GREAT NECK, N.Y., Oct. 18, 2013 /PRNewswire/ -- **Community National Bank (OTC: CBNY)** today announced third quarter results for 2013. Highlights for the quarter include:

- Commercial loans grew $134.4 million or 45% to $434.0 million at September 30, 2013 when compared to September 30, 2012.
- On a linked-quarter basis, commercial loans increased $61.8 million or 17% when compared to June 30, 2013.
- Net interest income increased 26% or $1.4 million to $6.7 million for the quarter ended September 30, 2013 compared to $5.3 million for the quarter ended

September 30, 2012
.
- Net interest margin improved 17 basis points to 3.73% for the quarter ended September 30, 2013
from 3.56% for the same period in 2012.
- Demand deposits increased $45.3 million or 33% to $181.7 million at September 30, 2013 when compared to
September 30, 2012
.
- Solid asset quality with non-performing assets to total assets of 0.19%.

Stuart Lubow, Chairman, CEO and President, commented "During the third quarter of 2013, we continued to make tremendous strides in growing the franchise. The Bank had strong commercial loan and core deposit growth, which significantly increased net interest income and service fee income. The Bank grew assets to approximately $800 million during the third quarter; and we opened our eleventh branch location in
Hewlett
and relocated our corporate headquarters to
Melville
. The growth in assets, continued geographic expansion and new corporate location has increased our brand awareness and made our franchise a premier community commercial bank on
Long Island
."

Earnings and Net Interest Income

Net income for the quarter ended September 30, 2013 was $254 thousand or $0.04 basic earnings per share compared to net income of
$960 thousand
or
$0.14
basic earnings per share for the same period in 2012, a decrease of 73% or
$706 thousand
. Net income for the nine months ended
September 30, 2013
was
$2.0 million
or
$0.30

basic earnings per share compared to net income of
$2.2 million
or
$0.32
basic earnings per share for the same period in 2012, a decrease of 7.8% or
$169 thousand
.

The decrease in net income reflects higher credit costs and non-interest expense, which were partially offset by higher net interest income and service charges generated from loan growth.

"While higher credit costs and non-interest expense negatively impacted third quarter earnings, the Bank continues to execute its strategic initiatives of growing net interest income, service charge income and servicing income. Our loan growth is relationship driven and provides a stable core deposit base to collect recurring fees from loyal customers willing to pay for quality service. The growth in core earnings during the quarter will benefit the Bank in the future," commented Mr. Lubow.

Net interest income for the quarter ended September 30, 2013 increased $1.4 million or 26% to
$6.7
million
from
$5.3 million
for the quarter ended
September 30, 2012
. The net interest margin increased 17 basis points to 3.73% for the third quarter of 2013 compared to 3.56% for the same period in 2012. Net interest income for the nine months ended
September 30, 2013
increased
$4.2 million
or 27% to
$19.4 million
from
$15.2 million
for the nine months ended
September 30, 2012
. The net interest margin also increased by 18 basis points to 3.78% for the nine months ended
September 30, 2013
from 3.60% for the comparable period in the prior year. On a linked-quarter basis, the net interest margin decreased by a modest 8 basis points.

The increase in net interest income and margin for both the quarter and nine months ended Sep tember 30, 2013
was primarily due to (1) growth in the commercial and residential loan portfolios; (2) higher non-interest bearing demand deposits; and (3) a continued decline in overall cost of funds on deposits and FHLB advances.

Non-Interest Income

Non-interest income decreased approximately $264 thousand or 21% to $1.0 million for the quarter ended
September 30, 2013
compared to
$1.3 million
for the prior year quarter. The decrease during the quarter was due to lower SBA sales volume and income from Bank Owned Life Insurance ("BOLI"). This was partially offset by an increase in service charge income on commercial checking accounts and servicing income on the SBA loan portfolio. Non-interest income for the nine months ended
September 30, 2013
increased
$221 thousand
or 8% to
$3.0 million
from
$2.8 million
for the same period in 2012. The increase was mostly attributable to significantly higher service charge income, which were partially offset by lower gains from the sale of investments.

