impairment - other real estate owned	10	-	10	-
OREO expenses, net of rental income	53	31	112	64
Other	744	651	2,542	2,416
<b>Total noninterest expense</b>	<b>2,464</b>	<b>2,337</b>	<b>9,314</b>	<b>9,431</b>
<b>Income before income taxes</b>	<b>1,044</b>	<b>1,190</b>	<b>4,815</b>	<b>4,711</b>
Income taxes	236	285	1,162	1,140
<b>Net income</b>	<b>\$ 808</b>	<b>\$ 905</b>	<b>\$ 3,653</b>	<b>\$ 3,571</b>
<b>Earnings per share, basic &amp; diluted</b>	<b>\$ 0.36</b>	<b>\$ 0.40</b>	<b>\$ 1.63</b>	<b>\$ 1.58</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, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
<b>Per Share Data:</b>					
Earnings per weighted average share	\$0.36	\$0.42	\$0.44	\$0.42	\$0.40
Weighted average shares outstanding	2,233,384	2,235,059	2,240,122	2,242,754	2,248,371
outstanding	2,333,234	2,233,959	2,238,509	2,242,179	2,247,429
Book value per share at period end	\$ 20.45	\$ 20.62	\$ 20.44	\$ 19.88	\$ 19.33
Dividend per share	\$ 0.19	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18
<b>Performance Ratios:</b>					
Return on average assets	0.94%	1.08%	1.15%	1.13%	1.07%
Net interest margin, (FTE) <sup>1</sup>	3.85%	3.87%	4.02%	4.06%	3.99%
Efficiency ratio <sup>2</sup>	66.88%	62.08%	60.93%	61.33%	62.67%
<b>Capital and Other Ratios:</b>					
<b>(Ratios are period end, unless stated otherwise)</b>					
Tier 1 leverage ratio	13.59%	13.41%	13.26%	13.29%	13.17%
Total risk-based capital ratio	25.14%	24.73%	24.58%	24.19%	23.84%
Allowance for loan losses to total loans	1.27%	1.29%	1.27%	1.28%	1.25%
Nonaccruing loans to total loans	0.87%	1.34%	1.60%	1.80%	2.08%
Net charge-offs (net recoveries) to average loans (annualized)	0.21%	0.03%	0.10%	0.00%	-0.02%

<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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