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**M&F Bancorp, Inc. Announces Fourth 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 fourth quarter of 2017 today.

James H. Sills, III, President and CEO of the Company, commented, “The Company experienced improvements in asset quality, fee income and controlling non-interest expenses. In the fourth quarter, we did experience our best quarter of the year in terms of generating new loan growth, which helped off-set some pay downs that occurred at the end of the year. However, for the second time in our 110 year history, the Company realized a year-end loss. For 2017 the loss totaled \$2.6 million. During the fourth quarter, we had two events that impacted our profitability. First, we had a large shared national credit, which declared bankruptcy and resulted in a charge-off in the amount of \$1.5 million and largely resulted in the provision for loan losses of \$1.2 million. Second, the enactment of the new federal tax law, signed in late December 2017, negatively affected the net loss for the Company for the year. Many banks large and small were hit with this one-time charge that comes from revaluing net deferred tax assets as a result of a decrease in income tax rate to 21%. Beginning in 2018, income tax expense will be positively affected by the substantial reduction in the corporate tax rate. The Company will continue to focus on our strategic priorities with emphasis on increasing loan volume.”

The Company recorded a net loss for the fourth quarter of 2017 of \$2.4 million compared to net loss of \$187,000 for the comparable quarter of 2016, a \$2.2 million increase in loss. The enactment of the new federal tax law, signed in late December 2017, negatively affected the net loss for the Company for the current quarter and year. The new tax rates become effective in 2018, but the 2017 enactment requires companies to revalue their deferred tax assets at the new tax rate in 2017. Accordingly, the Company recognized a \$2.1 million (\$1.03 per basic and diluted share) charge to its deferred tax asset and a corresponding increase in income tax expense in the fourth quarter. Beginning in 2018, income tax expense will be positively affected by the substantial reduction in the corporate tax rate. The law provides for the corporate tax rate to be reduced from 35% to 21%. Net loss available to common shareholders for the fourth quarter of 2017 was \$2.4 million compared to net income of \$2.1 million during the fourth quarter of 2016, a decrease of \$4.5 million. Diluted loss per common share was \$1.19 during the fourth quarter of 2017 compared to diluted net income of \$1.04 during the comparable period of 2016. During the fourth quarter of 2016, the Company realized a gain of \$2.3 million on the redemption of its outstanding Series B Preferred Stock also known as Troubled Asset Relief Program.

The Company recorded a net loss for the years ended December 31, 2017 and 2016 of \$2.6 million and \$3.9 million, respectively, a decrease in loss of \$1.3 million. Net loss available to common shareholders for the years ended December 31, 2017 and 2016 was \$2.6 million and \$1.8 million, respectively, an increase in loss of \$768,000. Diluted loss per common share was \$1.28 and \$0.90 for the years ended December 31, 2017 and 2016, respectively.

The Company produced net interest income of \$2.0 million during the three months ended December 31, 2017, which was down \$257,000 from the \$2.2 million generated for the same period of 2016. Interest income decreased \$209,000 or 8.68% to \$2.2 million for the three months ended December 31, 2017 as compared to the same period of the prior year. The decrease was primarily attributable to a decline in rates on loans. Interest expense increased to \$48,000 for the three months ended December 31, 2017 to \$229,000 for the three months ended December 31, 2017. The increase was primarily driven by increased cost of funds.

The Company produced net interest income of \$8.0 million during the year ended December 31, 2017, which was down \$914,000 from the \$8.9 million generated for the same period of 2016. Interest income decreased \$839,000 or 8.73% to \$8.8 million for the year ended December 31, 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 \$816,000 for the year ended December 31, 2017 compared to \$741,000 for the same period in 2016. The increase was primarily driven by increased cost of funds

The provision for loan losses totaled \$544,000 and \$549,000 during the quarters ended December 31, 2017 and 2016, respectively.

The provision for loan losses totaled \$1.2 million and \$5.2 million for the years ended December 31, 2017 and 2016, respectively.