Non-Interest Expense

Non-interest expense increased $755 thousand or 16% to $5.4 million for the quarter ended Se ptember 30, 2013
from
$4.6 million
for the same period in 2012. Non-interest expense increased
$2.4 million
or 18% to

$15.7 million
for the nine months ended
September 30, 2013
from
$13.3 million
for the same period in 2012. The increase reflects investments in new facilities, enhancements in technology, additional personnel to support the Bank's growth and higher legal fees and compliance costs. Although non-interest expenses have increased in 2013, the Bank's ratio of operating expenses to average assets decreased to 2.83% in the third quarter of 2013 from 2.90% in the third quarter of 2012.

Balance Sheet

Total loans increased $157.3 million or 34% to $615.7 million at September 30, 2013 when compared to
September 30, 2012
. The commercial loan portfolio increased
$134.4 million
or 45% when compared to
September 30, 2012
. The residential and consumer loan portfolio increased
$22.8 million
or 14% when compared to
September 30, 2012
. The loan growth was funded by increased demand deposits, municipal deposits, and certificates of deposit.

Total deposits increased $150.7 million or 28% to $693.0 million at September 30, 2013 from $ 542.3 million
at
September 30, 2012
. Demand deposits grew
$45.3 million
or 33% to
$181.7 million
at
September 30, 2013
when compared to
September 30, 2012
. The increase was due to additional commercial business relationships. Demand deposits

represent 26% of total deposits at
September 30, 2013
. NOW, savings and money market deposits increased
$91.4 million
or 40% to
$316.2 million
at
September 30, 2013
from
$224.8 million
at
September 30, 2012
. A significant portion of this growth was from new municipal deposit relationships. Certificates of deposits increased
$13.9 million
or 7.6% to
$195.1 million
at
September 30, 2013
, due to the Bank's competitive pricing in the local market.

Asset Quality

On a linked-quarter basis, the provision for loan losses grew 102% to $2.0 million for the quarter ended
September 30, 2013
from
$1.0 million
for the quarter ended
June 30
, 2013. Approximately
$1.3 million
of the provision for the quarter ended
September 30, 2013
was due to general valuation reserves, which are required when a loan is originated. The remaining provision amount of
$0.7 million
was for specific reserves required on several classified loans. The classified loans are current and management is working with the borrowers to restructure the original loans terms.

Non-performing loans, consisting of loans past due 90 days or more, were $1.5 million at September 30, 2013, which was flat when compared to September 30, 2012. Non-performing loans as a percentage of total loans decreased to 0.25% at September 30, 2013 from 0.32% at September 30, 2012.

The allowance for loan losses was $8.9 million or 1.45% of total loans at September 30, 2013, an increase of approximately $3.0 million from $5.9 million or 1.29% of total loans at September 30, 2012. The Bank had net charge-offs of $1.3 million during the third quarter of 2013. The Bank took a prudent approach and charged-off the remaining loan balances of three borrowers. The Bank has legal action against each borrower and hopes to recover a portion of the losses in the future. The Bank did not have any charge-offs during the first six months of 2013.

The Bank did not have any other real estate owned at September 30, 2013. It had one property classified as other real estate owned at September 30, 2012, that was sold at its approximate carrying value in the fourth quarter of 2012.

Current Events

"Uncertainty continues to plague the economy. Additional regulations and speculation that the Federal Reserve Bank's bond buying program might end or slow down led to a significant increase in rates over the summer and might slow GDP growth in future quarters. Higher long-term interest rates should help alleviate margin compression as new loans and securities are originated at higher rates. In the short term, higher rates negatively affected the fair value of our available-for-sale securities portfolio, which resulted in unrealized losses and a reduction in stockholders' equity," noted Mr. Lubow.

"The Bank is cognizant of the historical low interest rate environment we are in" commented Mr. Lubow. "We continue to manage interest rate risk by originating adjustable rate loans, reducing the duration on our securities portfolio, increasing demand deposits and extending the maturities of certificates of deposit and FHLB advances. While these decisions impact current earnings due to lower asset yields and/or higher costs of funds, we believe they are prudent moves in this environment," commented Mr. Lubow.

"Additional regulations required under the Dodd-Frank Act continue to be issued and in July 2013 , the regulatory agencies issued the final capital rules under Basel III, which become effective for the Bank in January 2015 . While the final rules are more favorable to community banks, it does require that all banks maintain higher capital levels in the future. We believe our current capital levels would meet these new requirements," concluded Mr. Lubow.

