

November 13, 2018



This Supplemental News Report is published as required, is part of the annual MERGENT INDUSTRIAL and BANK & FINANCE Manuals and will be included in the bound November 2018 Monthly News Reports and is published on our Website.

## COMMUNITY HERITAGE FINANCIAL INC

Company Website: [www.mvbbank.com](http://www.mvbbank.com)

**History:** Incorporated in Maryland on Nov. 12, 1907 as Middletown Savings Bank of Frederick City, Maryland. Name changed to Middletown Valley Bank in Oct. 1965. Present name adopted on Nov. 2, 2018.

**Business Summary:** Community Heritage Financial is an independent and community-oriented financial institution providing a range of retail and commercial banking services to individuals and businesses in its market area. Services are primarily provided to customers located in Frederick County and Washington County, MD, as well as the surrounding communities through its network of branch locations. Co.'s primary deposit products are demand, savings and time deposits, and its primary lending products are real estate mortgages, commercial business loans and installment loans.

**Property:** Co. maintains its principal executive offices in Middletown, MD. Services are primarily provided to customers located in Frederick County and Washington County, MD, as well as the surrounding communities through Co.'s network of six branch locations.

### Officers

James Pierne, Chairman  
 A. Dennis Remsberg, Vice-Chairman  
 Robert E. Goetz, Jr., President; Chief Executive Officer  
 Brian M. Ropp, Executive Vice President; Chief Financial Officer  
 J. Michael Hill, Executive Vice President; Chief Risk Officer  
 Angie Shubert, Executive Vice President; Chief Operating Officer

### Directors

James Pierne, Chairman  
 A. Dennis Remsberg, Vice-Chairman  
 J. Thomas Routzahn, Director  
 James H. Clapp, Director  
 John J. Rudy, Director  
 John T. Routzahn, III, Director  
 Richard Kefauver, Director  
 Todd M. Snook, Director

**Auditors:** Yount Hyde & Barbour P.C.

**Counsel:** Frank Bonaventure, Baker Donelson, Baltimore, MD

**Transfer Agent, Dividend Paying Agent & Shareholder**

**Records Agent:** American Stock Transfer & Trust Company, LLC

**Annual Meeting:** In June

**Shareholder Relations:** Brian Ropp **Tel:** 301-371-3029

**No. of Stockholders:** Oct. 26, 2018, 398

**No. of Employees:** Oct. 26, 2018, 110

**Address:** 24 W. Main St., Middletown, MD 21769

**Tel:** 301 371-3029

**Fax:** 301 293-6866

**Web:** [www.mvbbank.com](http://www.mvbbank.com)

**Email:** [bropp@mvbbank.com](mailto:bropp@mvbbank.com)

### Consolidated Income Statement, Years Ended Dec. 31 (\$):

	2017	<sup>□</sup> 2016 (revised)	2015	2014
Noninterest income ..	1,025,073	1,095,146	946,492	
Salaries & employee benefits . . . .	4,627,897	4,069,041	3,371,230	
Occupancy expense . . . .	747,532	656,933	501,427	
Equipment expense . . . .	709,569	583,785	417,042	
Gain (loss) on sale & impairment of other real estate owned . . . . .	(59,772)	126,622	...	
Data & item processing expense . . . .	806,330	733,767	902,811	
FDIC insurance expense . . . . .	155,361	203,400	130,050	
Other operating expense . . . . .	1,631,964	1,422,465	963,908	
Merger related expenses . . . . .	...	131,967	358,961	
Noninterest expenses . . . . .	8,618,881	7,927,980	6,645,429	
Income before income taxes . . . . .	2,464,311	1,276,041	435,382	
Current income tax expense . . . . .	969,279	589,708	33,067	
Deferred income tax expense (benefit) . . . . .	(136,489)	(206,638)	36,309	
Deferred tax adjustment for enacted change in tax rate . . . . .	414,733	...	...	
Income taxes . . . . .	1,247,523	383,070	69,376	
<b>Net income . . . . .</b>	<b>1,216,788</b>	<b>892,971</b>	<b>366,006</b>	
Year end shares outstanding . . . . .	<sup>□</sup> 2,233,820	1,285,774	1,285,774	
Dividends per common share . . . . .	\$0.08	\$0.08	\$0.08	
Number of employees . . . . .	<sup>□</sup> 110	...	...	
Number of common stockholders . . . . .	<sup>□</sup> 398	...	...	
Interest & fees on loans . . . . .	10,840,820	8,363,580	6,178,136	
Interest on investment securities: U.S. government . . . . .	229,770	262,688	176,071	
Interest on investment securities: mortgage backed . . . . .	391,836	342,016	366,360	
Interest on investment securities: municipal . . . . .	231,154	192,432	145,444	
Other interest income . . . . .	157,766	89,784	30,651	
Total interest income . . . . .	11,851,346	9,250,500	6,896,662	
Interest on deposits: savings . . . . .	23,881	21,609	19,631	
Interest on deposits: interest-bearing demand . . . . .	455,815	226,971	116,414	
Interest on deposits: time . . . . .	...	...	187,856	
Interest on deposits: time & IRA . . . . .	668,811	405,471	...	
Interest on borrowed funds . . . . .	7,989	23,224	13,783	
Total interest expense . . . . .	1,156,496	677,275	337,684	
Net interest income . . . . .	10,694,850	8,573,225	6,558,978	
Provision for loan losses . . . . .	636,731	464,350	424,659	
Net interest income after provision for loan losses . . . . .	10,058,119	8,108,875	6,134,319	
Service charges on deposit accounts . . . . .	427,430	478,061	461,436	
VISA check card income . . . . .	361,790	318,068	273,897	
Gain (loss) on sales & calls of securities, available for sale . . . . .	(37,725)	(204)	19,511	
Gain on sales of loans . . . . .	105,242	118,756	62,647	
Gain (loss) on disposition of fixed assets . . . . .	...	3,662	(36,270)	
Bank owned life insurance income . . . . .	106,023	110,055	112,106	
Other operating income . . . . .	62,313	66,748	53,165	