Excluding \$80,000 in net realized gains on the sales of investment securities available for sale during the quarter ended December 31, 2016, noninterest income increased \$99,000 or 23.97% to \$512,000 as compared to the same period in 2016. The increase was primarily attributable to increased service charges and rental income.

Excluding \$241,000 in net realized gains on sales of securities during the year ended December 31, 2016, noninterest income increased \$662,000 or 40.17% to \$2.3 million during the year ended December 31, 2017 as compared to the same period in 2016. The increase was primarily attributable to the recognition of a \$227,000 Bank Enterprise ("BEA") and a \$331,000 increase in service charge income as a result of structural and fee changes in certain deposit products. The BEA, 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.

Noninterest expense decreased \$481,000 or 15.91% to \$2.5 million for the quarter ended December 31, 2017 compared to \$3.0 million for the same period of 2016, primarily driven by a \$434,000 decrease in net other real estate owned ("OREO") expenses and a \$99,000 decrease in salaries and employee benefits.

Noninterest expense decreased \$1.8 million or 15.05% to \$10.0 million for the year ended December 31, 2017 compared to \$11.9 million for the same period of 2016, primarily driven by a \$870,000 decrease in net OREO expenses, a \$445,000 decrease in salaries and employee benefits, a \$288,000 decrease in other expenses, a \$163,000 reduction in FDIC deposit insurance premiums and a \$101,000 decrease in professional fees.

Total assets as of December 31, 2017 were \$255.1 million, down 0.52% or \$1.3 million from \$256.4 million as of December 31, 2016. During the year ended December 31, 2017, loans (including those held for sale) increased to \$153.6 million, up 2.16% or \$3.3 million from \$150.3 million as of December 31, 2016, while investment securities decreased \$7.5 million to \$57.5 million at December 31, 2017 from \$65.0 million at December 31, 2016. Cash and cash equivalents increased by \$4.3 million to \$24.0 million as of December 31, 2017. The increase was primarily attributable to a \$7.5 million reduction in investment securities and \$1.0 million growth in total deposits, partially offset by loan growth.

The allowance for loan losses was \$1.9 million and \$2.4 million at December 31, 2017 and 2016, respectively, which represented 1.23% and 1.62%, respectively, of loans outstanding (excluding those held for sale).

OREO totaled \$104,000 and \$367,000 at December 31, 2017 and 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 December 31, 2017 were \$234.9 million, up 0.35% or \$821,000 from \$234.1 million as of December 31, 2016. Interest-bearing deposits, including CDARS®, increased \$1.3 million or 0.71% to \$183.1 million at December 31, 2017 from \$181.8 million December 31, 2016. Noninterest-bearing deposits decreased \$271,000 or 0.57% to \$47.3 million at December 31, 2017 from \$47.6 million at December 31, 2016. The decrease primarily reflects fluctuations in customer balances.

Total stockholders' equity as of December 31, 2017 was \$20.2 million as compared to total stockholders' equity at December 31, 2016 of \$22.3 million, a decrease of \$2.1 million. The decrease in equity was attributable to the losses sustained during 2017.

