

COMMUNITY HERITAGE FINANCIAL, INC. REPORTS 2018 FOURTH QUARTER AND FULL YEAR RESULTS

Company Release – January 22, 2019

MIDDLETOWN, Md – (PRNewsire) – Community Heritage Financial, Inc. (OTCPink: CMHF), the parent company for Middletown Valley Bank (“MVB”), announced today that, for the quarter ended December 31, 2018, the Company earned adjusted net income of \$536.7 thousand or \$0.24 per share compared to adjusted net income of \$222 thousand and earnings per share of \$0.10 recorded for the fourth quarter of 2017. The Company earned adjusted net income of \$2.2 million with earnings per share of \$1.00 for the year ended December 31, 2018, as compared to adjusted \$1.64 million in earnings and earnings per share of \$0.73 for the same period in 2017.

In the fourth quarter of 2018, the Company took an after-tax charge of \$166 thousand or \$0.07 per share, related to the cancellation of a ground lease agreement to build a new branch and instead pursued an existing bank branch site that had been vacated by another bank. The Company also incurred after-tax expenses of \$80 thousand, \$0.04 per share, in the fourth quarter 2018 related to one-time expenses for the conversion of the bank holding company and due diligence on the pending acquisition of Millennial Financial Group, Inc. In the fourth quarter of 2017, the Company took an after-tax charge of \$422 thousand related to the deferred tax asset impairment caused by the lowered corporate tax rates due to the Tax Cuts and Jobs Act of 2017.

Unadjusted earnings for the quarter ended December 31, 2018 were \$290.7 thousand or \$0.13 earnings per share compared to unadjusted net loss of \$200 thousand or (\$0.09) per share for the fourth quarter of 2017. The Company earned unadjusted earnings of \$2.0 million or \$0.88 per share for the year ended December 31, 2018, as compared to unadjusted \$1.2 million or \$0.54 per share for the same period in 2017.

Quarterly Highlights

- Grew unadjusted pre-tax earnings by 46% compared to fourth quarter 2017.
- End of the quarter December 31, 2018 loans grew 26%, or \$74.0 million compared to the fourth quarter 2017.
- End of the quarter December 31, 2018 deposits grew 23%, or \$72.6 million compared to the fourth quarter 2017.
- Nonperforming assets decreased 22%, or \$876 thousand compared to the fourth quarter 2017 with \$71 thousand in net charge offs for the full year 2018.
- Net interest margin improved 9 basis points in the fourth quarter 2018 compared to the same period in 2017.

The increase in quarterly earnings was primarily driven by an increase in net interest income of \$816 thousand in the fourth quarter 2018 as compared to the fourth quarter of 2017 which more than offset the \$764.5 thousand increase in non-interest expense. The provision for loan loss was \$134.6 thousand in the fourth quarter of 2018, while a provision for loan losses of \$292.5 thousand was recorded in the same quarter 2017. Overall credit quality improvement continues to positively impact our loan loss provision. The provision for income taxes for the fourth quarter 2018 decreased by \$361.3 thousand primarily as a result of one-time adjustment of deferred taxes in the fourth quarter of 2017 related to the reduction of the federal income tax rate in 2018.

The increase in full-year earnings was primarily due to an increase in net interest income of \$2.95 million in 2018 as compared to the same period in 2017. The provision for income taxes decreased by \$545.9 thousand in the full year 2018 as compared to the same period in 2017 due to the reduction of the company’s federal income tax rate in 2018 and the one time charge in 2017 related the adjustment of the deferred tax assets. Provision expense increased \$84.4 thousand in 2018 as compared to the same period in 2017.

The ratio of Allowance for loan losses to total loans were 0.99% and 1.08% for the quarters ended December 31, 2018 and 2017, respectively, as the overall loan portfolio continues to see improvement in credit quality. Nonperforming assets to total loans were 0.89% and 1.38% as of December 31, 2018 and 2017, respectively.

