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## M&F Bancorp, Inc. Announces Third Quarter 2017 Results

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

James H. Sills, III, President and CEO of the Company, commented, “We continue to improve in all the operational areas of the Company. During the third quarter, we received our fifth Bank Enterprise Award (BEA) from the U.S. Treasury in the amount of \$227,000, which is a testament to our commitment to serve low/moderate income communities within our footprint. We continue to experience improvements in deposit growth, fee income and controlling non-interest expenses. During the third quarter, we had flat loan growth, and we had a large shared national credit that impacted our profitability and delinquency ratios, which we continue to monitor very aggressively. For the fourth quarter, we anticipate our loans outstanding to increase based on the current pipeline and the Company will continue to focus on our strategic priorities with emphasis on increasing loan volume.”

The Company recorded a net loss for the third quarter of 2017 of \$170,000 compared to net loss of \$3,720,000 for the comparable quarter of 2016, a decrease of \$3,550,000. Net loss available to common shareholders for the third quarter of 2017 and 2016 was \$170,000 and \$3,779,000, respectively, a decrease of \$3,609,000. Diluted loss per common share was \$0.08 and \$1.86 for the third quarters of 2017 and 2016, respectively.

The Company recorded a net loss for the nine months ended September 30, 2017 and 2016 of \$173,000 and \$3,750,000, respectively, a decrease of \$3,577,000. Net loss available to common shareholders for the nine months ended September 30, 2017 and 2016 was \$173,000 and \$3,927,000, respectively, a decrease of \$3,754,000. Diluted loss per common share was \$0.09 and \$1.93 for the nine months ended September 30, 2017 and 2016, respectively.

The Company produced net interest income of \$2.0 million during the three months ended September 30, 2017, which was down \$108,000 from the \$2.1 million generated for the same period of 2016. Interest income decreased \$91,000 or 3.92% to \$2.2 million for the three months ended September 30, 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 increased to \$210,000 for the three months ended September 30, 2017 compared to \$193,000 for the same period in 2016. The increase was primarily driven by increased cost of funds.

The Company produced net interest income of \$6.0 million during the nine months ended September 30, 2017, which was down \$657,000 from the \$6.6 million generated for the same period of 2016. Interest income decreased \$630,000 or 8.75% to \$6.6 million for the nine months ended September 30, 2017 as compared to the same period of the prior year. The decrease was primarily attributable to a decline in loan volumes and rates, and a decline in investment securities volumes. Interest expense increased to \$587,000 for the nine months ended September 30, 2017 compared to \$560,000 for the same period in 2016.

The provision for loan losses totaled \$627,000 and \$4,461,000 during the quarters ended September 30, 2017 and 2016, respectively.

The provision for loan losses totaled \$627,000 and \$4,632,000 during the nine months ended September 30, 2017 and 2016, respectively.

Noninterest income increased \$378,000 or 94.26% to \$779,000 during the quarter ended September 30, 2017 as compared to the same period in 2016. The increase was primarily attributable to the recognition of a \$227,000 BEA and a \$76,000 increase in service charge income as a result of structural and fee changes in certain deposit products. The Bank Enterprise Award, a financial award from the U.S. Treasury, recognizes the Bank’s dedication to financing and supporting community and economic development activities in economically distressed areas.

Excluding \$321,000 in realized gains on sales of securities during the nine months ended September 30, 2016, noninterest income increased \$563,000 or 45.59% to \$1.8 million during the nine months ended September 30, 2017 as compared to the same period in 2016. The increase was primarily attributable to the recognition of a \$227,000 BEA and a \$251,000 increase in service charge income as a result of structural and fee changes in certain deposit products.

Noninterest expense decreased \$707,000 or 21.68% to \$2.6 million for the quarter ended September 30, 2017 compared to \$3.3 million for the

same period of 2016, primarily driven by a \$307,000 decrease in net other real estate owned (“OREO”) expenses, a \$197,000 decrease in other noninterest expenses and an \$89,000 decrease in salaries and employee benefits.

Noninterest expense decreased \$1.3 million or 14.75% to \$7.5 million for the nine months ended September 30, 2017 compared to \$8.8 million for the same period of 2016, primarily driven by a \$436,000 decrease in net OREO expenses, a \$346,000 decrease in salaries and employee benefits, a \$277,000 decrease in other expenses and a \$188,000 reduction in FDIC deposit insurance premiums.

Total assets as of September 30, 2017 were \$268.4 million, up 4.68% or \$12.0 million from \$256.4 million as of December 31, 2016. During the nine month period ended September 30, 2017, loans (including those held for sale) increased to \$155.2 million, up 3.22% or \$4.9 million from \$150.3 million as of December 31, 2016, while investment securities decreased \$5.4 million to \$59.6 million at September 30, 2017 from \$65.0 million at December 31, 2016. Cash and cash equivalents increased by \$11.0 million to \$30.7 million as of September 30, 2017. The increase was primarily attributable to \$12.0 million increase in total deposits. 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 \$2.9 million and \$2.4 million at September 30, 2017 and December 31, 2016, respectively, which represented 1.86% and 1.62%, respectively, of loans outstanding (excluding those held for sale).

OREO totaled \$154,000 and \$367,000 at September 30, 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 September 30, 2017 were \$245.9 million, up 5.04% or \$11.8 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 \$243,000 or 0.13% to \$182.1 million at September 30, 2017 from \$181.8 million December 31, 2016. Noninterest-bearing deposits increased \$11.8 million or 24.75% to \$59.4 million at September 30, 2017 from \$47.6 million at December 31, 2016.