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>(Unaudited)</i>	
<i>(Dollars in thousands)</i>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,255	\$ 2,053
Interest-bearing cash	21,762	17,619
Total cash and cash equivalents	<u>24,017</u>	<u>19,672</u>
Interest-bearing time deposits	3,210	1,235
Investment securities available-for-sale, at fair value	57,488	65,004
Other invested assets	256	298
Loans held for sale	-	975
Loans, net of unearned income and deferred fees	153,565	149,339
Allowance for loan losses	<u>(1,885)</u>	<u>(2,417)</u>
Loans, net	<u>151,680</u>	<u>146,922</u>
Interest receivable	651	629
Bank premises and equipment, net	2,437	5,060
Cash surrender value of bank-owned life insurance	8,733	8,480
OREO	104	367
Deferred tax assets and taxes receivable, net	4,875	6,756
Other assets	1,623	997
<b>TOTAL ASSETS</b>	<u><u>\$ 255,074</u></u>	<u><u>\$ 256,395</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 183,128	\$ 181,830
Noninterest-bearing deposits	47,315	47,586
Total deposits	<u>230,443</u>	<u>229,416</u>
Other borrowings	769	862
Other liabilities	3,681	3,794
Total liabilities	<u>234,893</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	13,894	16,072
Accumulated other comprehensive loss	<u>(2,445)</u>	<u>(2,481)</u>
Total stockholders' equity	<u>20,181</u>	<u>22,323</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 255,074</u></u>	<u><u>\$ 256,395</u></u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<b>For the Three Months Ended</b>		<b>For the Years Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<i>(Dollars in thousands except for share and per share data)</i>				
<b>Interest income:</b>				
Loans, including fees	\$ 1,849	\$ 2,038	\$ 7,294	\$ 7,865
Investment securities available-for-sale, including dividends				
Taxable	288	318	1,237	1,402
Tax-exempt	-	-	-	83
Interest-bearing time deposits	12	24	31	109
Other	50	28	211	153
Total interest income	<u>2,199</u>	<u>2,408</u>	<u>8,773</u>	<u>9,612</u>
<b>Interest expense:</b>				
Deposits	218	179	799	733
Borrowings	11	2	17	8
Total interest expense	<u>229</u>	<u>181</u>	<u>816</u>	<u>741</u>
Net interest income	1,970	2,227	7,957	8,871
Less provision for loan losses	544	549	1,171	5,181
Net interest income after provision for loan losses	<u>1,426</u>	<u>1,678</u>	<u>6,786</u>	<u>3,690</u>
<b>Noninterest income:</b>				
Service charges	376	296	1,435	1,104
Rental income	64	54	288	217
Cash surrender value of life insurance	64	64	253	252
Realized gain on sale of loan	-	-	30	-
Net realized gains on sales of investment securities available-for-sale	-	(80)	-	241
Net realized losses on sales of interest-bearing time deposits	-	-	-	(6)
Realized loss on disposal of assets	(2)	(6)	(6)	-
Other income	10	5	310	81
Total noninterest income	<u>512</u>	<u>333</u>	<u>2,310</u>	<u>1,889</u>
<b>Noninterest expense:</b>				
Salaries and employee benefits	1,134	1,233	4,867	5,312
Occupancy and equipment	397	341	1,384	1,330
Directors' fees	46	56	174	200
Marketing	46	49	200	242
Professional fees	129	137	520	621
Information technology	341	335	1,305	1,199
FDIC deposit insurance	43	18	268	431
OREO expenses, net	52	486	132	1,002
Delivery expenses	29	32	117	126
Other	325	336	1,099	1,387
Total noninterest expense	<u>2,542</u>	<u>3,023</u>	<u>10,066</u>	<u>11,850</u>
Loss before income tax expense (benefit)	(604)	(1,012)	(970)	(6,271)
Income tax expense (benefit)	1,814	(825)	1,621	(2,333)
<b>Net loss</b>	<u>(2,418)</u>	<u>(187)</u>	<u>(2,591)</u>	<u>(3,938)</u>
Preferred stock dividends and accretion	-	(52)	-	(229)
Gain on redemption of preferred stock	-	2,344	-	2,344
Net loss available to common stockholders	<u>\$ (2,418)</u>	<u>\$ 2,105</u>	<u>\$ (2,591)</u>	<u>\$ (1,823)</u>
<b>Basic and diluted loss per share of common stock:</b>				
	\$ (1.19)	\$ 1.04	\$ (1.28)	\$ (0.90)
<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>December 31, 2017</b>	<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)	(3.81%)	(0.26%)	(0.02%)	0.01%	3.05%
Return on average common stockholders' equity (1)(3)	(43.05%)	(2.99%)	(0.19%)	0.14%	41.19%
Tangible book value per share	\$ 9.93	\$ 11.09	\$ 11.12	\$ 11.03	\$ 10.99
Net interest margin (1)	3.40%	3.38%	3.27%	3.26%	3.51%
Net interest income to average assets (1)	3.10%	3.08%	3.00%	2.99%	3.23%
Efficiency ratio (4)	102.42%	91.28%	99.64%	99.68%	114.25%
Nonperforming assest to total assets	1.02%	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)