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## M&F Bancorp, Inc. Announces First Quarter 2017 Net Income

DURHAM, N.C.-- M&F Bancorp, Inc. (“Company”), the parent company of M&F Bank (“Bank”), announced unaudited financial results for the first quarter of 2017 today.

James H. Sills, III, President and CEO of the Company, commented, “2017 is the year to grow the loan portfolio and generate core earnings. We believe that the Bank is sound, healthy and continues to be well-capitalized. From an overall loan portfolio perspective, “the clean-up” of the balance sheet that occurred in the third and fourth quarters of 2016 has positioned us to be more in line with the peer group banks. At the end of the first quarter, we had reduced our delinquency percentage to 1.15% compared to 2.00% at December 31, 2016. In addition, we reduced our other real estate owned (“OREO”) balance from \$367,000 at December 31, 2016 to \$0 at March 31, 2017. During the first quarter of 2017, we had positive earnings versus a projected loss. Our loans outstanding increased from \$150.3 million (including those held for sale) at December 31, 2016 to \$156.2 million at March 31, 2017. We are focused on growing the loans outstanding with good quality loans and serving the communities where we are located. We are extremely focused on sales, loan growth and expense control to generate more core earnings.”

The Company recorded net income for the first quarter of 2017 of \$8,000 compared to a net loss of \$(81,000) for the comparable quarter of 2016, an increase of \$89,000. Net income available to common shareholders for the first quarter of 2017 was also \$8,000 compared to a net loss available to common stockholders of (\$140,000) for the first quarter of 2016, an increase of \$148,000. Diluted income (loss) per common share increased \$0.07 to \$0.00 for the first quarter of 2017 compared to \$(0.07) in the first quarter of 2016.

The Company produced net interest income of \$2.0 million during the three months ended March 31, 2017, which was down \$304,000 from the \$2.3 million generated for the same period of 2016. Interest income decreased \$305,000 or 12.35% to \$2.2 million for the three months ended March 31, 2017 as compared to the same period of the prior year. The decrease was primarily attributable to a decline in loan and investment securities volumes. Interest expense decreased to \$179,000 for the three months ended March 31, 2017 compared to \$180,000 for the same period in 2016.

There was no provision for loan losses during the quarters ended March 31, 2017 or 2016.

Noninterest income increased \$85,000 or 19.86% to \$513,000 during the quarter ended March 31, 2017 as compared to the same period in 2016. The increase was primarily attributable to \$83,000 increase in service charge income as a result of structural and fee changes in certain deposit products, and a \$30,000 realized gain on the sale of a loan during the three months ended March 31, 2017 compared to none during the same period of 2016.

Noninterest expense decreased \$317,000 or 11.29% to \$2.5 million for the quarter ended March 31, 2017 compared to \$2.8 million for the same period of 2016, primarily driven by a \$146,000 decrease in salaries and employee benefits, \$88,000 reduction in net OREO expenses, a \$53,000 decrease in FDIC deposit insurance and a \$43,000 decrease in other noninterest expenses.

Total assets as of March 31, 2017 were \$268.0 million, up 4.52% or \$11.6 million from \$256.4 million as of December 31, 2016. During the quarter ended March 31, 2017, loans increased to \$156.2 million, up 3.9% or \$5.9 million from \$150.3 million (including those held for sale) as of December 31, 2016, while investment securities decreased \$1.5 million to \$63.5 million at March 31, 2017 from \$65.0 million at December 31, 2016. Cash and cash equivalents increased by \$7.4 million to \$27.1 million as of March 31, 2017. The increase was primarily attributable to \$11.8 million increase in total deposits and a \$1.5 million decrease in investment securities, partially offset by loan growth. Management believes a significant part of the deposit growth reflects temporary fluctuations in a couple of the Company’s largest commercial deposit accounts.

The allowance for loan losses was \$2.4 million at March 31, 2017 and December 31, 2016, which represented 1.54% and 1.62%, respectively, of loans outstanding (excluding those held for sale).

OREO totaled \$0 and \$367,000 at March 31, 2017 and December 31, 2016, respectively. The decrease has been driven by significant effort to dispose of nonperforming assets and to write-down OREO to current net realizable values.

Total liabilities as of March 31, 2017 were \$245.6 million, up 4.91% or \$11.5 million from \$234.1 million as of December 31, 2016.

Increases in total deposits were primarily attributable to significant temporary fluctuations in a couple of the Company's largest commercial deposit accounts. Interest-bearing deposits, including CDARS®, increased \$9.6 million or 5.25% to \$191.4 million at March 31, 2017 from \$181.8 million December 31, 2016. Noninterest-bearing deposits increased \$2.2 million or 4.67% to \$49.8 million at March 31, 2017 from \$47.6 million at December 31, 2016. Other liabilities decreased \$242,000 to \$3.6 million at March 31, 2017 from \$3.8 million at December 31, 2016. The decrease represents changes in sundry liabilities.

Total stockholders' equity as of March 31, 2017 was \$22.4 million as compared to total stockholders' equity at December 31, 2016 of \$22.3 million. Accumulated other comprehensive loss decreased to \$2.4 million at March 31, 2017 from \$2.5 million at December 31, 2016, driven by a decrease in the market value of the Company's available-for-sale investment securities and pension plans during the period.