The balance sheet growth continued in the fourth quarter ended December 31, 2018 as compared to December 31, 2017 due to the net loan growth of \$74.0 million (26%) to \$354.2 million which was primarily funded by \$72.8 million (23%) in deposit growth and \$1.8mn in capital growth. The timing for the dividend declaration of the fourth quarter 2018 and going forward was pushed back until after the quarter end financials are prepared and reviewed by the Board of Directors. A dividend of \$0.03 per share was declared by the Board of Directors on January 18, 2019 for stockholders of record as of February 1, 2019 and payable on February 8, 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.
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Community Heritage Financial, Inc. and Subsidiary
December 31, 2018
Consolidated Summary Financials
(dollars in thousands)

Balance Sheet

	December 31, 2018	December 31, 2017
	(unaudited)	(audited)
Cash	\$ 18,545	\$ 20,053
FHLB Stock	325	255
Investments, at market value	47,966	47,458
Loans, net of Reserve	354,147	280,183
Fixed assets	6,286	5,615
Other assets	8,305	7,660
Total Assets	\$ 435,574	\$ 361,224
Deposits	\$ 388,544	\$ 315,932
Borrowings	-	-
Other liabilities	2,086	1,904
Total Liabilities	390,630	317,836
Equity	45,666	43,815
Unrealized gain(loss), net of tax	(722)	(427)
Total Equity	44,944	43,388
Total Liabilities & Equity	\$ 435,574	\$ 361,224

Income Statement

	For the Three Months Ended December 31, 2018	December 31, 2017	For the Twelve Months Ended December 31, 2018	December 31, 2017
	(unaudited)	(audited)	(unaudited)	(audited)
Total interest and fee income	\$ 4,645,044	\$ 3,284,240	\$ 16,301,539	\$ 11,851,567
Total interest expense	924,125	379,491	2,655,516	1,156,496
Net interest income	3,720,919	2,904,749	13,646,023	10,695,071
Provision for loan losses	235,425	337,003	799,338	714,906
Net interest income after provision	3,485,494	2,567,746	12,846,685	9,980,165
Other non-interest income	305,154	271,885	1,174,249	1,062,577
Other non-interest expense	3,382,070	2,560,373	11,351,549	8,578,433
Pre-merger, pre-tax net income	408,578	279,258	2,669,385	2,464,309
Income taxes	117,902	479,189	701,651	1,247,523
Net income	\$ 290,676	\$ (199,931)	\$ 1,967,734	\$ 1,216,786

Community Heritage Financial, Inc. and Subsidiary

Selected Financial Data

	December 31, 2018	December 31, 2017
<i>(dollars in thousands)</i>	(unaudited)	(audited)
Total Assets	\$ 435,574	\$ 361,224
Loans	354,147	280,183
Deposits	388,544	315,932
Shareholder's equity	44,944	43,388

Nonperforming Assets:

Accruing troubled debt restructures	\$ 731	\$ 759
Loans 90 past due and still accruing	-	-
Nonaccrual loans	2,453	3,134
Foreclosed properties	-	167
Total nonperforming assets	\$ 3,184	\$ 4,060

	For the Three Months Ended December 31, 2018	December 31, 2017	For the Twelve Months Ended December 31, 2018	December 31, 2017
<i>(dollars in thousands)</i>	(unaudited)	(audited)	(unaudited)	(audited)
Summary of Operating Results				
Pre-allowance for loan loss provision, pre-tax net income	\$ 644,003	\$ 616,261	\$ 3,468,723	\$ 3,179,215
Allowance for loan loss provision, pre-tax	235,425	337,003	799,338	714,906
Tax expense	117,902	479,189	701,651	1,247,523
Net Income	\$ 290,676	\$ (199,931)	\$ 1,967,734	\$ 1,216,786
Charge-Offs	\$ 10	\$ 19	\$ 132	\$ 147
(Recoveries)	(51)	(2)	(61)	(8)
Net charge-offs	\$ (41)	\$ 17	\$ 71	\$ 139

Per Common Share Data

Basic earnings per share	\$ 0.13	\$ (0.09)	\$ 0.88	\$ 0.54
Common shares outstanding	2,233,820	2,233,820	2,233,820	2,233,820
Dividends declared	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.08
Book value per share	\$ 20.12	\$ 19.42	\$ 20.12	19.42

Selected Unaudited Financial Ratios

Return on average assets	0.27%	-0.26%	0.50%	0.39%
Return on average equity	2.59%	-2.21%	4.45%	4.05%
Allowance for loan losses to total loans	0.99%	1.08%	1.02%	1.13%
Nonperforming assets to total loans	0.89%	1.38%	0.89%	1.38%
Net charge-offs to average loans	0.00%	0.01%	0.04%	0.06%
Common equity tier 1 to risk-weighted assets	12.98%	16.43%	12.98%	16.43%
Tier 1 capital to risk-weighted assets	12.98%	16.43%	12.98%	16.43%
Total capital to risk-weighted assets	14.23%	17.68%	14.23%	17.68%
Average equity to average assets	10.30%	12.01%	10.30%	12.01%
Net interest margin	3.60%	3.51%	3.62%	3.60%
Loan to deposit ratio	90.44%	86.46%	91.03%	84.62%