



Community
Heritage
Financial, Inc.

Community Heritage Financial, Inc. Reports Results for the First Quarter of 2019

Company Release – April 22, 2019

MIDDLETOWN, Md – (PRNewsire) – Community Heritage Financial, Inc. (“the Company”) (OTCPink: CMHF), the parent company for Middletown Valley Bank (“MVB”) and Millennium Financial Group, Inc. (“Mlend”), announced today that, for the quarter ended March 31, 2019, the Company earned net income of \$305.5 thousand or \$0.14 per share compared to net income of \$501.3 thousand and earnings per share of \$0.22 recorded for the first quarter of 2018.

In the first quarter of 2019, the company incurred \$125.6 thousand or \$0.06 per share in after-tax expenses due to several one-time expenditures related to the acquisition of Mlend, implementation of ASU 2016-02 Lease Accounting Standard, and other one-time items. Adjusted first quarter 2019 net income was \$431.1 thousand or \$0.20 share as compared to \$501.3 thousand or \$0.22 share for the first quarter of 2018.

Quarterly Highlights

- Closed on Mlend (mortgage company) acquisition on February 1, 2019 with two months of results that positively contributed to consolidated net income in the first quarter 2019.
- Opened a new branch (Paramount) in the north side of Hagerstown and consolidated Bank operations into an operations center in Hagerstown in the first quarter 2019.
- Net book value increased by \$1.03 (5%) to \$20.45 in the first quarter of 2019 versus the same period in 2018.
- Net loans at March 31, 2019 grew 25%, or \$72.7 million compared to the March 31, 2018 balance.
- Deposits at March 31, 2019 grew 27%, or \$89.6 million compared to the March 31, 2018 balance.
- Provision expense of \$122 thousand was recorded in the first quarter of 2019 compared to \$203.7 thousand recorded in the same period in 2018. The allowance for credit losses was 1.0% at the end of the first quarter 2019 as compared to 1.1% at the end of the first quarter 2018.
- Nonperforming assets decreased 34%, or \$1.45 million compared to the first quarter 2018. Nonperforming assets to total loans was 0.77% at March 31, 2019 versus 1.46% at March 31, 2018.

The decline in adjusted net income (net income plus one-time charges) of \$70 thousand or \$0.02 share in the first quarter of 2019 versus first quarter of 2018 was primarily driven by an increase in noninterest expense due to increased occupancy expenses related to the new Paramount branch and Operations Center. The provision for loan losses was \$122.4 thousand in the first quarter of 2019, while a provision for loan losses of \$203.7 thousand was recorded in the same quarter 2018. The ratio of allowance for loan losses to total loans were 1.0% and 1.1% for the quarters ended March 31, 2019 and 2018, respectively, as the overall loan portfolio continues to see improvement in credit quality. Nonperforming assets to total loans were 0.77% and 1.46% as of March 31, 2019 and 2018, respectively.

The balance sheet growth continued in the first quarter ended March 31, 2019 as compared to March 31, 2018 due to the net loan growth of \$72.7 million (25%) to \$361.7 million and a \$12.9 million increase in cash balances which were funded by \$89.1 million (27%) in deposit growth. A dividend of \$0.03 per share was declared by the Board of Directors on April 19, 2019 for stockholders of record as of May 3, 2019 and payable on May 10, 2019.

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.

Community Heritage Financial, Inc.
Brian M. Ropp
Executive Vice President, Chief Financial Officer
(301) 371-3029

Community Heritage Financial, Inc. and Subsidiaries
Consolidated Balance Sheets
(dollars in thousands)

Balance Sheet	March 31, 2019	March 31, 2018	December 31, 2018
	(unaudited)	(unaudited)	(audited)
Cash	\$ 37,789	\$ 24,848	\$ 18,545
FHLB Stock	392	325	325
Investments, at market value	46,958	45,441	47,966
Loans, net of Reserve	361,722	289,013	354,147
Loans Held for Sale	3,446	-	-
Fixed assets	10,330	5,693	6,286
Other assets	10,069	8,079	8,305
Total Assets	\$ 470,706	\$ 373,399	\$ 435,574
Deposits	\$ 417,255	\$ 328,146	\$ 388,544
Borrowings	-	-	-
Other liabilities	7,416	1,880	2,086
Total Liabilities	424,670	330,026	390,630
Equity	46,289	44,333	45,666
Unrealized gain(loss), net of tax	(254)	(960)	(722)
Total Equity	46,035	43,373	44,944
Total Liabilities & Equity	\$ 470,706	\$ 373,399	\$ 435,574

Community Heritage Financial, Inc. and Subsidiaries
Consolidated Statements of Income
(dollars in thousands)

Income Statement	For the Three Months Ended	
	March 31, 2019	March 31, 2018
	(unaudited)	(unaudited)
Total interest and fee income	\$ 5,334,005	\$ 3,546,293
Total interest expense	1,033,697	444,313
Net interest income	4,300,308	3,101,980
Provision for loan losses	122,359	203,735
Net interest income after provision	4,177,949	2,898,245
Non-interest income	309,137	281,825
Non-interest expense	3,754,390	2,502,203
Merger expenses & one-time items	178,830	-
Pre-tax net income	553,867	677,867
Income taxes	248,400	176,544
Net income	\$ 305,467	\$ 501,323
Earnings per common share, basic and diluted	\$0.14	\$0.22

COMMUNITY HERITAGE FINANCIAL, INC. and SUBSIDIARIES

	March 31, 2019	March 31, 2018	December 31, 2018
<i>(dollars in thousands)</i>	(unaudited)	(unaudited)	(audited)
Total Assets	\$ 470,706	\$ 373,399	\$ 435,574
Loans	361,722	289,013	354,147
Deposits	417,255	328,146	388,544
Shareholder's equity	46,035	43,373	44,944
			-
Nonperforming Assets:			
Accruing troubled debt restructures	\$ 723	\$ 752	\$ 731
Loans 90 past due and still accruing	-	-	-
Nonaccrual loans	2,100	3,350	2,453
Foreclosed properties	-	167	-
Total nonperforming assets	\$ 2,823	\$ 4,269	\$ 3,184

	For the Three Months Ended	
	March 31, 2019	March 31, 2018
<i>(dollars in thousands)</i>	(unaudited)	(unaudited)
Summary of Operating Results		
Pre-allowance for loan loss provision, pre-tax net income	\$ 676,226	\$ 881,602
Allowance for loan loss provision, pre-tax	122,359	203,735

Selected Financial Data

<i>(dollars in thousands)</i>		
Charge-Offs	\$ 24	\$ 20
(Recoveries)	(6)	(5)
Net charge-offs	\$ 18	\$ 15

Per Common Share Data

Basic and diluted earnings per share	\$ 0.14	\$ 0.22
Basic weighted average number of shares outstanding	2,243,487	2,233,820
Common shares outstanding	2,251,320	2,233,820
Dividends declared	\$ 0.03	\$ 0.03
Book value per share	\$ 20.45	\$ 19.42

Selected Unaudited Financial Ratios

Return on average assets	0.27%	0.56%
Return on average equity	2.68%	4.66%
Allowance for loan losses to total loans	1.00%	1.10%
Nonperforming assets to total loans	0.77%	1.46%
Net charge-offs to average loans	0.00%	0.00%
Common equity tier 1 to risk-weighted assets	11.59%	15.93%
Tier 1 capital to risk-weighted assets	11.59%	15.93%
Total capital to risk-weighted assets	12.55%	17.18%
Average equity to average assets	10.06%	12.04%
Net interest margin	3.60%	3.65%
Loan to deposit ratio	87.57%	88.89%