



## MIDDLETOWN VALLEY BANK, INC. REPORTS RESULTS FOR THE THIRD QUARTER 2018

Company Release – October 22, 2018

MIDDLETOWN, Md – (PRNewsire) -- Middletown Valley Bank, Inc. (the "Bank") (OTCPink: MNVB) reported record total assets for the third quarter of 2018 of \$428.8 million, an increase of \$104.1 million (32%) versus third quarter ended September 30, 2017. Net income for the quarter ended September 30, 2018 was \$474.2 thousand and earnings per share of \$0.21 (share count is 750.8 thousand higher in 3Q18 vs. 3Q17,) as compared to net income of \$513.5 thousand and earnings per share of \$0.35 recorded for the third quarter 2017. The Bank earned \$1.7 million with earnings per share of \$0.75 for the nine months ended on September 30, 2018, as compared to \$1.4 million in earnings and earnings per share of \$0.96 for the same period in 2017.

The decrease in third quarter 2018 earnings of \$39.2 thousand versus third quarter 2017 was due to a \$273.8 thousand increase in the provision for loan losses driven by \$89 million in new loan growth and a \$674.7 thousand increase in noninterest expense more than offsetting the increases of: \$754.5 thousand increase in net interest income, \$22.9 thousand increase in noninterest income, and a \$131.7 thousand decrease in income taxes. Net interest income year over year increase of \$754.4 thousand was driven by average loan balances increasing \$86.8 million to \$331.2 million, more than offsetting the lower net interest margin (NIM). The Bank made a strategic decision to lengthen our liabilities in the early third quarter 2018 to lock in funding costs ahead of expected future interest rate increases. Income taxes were again positively impacted by the lowered corporate tax rate. Non-interest expense growth was primarily caused by an increase in personnel expenses (73% of increase) and occupancy (11% of increase) as the Bank continues to build out staffing to support the continued growth.

The ratio of Allowance for loan losses to total loans were 0.99% and 1.08% for the quarters ended September 30, 2018 and 2017, respectively, as the overall loan portfolio continues to see improvement in credit quality. Nonperforming assets to total loans were 1.06% and 1.03% as of September 30, 2018 and 2017, respectively.

The balance sheet growth mentioned previously for the third quarter ended September 30, 2018 was driven by net loan growth of \$89.1 million (35%) to \$340.2 million, a \$7.5 million increase in cash to \$24.9 million, and a \$6.1 million in increase in investments which were funded by a \$83.0 million (28.3%) increase in deposits, \$5.0 million in borrowings, and a \$13.7 million increase in equity due to the fourth quarter 2017 common equity capital raise and retained earnings. The dividend declared was \$0.03 and \$0.02 per share for the third quarter ended September 30, 2018 and 2017, respectively.

*This press release may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can generally be identified by the use of forward- looking terminology such as "believes," "expects," "intends," "may," "will," "should," "anticipates" or similar terminology. Such statements, specifically regarding the Company's intentions regarding transparency, growth and market expansion, are subject to risks and uncertainties that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, changes in interest rates, stock market liquidity, deposit flows, loan demand and real estate values, as well as changes in economic, competitive, governmental, regulatory, technological and other factors which may affect the Company specifically, its existing and target market areas or the banking industry in general. The realization or occurrence of these risks or uncertainties could cause actual results to differ materially from those addressed in the forward-looking statements.*

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## Middletown Valley Bank

### **Selected Financial Data**

	<b>September 30,</b>	<b>September 30,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>		<b>2017</b>
<i>(dollars in thousands)</i>	(unaudited)	(unaudited)		(audited)
Total Assets	\$ 428,841	\$ 324,663		\$ 361,224
Loans	340,189	251,088		280,183
Deposits	375,411	292,444		315,932
Shareholder's equity	44,252	30,518		43,388
<b>Nonperforming Assets:</b>				
Accruing troubled debt restructures	\$ 738	\$ 766		\$ 759
Loans 90 past due and still accruing	-	-		-
Nonaccrual loans	3,098	1,841		3,134
Foreclosed properties	167	167		167
<b>Total nonperforming assets</b>	<b>\$ 4,003</b>	<b>\$ 2,774</b>		<b>\$ 4,060</b>

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
<b>Summary of Operating Results</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<i>(dollars in thousands)</i>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Pre-allowance for loan loss provision, pre-tax net income	\$ 1,009,170	\$ 906,463	\$ 2,824,722	\$ 2,562,953
Allowance for loan loss provision, pre-tax	381,913	108,108	563,913	377,903
Tax expense	153,056	284,813	583,749	768,334
<b>Net Income</b>	<b>\$ 474,201</b>	<b>\$ 513,542</b>	<b>\$ 1,677,060</b>	<b>\$ 1,416,716</b>
Charge-Offs	\$ 13	\$ 10	\$ 122	\$ 128
(Recoveries)	(3)	(2)	(10)	(6)
<b>Net charge-offs</b>	<b>\$ 10</b>	<b>\$ 8</b>	<b>\$ 112</b>	<b>\$ 122</b>

### **Per Common Share Data**

Basic earnings per share	\$ 0.21	\$ 0.35	\$ 0.75	\$ 0.96
Common shares outstanding	2,233,820	1,482,975	2,233,820	1,482,975
Dividends declared	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.06
Book value per share	\$ 19.81	\$ 20.58	\$ 19.81	20.58

### **Selected Unaudited Financial Ratios**

Return on average assets	0.43%	0.63%	0.58%	0.66%
Return on average equity	3.99%	7.12%	5.09%	7.52%
Allowance for loan losses to total loans	0.99%	1.08%	0.99%	1.08%
Nonperforming assets to total loans	1.06%	1.03%	1.06%	1.03%
Net charge-offs to average loans	0.00%	0.00%	0.04%	0.06%
Common equity tier 1 to risk-weighted assets	14.03%	12.94%	14.03%	12.94%
Tier 1 capital to risk-weighted assets	14.03%	12.94%	14.03%	12.94%
Total capital to risk-weighted assets	15.28%	14.19%	15.28%	14.19%
Average equity to average assets	10.32%	9.40%	10.32%	9.40%
Net interest margin	3.55%	3.69%	3.64%	3.63%
Loan to deposit ratio	91.50%	86.11%	91.50%	86.11%