<sup>□</sup> Reclassified to conform with 2017 presentation; <sup>□</sup> Shares increased due to the effect of issuance of ordinary shares; <sup>□</sup> As of October 26, 2018

### Consolidated Balance Sheet, Years Ended Dec. 31 (\$):

	2017	<sup>□</sup> 2016 (revised)
<b>Assets:</b>		
Cash & due from banks . . . . .	18,501,217	11,614,638
Federal funds sold . . . . .	1,551,750	4,003,796
FHLB stock, at cost . . . . .	254,700	426,800
Securities available for sale, at fair value . . . . .	47,457,340	45,689,489
Loans held for sale . . . . .	239,000	929,273
Commercial real estate . . . . .	126,205,943	83,223,747
Residential real estate . . . . .	100,355,652	88,320,350
Commercial . . . . .	55,399,188	37,594,553
Consumer . . . . .	808,615	859,941
Total loans before deferred loan fees &		

allowance for loan losses	282,769,398	209,998,591	Deposits - demand	94,853,611	86,076,254
Less: net deferred loan fees & (costs)	(463,797)	(176,512)	Deposits - interest-bearing demand	113,354,909	72,139,166
Less: allowance for loan losses	3,050,692	2,526,551	Deposits - savings	48,903,428	46,340,334
Loans, net	280,182,503	207,648,552	Deposits - time & IRA	58,821,608	46,425,516
Bank premises & land	7,365,004	6,688,207	Total deposits	315,933,556	250,981,270
Furniture & equipment	2,462,390	1,976,615	Borrowings	...	5,000,000
Property, plant & equipment, gross	9,827,394	8,664,822	Accrued interest payable	43,549	22,495
Less: accumulated depreciation	4,212,660	3,805,674	Income taxes payable	201,876	334,127
Bank premises & equipment, net	5,614,734	4,859,148	Other liabilities	1,657,389	1,441,581
Accrued interest receivable	840,373	634,662	Total liabilities	317,836,370	257,779,473
Deferred taxes, net	1,024,207	1,386,910	Common stock	2,233,820	1,285,774
Other real estate owned, net	166,768	596,982	Surplus	25,926,947	9,834,589
Bank owned life insurance	4,620,707	4,514,684	Retained earnings	15,738,683	14,560,869
Other assets	770,903	598,608	Accumulated other comprehensive income (loss)	(511,618)	(557,163)
Total assets	361,224,202	282,903,542	Total shareholders' equity	43,387,832	25,124,069
Liabilities:					

□ Reclassified to conform with 2017 presentation

**Line of Credit:** At Dec. 31, 2017, Co. had \$3,500,000 in

available borrowings with other financial institutions with interest rates on these agreements equal to the prevailing federal funds rate. In addition, Co. had access to \$7,400,000 in short-term borrowing capacity from the Federal Reserve Discount Window with an interest rate equal to 2.50%. Co. also has access to a credit line with The Federal Home Loan Bank of Atlanta (FHLBA) that may be utilized for short and long-term borrowings. At Dec. 31, 2017, Co. had no outstanding borrowings with the FHLBA and a total credit availability of \$81,200,000. Advances under this line of credit are secured by a portion of Co.'s residential mortgage portfolio, which at Dec. 31, 2017, would have allowed Co. to access up to \$22,000,000 of credit without pledging additional loans as collateral. Co. also had a \$1,000,000 letter of credit at Dec. 31, 2017 with another financial institution for contingency funding purposes.

**Capital Stock: 1. Community Heritage Financial Inc common; par \$ 1..**

AUTHORIZED—4,000,000 shs.

OUTSTANDING—Dec. 31, 2017, 2,233,820 shs; par \$ 1..

DIVIDENDS—

2018. . . . . 0.09

PRIMARY EXCHANGE—National Bulletin Board (NBB): CMHF.

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