Total stockholders' equity as of September 30, 2017 was \$22.5 million as compared to total stockholders' equity at December 31, 2016 of \$22.3 million. Accumulated other comprehensive loss decreased to \$2.1 million at September 30, 2017 from \$2.5 million at December 31, 2016, driven by an increase 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>September 30, 2017</b>	<b>December 31, 2016</b>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,302	\$ 2,053
Interest-bearing cash	28,403	17,619
Total cash and cash equivalents	<u>30,705</u>	<u>19,672</u>
Interest-bearing time deposits	2,469	1,235
Investment securities available for sale, at fair value	59,598	65,004
Other invested assets	260	298
Loans held for sale	-	975
Loans, net of unearned income and deferred fees	155,161	149,339
Allowance for loan losses	<u>(2,888)</u>	<u>(2,417)</u>
Loans, net	<u>152,273</u>	<u>146,922</u>
Interest receivable	601	629
Bank premises and equipment, net	5,353	5,060
Cash surrender value of bank-owned life insurance	8,669	8,480
OREO	154	367
Deferred tax assets and taxes receivable, net	6,721	6,756
Other assets	<u>1,582</u>	<u>997</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 268,385</u></u>	<u><u>\$ 256,395</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 182,073	\$ 181,830
Noninterest-bearing deposits	<u>59,365</u>	<u>47,586</u>
Total deposits	241,438	229,416
Other borrowings	792	862
Other liabilities	<u>3,629</u>	<u>3,794</u>
Total liabilities	<u>245,859</u>	<u>234,072</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
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	15,899	16,072
Accumulated other comprehensive loss	<u>(2,105)</u>	<u>(2,481)</u>
Total stockholders' equity	<u>22,526</u>	<u>22,323</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 268,385</u></u>	<u><u>\$ 256,395</u></u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**

For the Three Months Ended

For the Six Months Ended

*(Dollars in thousands)*

June 30

June 30

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands except for share and per share data)  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Interest income:</b>				
Loans, including fees	\$ 1,849	\$ 1,899	\$ 5,445	\$ 5,827
Investment securities available-for-sale, including dividends				
Taxable	307	355	949	1,084
Tax-exempt	-	-	-	83
Interest-bearing time deposits	11	28	20	85
Other	62	38	160	125
	<u>2,229</u>	<u>2,320</u>	<u>6,574</u>	<u>7,204</u>
<b>Interest expense:</b>				
Deposits	208	191	581	554
Borrowings	2	2	6	6
	<u>210</u>	<u>193</u>	<u>587</u>	<u>560</u>
Total interest expense	210	193	587	560
Net interest income	2,019	2,127	5,987	6,644
Less provision for loan losses	627	4,461	627	4,632
	<u>1,392</u>	<u>(2,334)</u>	<u>5,360</u>	<u>2,012</u>
<b>Net interest income after provision for loan losses</b>				
<b>Noninterest income:</b>				
Service charges	357	281	1,059	808
Rental income	74	55	224	163
Cash surrender value of life insurance	64	63	189	189
Realized gain on sale of loan	-	-	30	-
Net realized gains on sales of investment securities available-for-sale	-	-	-	321
Realized loss on disposal of assets	(2)	-	(5)	-
Other income	286	2	301	75
	<u>779</u>	<u>401</u>	<u>1,798</u>	<u>1,556</u>
<b>Total noninterest income</b>				
<b>Noninterest expense:</b>				
Salaries and employee benefits	1,252	1,341	3,733	4,079
Occupancy and equipment	329	339	987	988
Directors' fees	37	45	128	144
Marketing	63	58	154	193
Professional fees	133	188	391	484
Information technology	326	303	964	864
FDIC deposit insurance	67	138	225	413
OREO expenses, net	51	358	80	516
Delivery expenses	28	26	88	94
Other	268	465	774	1,051
	<u>2,554</u>	<u>3,261</u>	<u>7,524</u>	<u>8,826</u>
<b>Total noninterest expense</b>				
Loss before income tax benefit	(383)	(5,194)	(366)	(5,258)
Income tax benefit	(213)	(1,474)	(193)	(1,508)
	<u>(170)</u>	<u>(3,720)</u>	<u>(173)</u>	<u>(3,750)</u>
<b>Net loss</b>				
Preferred stock dividends and accretion	-	(59)	-	(177)
Net loss available to common stockholders	<u>\$ (170)</u>	<u>\$ (3,779)</u>	<u>\$ (173)</u>	<u>\$ (3,927)</u>
<b>Basic and diluted loss per share of common stock:</b>	\$ (0.08)	\$ (1.86)	\$ (0.09)	\$ (1.93)
<b>Weighted average shares of common stock outstanding:</b>				
Basic and diluted	2,031,337	2,031,337	2,031,337	2,031,337

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

	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Selected Quarterly Financial Ratios				
Return on average assets (1) (2)	(0.26%)	(0.02%)	0.01%	3.05%
Return on average common stockholders' equity (1)(3)	(2.99%)	(0.19%)	0.14%	41.19%
Tangible book value per share	\$ 11.09	\$ 11.12	\$ 11.03	\$ 10.99
Net interest margin (1)	3.38%	3.27%	3.26%	3.51%
Net interest income to average assets (1)	3.08%	3.00%	2.99%	3.23%
Efficiency ratio (4)	91.28%	99.64%	99.68%	114.25%
Nonperforming assest to total assets	1.56%	0.75%	0.67%	0.91%

(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 securites gains (losses)