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and the Bank. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of the Company and the Bank and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate" and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Neither the Company nor the Bank undertakes an obligation to update any forward-looking statements. Source: M&F Bancorp, Inc.

**CONSOLIDATED BALANCE SHEETS**

<i>(Dollars in thousands)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,351	\$ 2,053
Interest-bearing cash	24,720	17,619
Total cash and cash equivalents	<u>27,071</u>	<u>19,672</u>
Interest-bearing time deposits	1,235	1,235
Investment securities available for sale, at fair value	63,524	65,004
Other invested assets	260	298
Loans held for sale	-	975
Loans, net of unearned income and deferred fees	156,211	149,339
Allowance for loan losses	<u>(2,404)</u>	<u>(2,417)</u>
Loans, net	<u>153,807</u>	<u>146,922</u>
Interest receivable	612	629
Bank premises and equipment, net	5,222	5,060
Cash surrender value of bank-owned life insurance	8,542	8,480
OREO	-	367
Deferred tax assets and taxes receivable, net	6,712	6,756
Other assets	993	997
<b>TOTAL ASSETS</b>	<u>\$ 267,978</u>	<u>\$ 256,395</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 191,369	\$ 181,830
Noninterest-bearing deposits	49,809	47,586
Total deposits	<u>241,178</u>	<u>229,416</u>
Other borrowings	839	862
Other liabilities	3,552	3,794
Total liabilities	<u>245,569</u>	<u>234,072</u>
Stockholders' equity:		
Series C Junior Participating Preferred Stock- \$0.01 par value, 21,000 shares authorized, no shares issued or outstanding	-	-
Common stock, no par value, 10,000,000 shares authorized; 2,031,337 shares issued and outstanding	8,732	8,732
Retained earnings	16,080	16,072
Accumulated other comprehensive loss	<u>(2,403)</u>	<u>(2,481)</u>
Total stockholders' equity	<u>22,409</u>	<u>22,323</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 267,978</u>	<u>\$ 256,395</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,	
	2017	2016
<i>(Dollars in thousands except for share and per share data)</i>		
<i>(Unaudited)</i>		
<b>Interest income:</b>		
Loans, including fees	\$ 1,788	\$ 1,979
Investment securities available-for-sale, including dividends		
Taxable	328	365
Tax-exempt	-	54
Interest-bearing time deposits	3	28
Other	46	44
	<u>2,165</u>	<u>2,470</u>
<b>Interest expense:</b>		
Deposits	177	178
Borrowings	2	2
	<u>179</u>	<u>180</u>
Total interest expense	179	180
Net interest income	1,986	2,290
Less provision for loan losses	-	-
Net interest income after provision for loan losses	<u>1,986</u>	<u>2,290</u>
<b>Noninterest income:</b>		
Service charges	345	262
Rental income	71	54
Cash surrender value of life insurance	62	61
Realized gain on sale of loan	30	-
Net realized gains on sales of investment securities available-for-sale	-	6
Realized loss on disposal of assets	(2)	-
Other income	7	45
Total noninterest income	<u>513</u>	<u>428</u>
<b>Noninterest expense:</b>		
Salaries and employee benefits	1,247	1,393
Occupancy and equipment	331	332
Directors' fees	48	46
Marketing	46	68
Professional fees	127	137
Information technology	323	276
FDIC deposit insurance	84	137
OREO expenses, net	25	113
Delivery expenses	30	33
Other	230	273
Total noninterest expense	<u>2,491</u>	<u>2,808</u>
Income (loss) before income tax expense (benefit)	8	(90)
Income tax expense (benefit)	-	(9)
<b>Net income (loss)</b>	<u>8</u>	<u>(81)</u>
Preferred stock dividends and accretion	-	(59)
Net income (loss) available to common stockholders	<u>\$ 8</u>	<u>\$ (140)</u>
<b>Basic and diluted income (loss) per share of common stock:</b>	\$ -	\$ (0.07)
<b>Weighted average shares of common stock outstanding:</b>		
Basic and diluted	2,031,337	2,031,337

**SELECTED QUARTERLY FINANCIAL RATIOS***(Unaudited)*

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b>
Selected Quarterly Financial Ratios					
Return on average assets (1) (2)	0.01%	3.05%	(5.11%)	(0.01%)	(0.18%)
Return on average common stockholders' equity (1)(3)	0.14%	41.19%	(61.21%)	(0.14%)	(2.26%)
Net interest margin (1)	3.26%	3.51%	3.09%	3.22%	3.28%
Net interest income to average assets (1)	2.99%	3.23%	2.87%	3.00%	3.05%
Efficiency ratio (4)	99.68%	114.25%	129.00%	103.88%	102.48%
Nonperforming asset to total assets	0.67%	0.91%	1.91%	2.30%	2.36%

(1) Annualized

(2) Calculated by dividing annualized net income (loss) available to common shareholders by average assets

(3) Calculated by dividing annualized net income (loss) available to common shareholders by average common equity

(4) Calculated by dividing total noninterest expense by the sum of federally taxable equivalent net interest income and noninterest income excluding securities gains (losses)