Further information about the financial condition and performance of Community National Bank is available from its Call Reports filed by the Bank with the FDIC and available on the FDIC website at: http://research.fdic.gov/bankfind/ . The Bank expects to file its September 30, 2013 Call Report on or around October 30, 2013 .

ABOUT COMMUNITY NATIONAL BANK

Community National Bank is a Long Island based independent commercial bank and operates eleven locations in Nassau, Suffolk, Queens, and M anhattan Counties. We offer a full range of modern financial services, backed by state-of-the-art technology. In addition to commercial loans, commercial mortgages, small business loans and lines of credit and residential mortgages, CNB also provides a complete selection of traditional personal and commercial deposit products such as no fee individual and business checking accounts, IRA accounts and statement savings.

Cautionary Statement about Forward-Looking Statements

This release contains certain "forward looking statements" about CNB which, to the extent applicable, are intended to be covered by the safe harbor for forward looking statements provided under the Federal securities laws and, regardless of such coverage, you are cautioned about. Examples of forward-looking statements include but are not limited to, CNB's financial condition, capital ratios, results of operations and outlook. Forward-looking statements are not historical facts. Such statements may be identified by the use of such words as "may," "believe," "expect," "anticipate," "plan," "continue," or similar terminology. These statements relate to future events or our future financial performance and involve risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we caution you not to place undue reliance on these forward-looking statements. Factors which may cause our forward looking statements to be materially inaccurate include, but are not limited to, a unexpected deterioration in our loan portfolio, unexpected increases in our expenses, greater than anticipated growth, unanticipated regulatory action, unexpected changes in interest rates, a loss of key personnel, an unanticipated loss of existing customers, competition from other institutions causing us unanticipated changes in our deposit or loan rates, increases in FDIC insurance costs and unanticipated adverse changes in our customers' economic conditions or economic conditions in our local area generally. Forward-looking statements speak only as of the date of this press release We do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

COMMUNITY NATIONAL BANK

STATEMENTS OF INCOME

Unaudited

For The Three Months Ended

For The Nine Months Ended

September 30,

September 30,

September 30,

September 30,

2013

2012

2013

2012

Interest Income:

Commercial Loans

$5,350,569

$4,198,087

$15,478,583

$11,923,062

Residential and Consumer Loans

1,695,999

1,631,210

5,014,585

4,900,144

Securities

583,095

587,751

1,675,205

1,799,226

Money Market Investments

12,880

11,183

33,418

28,478

Total Interest Income

7,642,543

6,428,231

22,201,791

18,650,910

Interest Expense:

NOW, Savings & Money Market

221,026

234,914

601,830

673,883

Certificates of Deposit

592,162

707,539

1,761,837

2,272,297

Borrowed Funds

118,059

138,624

406,196

444,347

Total Interest Expense

931,247

1,081,077

2,769,863

3,390,527

Net Interest Income

6,711,296

5,347,154

19,431,928

15,260,383

Provision For Loan Losses

2,015,000

475,000

3,630,000

1,393,000

Net Interest Income After Provision for Loan Losses

4,696,296

4,872,154

15,801,928

13,867,383

Non-Interest Income:

Service Charges

301,609

140,704

816,119

441,160

Servicing Income & Loan Fees

143,632

136,067

373,127

309,030

Gain on Sale of Investments

-

141,217

29,439

273,793

Gain on Sale of Loans

394,166

656,256

1,315,925

1,219,189

BOLI Income

148,241

177,812

454,497

525,108

Total Non-Interest Income

987,648

1,252,056

2,989,107

2,768,280

Non-Interest Expense:

Compensation and Benefits

2,665,323

2,355,625

7,852,462

6,772,330

Occupancy and Equipment

1,350,272

1,168,866

3,993,063

3,379,179

Advertising

65,403

59,409

173,711

158,794

Other Expenses

1,297,440

1,039,594

3,634,577

2,978,496

Total Non-Interest Expense

5,378,438

4,623,494

15,653,813

13,288,799

Income Before Income Taxes

305,506

1,500,716

3,137,222

3,346,864

Provision For Income Taxes

51,915

541,050

1,146,916

1,188,004

Net Income

$253,591

$959,666

$1,990,306

$2,158,860

Earnings Per Share:

Basic

$0.04

$0.14

$0.30

$0.32

Diluted

$0.04

$0.14

$0.30

$0.32

Weighted Average Shares Outstanding – Basic

6,673,181

6,673,181

6,673,181

6,673,181

Weighted Average Shares Outstanding – Diluted

6,792,969

6,697,675

6,736,313

6,693,592

COMMUNITY NATIONAL BANK

STATEMENTS OF INCOME

Unaudited

For the Three Months Ended

September 30,

June 30,

December, 31

September 30,

2013

2013

2012

2012

Interest Income:

Commercial Loans

$5,350,569

$5,194,321

$4,503,513

$4,198,087

Residential and Consumer Loans

1,695,999

1,670,716

1,626,252

1,631,210

Securities

583,095

551,025

541,214

587,751

Money Market Investments

12,880

10,823

23,148

11,183

Total Interest Income

7,642,543

7,426,885

$6,694,127

6,428,231

Interest Expense:

NOW, Savings & Money Market

221,026

175,984

229,149

234,914

Certificates of Deposit

592,162

592,243

649,781

707,539

Borrowed Funds

118,059

155,129

125,485

138,624

Total Interest Expense

931,247

923,356

1,004,415

1,081,077

Net Interest Income

6,711,296

6,503,529

5,689,712

5,347,154

Provision For Loan Losses

2,015,000

995,000

800,000

475,000

Net Interest Income After Provision for Loan Losses

4,696,296

5,508,529

4,889,712

4,872,154

Non-Interest Income:

Service Charges

301,609

267,690

189,246

140,704

Servicing Income & Loan Fees

143,632

134,972

99,005

136,067

Gain on Sale of Investments

-

-

6,788

141,217

Gain on Sale of Loans

394,166

575,299

289,091

656,256

BOLI Income

148,241

148,137

196,659

177,812

Total Non-Interest Income

987,648

1,126,098

780,789

1,252,056

Non-Interest Expense:

Compensation and Benefits

2,665,323

2,639,070

2,380,164

2,355,625

Occupancy and Equipment

1,350,272

1,340,234

1,141,651

1,168,866

Advertising

65,403

67,045

59,419

59,409

Other Expenses

1,297,440

1,263,153

1,039,938

1,039,594

Total Non-Interest Expense

5,378,438

5,309,502

4,621,172

4,623,494

Income Before Income Taxes

305,506

1,325,125

1,049,329

1,500,716

Provision For Income Taxes

51,915

530,999

356,929

541,050

Net Income

$253,591

$794,126

$692,400

$959,666

Earnings Per Share:

Basic

$0.04

$0.12

$0.10

$0.14

Diluted

$0.04

$0.12

$0.10

$0.14

Weighted Average Shares Outstanding – Basic

6,673,181

6,673,181

6,673,181

6,673,181

Weighted Average Shares Outstanding – Diluted

6,792,969

6,767,440

6,701,691

6,697,975

COMMUNITY NATIONAL BANK

STATEMENTS OF CONDITION

Unaudited

September 30,

June 30,

December, 31

September 30,

2013

2013

2012

2012

Assets:

Cash and Due From Banks

$8,323,492

$7,927,992

$13,453,651

$7,666,354

Money Market Investments

26,344,244

18,966,565

7,391,467

31,922,204

Securities - Available-for-Sale

106,001,818

107,982,445

100,126,177

109,974,255

Restricted Stock

4,121,350

5,494,450

3,904,850

3,922,650

Total Securities

110,123,168

113,476,895

104,031,027

113,896,905

Loans Held-For-Sale

-

-

-

500,000

Commercial Loans

434,020,481

372,236,723

351,587,251

299,607,536

Residential & Consumer Loans

181,653,928

176,034,480

160,030,011

158,791,493

Gross Loans Held-For-Investment

615,674,409

548,271,203

511,617,262

458,399,029

Less: Allowance For Loans Losses

(8,942,236)

(8,228,359)

(6,606,498)

(5,904,167)

Net Loans Held-For-Investment

606,732,173

540,042,844

505,010,764

452,494,862

Premises and Equipment, net

10,927,997

9,590,787

8,709,570

8,869,722

Bank Owned Life Insurance ("BOLI")

