

Citizens Community Bank Announces Third Quarter 2013 Financial Results

Written by Australian Business

SOUTH HILL, Va., Oct. 18, 2013 /PRNewswire/ -- Citizens Community Bank (OTCQB: CZYB) today announced its unaudited results of operations for the third quarter of 2013.

Earnings

Citizens Community Bank is pleased to announce net income to common shareholders of \$154,690 after preferred stock dividends of \$10,000 for the third quarter of 2013, compared to a loss of \$(162,755) after preferred stock dividends of \$50,004 for the third quarter of 2012. On a basic and diluted basis, this was equivalent to \$0.10 per share compared to \$(0.11) per share for the third quarter of 2012.

President and CEO James R. Black stated, "I am pleased with our third quarter results, but even more pleased with our team's effort and ability to execute our strategic initiatives. We continue to focus on improving asset quality metrics while simultaneously posturing ourselves for future growth and expansion. Our relentless commitment and ability to deliver excellent customer service, combined with various tactics that are currently underway, is expected to enhance our future financial performance and the CCB brand."

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In comparing the third quarter of 2013 to the same quarter in 2012, net interest revenue decreased by \$140,130 or 9.5%. This resulted from a contracting net interest margin, which equaled 3.64%, down 32 basis points from the third quarter of 2012 and down 15 basis points from the second quarter of 2013. The earning asset yield was 4.62% for the third quarter of 2013, which was down 48 basis points from one year ago. For the same period, funding costs were 1.22%, down 18 basis points from the third quarter of 2012.

Noninterest income totaled \$220,569 for the third quarter of 2013, compared to \$223,809 for the same period of 2012. For the nine months ended September 30, 2013, noninterest income totaled \$652,869 compared to \$634,130 for the period ended September 30, 2012. This increase of 3.0% is attributed primarily to fee income related to expanded products and services offered. Noninterest expense decreased by \$119,557 or 8.2% for the third quarter of 2013 compared to the same period of 2012. On a year-to-date basis, noninterest expense was \$4,959,281 compared to \$4,300,718 at September 30, 2012. This increase of \$658,563 is due primarily to aggressive write-downs and disposal of other real estate owned. As the Bank completes disposal of other real estate owned, it anticipates a corresponding reduction in legal and collection fees associated with this activity.

Growth

At September 30, 2013, total assets were \$160.9 million, down \$1.6 million, or 1.0% from December 31, 2012. Gross loans were \$125.3 million, a decrease of \$7.0 million.

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or 5.3% from
December 31, 2012
, and a decrease of
\$5.8 million
or \$4.4% from
September 30
, 2012. However, recent increases in loan demand in the local market have resulted in a
\$1.6 million
net increase in loans since
June 30
, 2013. The securities portfolio balance increased by
\$6.4 million
or 46.0% from
December 31, 2012
. Deposits totaled
\$136.9 million
, a decrease of
\$1.7 million
1.2% from
December 31, 2012
. Over the same comparable period, noninterest bearing demand deposits increased
\$3.6 million
or 19.7%. The Bank funded a portion of its earning asset growth through attractively-priced
FHLB advances with
\$3 million
outstanding at
September 30, 2013
, compared to
\$2 million
at
December 31
, 2012.

Asset Quality

The allowance for loan losses at September 30, 2013 was 1.83% compared to 1.90% at September 30, 2012
and 1.64% at
December 31
, 2012. As a result of improvements in asset quality, the Bank did not make any provision to the loan loss reserve for the third quarter of 2013, compared to
\$434 thousand

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for the third quarter of 2012. On a year-to-date basis, the Bank has made a provision of \$917 thousand, compared to \$599 thousand for 2012. The ratio of net charge-offs to average loans was 0.6% or \$793 thousand at September 30, 2013 and \$769 thousand at September 30, 2012. Nonperforming loans, which include performing troubled debt restructurings, equaled \$3,211,039 or 2.6% of loans compared to \$6,846,160 or 5.2% at September 30, 2012. There were no loans 90 days past due and still accruing interest at September 30, 2013.

At September 30, 2013, other real estate owned totaled \$1.1 million compared with \$2.5 million at year end 2012 and \$2.4 million at September 30, 2012. During the first three months of 2013, the bank wrote down its other real estate portfolio by \$961 thousand; however no additional valuation write downs have been necessary since the first quarter. In aggregate, nonperforming assets equaled \$4.4 million or 2.7% of total assets at September 30, 2013, compared to \$9.2 million or 5.6% of total assets at September 30, 2012, a reduction of \$4.9 million or 52.8%.

Capital

As of September 30, 2013, total risk-based capital was 16.7% compared to 17.8% one year ago, and significantly higher than the 10.0% minimum regulatory requirement for well capitalized institutions. The Tier 1 leverage ratio was 12.3%, down from 13.7% at September 30, 2012. Through origination of high quality small business loans, the Bank met the target growth necessary to secure a 1% dividend rate on the SBLF preferred stock to January 1, 2016, resulting in a potential annual savings of \$160,000.

Citizens Community Bank is a Virginia state chartered bank headquartered in South Hill, Virginia. Opened in December 1999, it operates four branches, three in south central Virginia and one in northern North Carolina as well as a loan production office in Oxford, North Carolina. For more information and additional financial data, please visit www.ccbsite.com.

This press release contains "forward-looking statements" that concern future events which are subject to risks and uncertainties. Any such statements are based on certain assumptions and analyses by the Bank and other factors it believes are appropriate in the circumstances and at the time at which such statements are made. The Bank's actual results, events and developments may differ materially from those contemplated by any forward-looking statement. The Bank has no responsibility to update such forward-looking statements.

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Financial Highlights

(Unaudited)

(Actual dollars, except per share data)

□ **Three months ended September 30,**

Nine months ended September 30,

Selected Operating Data:

2013

2012

2013

2012

Net interest income

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\$ 1,334,073

\$ 1,474,203

\$ 4,137,550

\$ 4,408,772

Provision for loan losses

-

434,137

917,000

599,137

Noninterest income

220,569

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223,809

652,869

634,130

Noninterest expense

1,333,914

1,453,470

4,959,281

4,300,718

Income (loss) before income tax

220,728

(189,596)

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(1,085,862)

143,047

Income tax expense (benefit)

56,038

(75,845)

(416,605)

1,146

Net income (loss)

\$ 164,690

\$ (113,751)

\$ (669,257)

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\$ 141,901

Less: Preferred dividends

\$ 10,000

\$ 50,004

\$ 30,000

\$ 149,827

Net income (loss) available to common

shareholders

\$ 154,690

\$ (162,755)

\$ (699,257)

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\$ (7,927)

Income (loss) per share available to

common shareholders:(1)

Basic

\$0.10

(\$0.11)

(\$0.47)

(\$0.01)

Diluted

\$0.10

(\$0.11)

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(\$0.47)

(\$0.01)

Average shares outstanding, basic

1,505,564

1,500,948

1,502,504

1,500,948

Average shares outstanding, diluted

1,505,564

1,500,948

1,502,504

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1,500,948

(1) share amounts revised to show restricted stock grants awarded July 1, 2013.

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Financial Highlights

(Actual dollars, except per share data)

September 30,

December 31,

September 30,

Balance Sheet Data:

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2013

2012

2012

Total assets

\$ 160,895,983

\$ 162,545,826

\$ 163,798,851

Loans, net of ALLR

123,040,050

130,187,810

128,627,836

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Deposits

136,934,174

138,637,742

138,986,623

Borrowings

3,000,000

2,000,000

2,000,000

Preferred stock

4,000,000

4,000,000

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4,000,000

Stockholders' equity

20,667,232

21,533,801

22,562,410

Book value per share (1) (2)

\$ 11.07

\$ 11.68

\$ 12.37

Total shares outstanding (2)

1,505,564

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1,500,948

1,500,948

Three months ended September 30,

Nine months ended September 30,

Performance Ratios:

2013

2012

2013

2012

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Return on average assets

0.39%

(0.40%)

(0.58%)

(0.01%)

Return on average common equity

3.69%

(3.42%)

(5.53%)

(0.05%)

Net interest margin

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3.64%

3.96%

3.77%

4.02%

Overhead efficiency

85.80%

85.54%

103.53%

85.28%

September 30,

December 31,

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September 30,

Asset Quality Data:

2013

2012

2012

Allowance for loan loss

\$ 2,299,643

\$ 2,176,065

\$ 2,495,358

Nonperforming assets

4,353,091

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7,099,420

9,224,560

Nonperforming loans (3)

3,211,039

4,581,786

6,846,160

Other real estate owned

1,142,052

2,517,634

2,378,400

Net charge-offs (recoveries)

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793,422

1,362,006

768,579

September 30,

December 31,

September 30,

Asset Quality Ratios:

2013

2012

2012

Allowance for loan loss to total loans

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1.83%

1.64%

1.90%

Nonperforming loans to total loans

2.56%

3.46%

5.22%

Nonperforming assets to total assets

2.71%

4.37%

5.63%

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Net charge-offs (recoveries) to

average loans (4)

0.62%

1.65%

0.60%

Capital Ratios:

Total risk-based capital

16.72%

16.67%

17.80%

Tier 1 risk-based capital

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15.46%

15.42%

16.54%

Tier 1 leverage capital

12.29%

12.60%

13.69%

Note: (1) Book value excludes \$4,000,000 of preferred stock for September 30, 2013, December 31, 2012, and September 30, 2011.

(2) Shares outstanding reflect issuance of restricted stock awards on July 1, 2013.

(3) Includes troubled debt restructurings of \$613,287 and \$777,296, for September 30, 2013 and 2012, respectively.

(4) Annualized rates for the quarter ended September 30, 2013 and 2012, respectively.

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