19,948,355

19,800,850

19,493,857

19,297,199

Other Assets

14,930,676

8,246,406

7,693,014

9,280,117

Total Assets

$797,330,105

$718,052,339

$665,783,350

$643,927,363

Liabilities and Stockholders' Equity:

Deposits:

Demand

$181,740,742

$169,896,257

$155,877,268

$136,410,679

NOW, Savings & Money Market

316,213,221

230,706,025

233,241,844

224,776,773

Certificates of Deposit

195,077,799

184,636,337

174,223,625

181,175,999

Total Deposits

693,031,762

585,238,619

563,342,737

542,363,451

FHLB Advances

26,438,035

56,951,949

$24,970,887

25,475,945

Accrued Expenses and Other Liabilities

6,550,574

4,170,988

5,666,170

4,983,042

Total Liabilities

726,020,371

646,361,556

593,979,794

572,822,438

Stockholders' Equity:

Common Stock, par value $5.00; authorized

10,000,000 shares; issued 6,673,181 shares

33,365,905

33,365,905

33,365,905

33,365,905

Additional Paid-in-Capital

34,295,244

34,228,336

34,101,246

34,037,538

Retained Earnings

5,445,598

5,192,007

3,455,292

2,762,891

Unrealized (Loss)/Gain on Securities

(1,797,013)

(1,095,465)

881,113

938,591

Total Stockholders' Equity

71,309,734

71,690,783

71,803,556

71,104,925

Total Liabilities and Stockholders' Equity

$797,330,105

$718,052,339

$665,783,350

$643,927,363

COMMUNITY NATIONAL BANK

SELECTED FINANCIAL DATA & BALANCE SHEET COMPONENTS

Unaudited

For The Three Months Ended

For The Nine Months Ended

September 30,

September 30,

September 30,

September 30,

2013

2012

2013

2012

Per Share:

Net Income-Basic

$0.04

$0.14

$0.30

$0.32

Average Shares Outstanding – Basic

6,673,181

6,673,181

6,673,181

6,673,181

Net Income – Diluted

$0.04

$0.14

$0.30

$0.32

Average Shares Outstanding – Diluted

6,792,969

6,697,675

6,736,313

6,693,592

Tangible Book Value

$10.69

$10.66

$10.69

$10.66

Performance:

Return on Average Assets

0.13%

0.60%

0.37%

0.48%

Return on Average Equity

1.42%

5.46%

3.68%

4.16%

Efficiency Ratio

69.86%

70.06%

69.82%

73.71%

Yield on Average Earning Assets

4.25%

4.28%

4.32%

4.40%

Cost on Average Interest Bearing Liabilities

0.74%

1.00%

0.77%

1.10%

Cost of Deposits

0.51%

0.70%

0.53%

0.79%

Net Interest Spread

3.51%

3.28%

3.55%

3.30%

Net Interest Margin

3.73%

3.56%

3.78%

3.60%

Quarter Ended

September 30,

June 30,

December 31,

September 30,

2013

2013

2012

2012

Capital Ratios:

Tangible Common Equity

8.94%

9.98%

10.78%

11.04%

Leverage

9.62%

10.10%

10.35%

10.70%

Tier 1

12.39%

13.90%

13.85%

15.28%

Total Risk Based

13.64%

15.16%

15.10%

16.53%

Asset Quality:

Allowance for Loan Losses to Total Loans

1.45%

1.50%

1.29%

1.29%

Allowance for Loan Losses to Non-Performing Loans

577%

386%

456%

406%

Non-Performing Loans to Total Loans

0.25%

0.39%

0.28%

0.32%

Non-Performing Assets to Total Assets

0.19%

0.30%

0.22%

0.31%

Annualized Quarterly Net Charge offs to Avg. Loans

0.88%

0.00%

0.08%

-0.03%

Yield on Average Earning Assets

4.25%

4.35%

4.30%

4.28%

Cost on Average Interest Bearing Liabilities

0.74%

0.78%

0.91%

1.00%

Cost of Deposits

0.51%

0.53%

0.63%

0.70%

Net Interest Spread

3.51%

3.57%

3.38%

3.28%

Net Interest Margin

3.73%

3.81%

3.65%

3.56%

SOURCE Community National Bank