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M&F Bancorp, Inc. Announces First Quarter 2019 Results

DURHAM, N.C.-- M&F Bancorp, Inc. (“Company”) (OTC Pink: MFBP), the parent company of M&F Bank (“Bank”), announced unaudited financial results for the first quarter of 2019 today.

James H. Sills III, President and CEO of the Company, commented, “We continue to make progress to improve the overall earnings profile of the Company. This is the fourth consecutive quarter of positive earnings. Overall, we had positive increases in asset, loan and deposit growth. We now have a loan portfolio with a 72.53% loan to deposit ratio vs 68.60% from one year ago, which is contributing to increased earnings for the Company. Loans grew slightly by approximately \$1.2 million or .64% to \$175.6 million at March 31, 2019 from \$174.4 million as of December 31, 2018. Deposits increased 3.89% or \$9.1 million to \$242.1 million as of March 31, 2019 from \$233.0 million as of December 31, 2018. Increases in total deposits were primarily attributable to growth in core deposit accounts, partially offset with a decrease in wholesale funding. We continue to execute our strategic plan to provide access to capital to small and medium businesses in all the markets served. The Company’s delinquency rate was .82%, and asset quality metrics continue to be below the peer group. We continue to monitor our asset quality very closely, and maintain a strong loan loss reserve, which was 1.16% of gross loans outstanding at March 31, 2019. The Company will continue to focus on strategic priorities with emphasis on increasing loan volume and fee income to increase profitability for the remainder of the year.”

The Company recorded a net income of \$174,000 for the first quarter of 2019 compared to a net loss of \$740,000 for the comparable quarter of 2018. Diluted income (loss) per common share was \$0.09 and \$(0.36) for the first quarters of 2019 and 2018, respectively.

The Company produced net interest income of \$2.2 million during the three months ended March 31, 2019, which was up \$215,000 from the \$2.0 million generated for the same period of 2018. Interest income increased \$386,000 or 17.48% to \$2.6 million for the three months ended March 31, 2019 as compared to the same period of the prior year. The increase was primarily attributable to an increase in loans outstanding and increased yields on short-term investments. Interest expense increased to \$420,000 for the three months ended March 31, 2019 compared to \$249,000 for the same period in 2018. The increase was primarily attributable to higher rates on wholesale time-deposits.

The provision for loan losses totaled \$(35,000) and \$1.1 million for the three months ended March 31, 2019 and 2018, respectively. The decrease in provision for the first three months of 2019 was largely attributable to improved qualitative factors used in calculating the loan loss reserve such as unemployment, loan delinquencies and external factors. The provision for the first three months of 2018 was largely attributable to a \$992,000 charge-off on a nationally syndicated loan, which had declared bankruptcy.

Noninterest income increased \$7,000 or 1.53% to \$464,000 during the quarter ended March 31, 2019 as compared to the same period in 2018.

Noninterest expense increased \$84,000 or 3.52% to \$2.5 million for the quarter ended March 31, 2019 compared to \$2.4 million for the same period of 2018, primarily driven by an \$59,000 increase in salaries and employee benefits and a \$37,000 increase in other expenses, partially offset by decreases in marketing and professional fees among others.

Total assets as of March 31, 2019 were \$268.0 million, up 4.22% or \$10.8 million from \$257.2 million at December 31, 2018. During the three months ended March 31, 2019, loans increased to \$175.6 million, up 0.64% or \$1.2 million from \$174.4 million at December 31, 2018, while investment securities decreased \$417,000 to \$50.3 million at March 31, 2019 from \$50.8 million at December 31, 2018. Cash and cash equivalents increased by \$9.5 million to \$21.7 million at March 31, 2019 as compared to \$12.2 million at December 31, 2018. The Company used maturities of investment securities to fund loan growth during the quarter ended March 31, 2019. Operating lease right-of-use asset of \$1.2 million at March 31, 2019 represents the Company’s implementation of Accounting Standards Codification (“ASC”) 842, Leases, which became effective January 1, 2019.

The allowance for loan losses (“ALLL”) was \$2.0 and \$2.1 million at March 31, 2019 and December 31, 2018, respectively, which represented 1.16% and 1.19%, respectively, of loans outstanding.

Total liabilities as of March 31, 2019 were \$247.3 million, up 4.23% or \$10.0 million from \$237.3 million as of December 31, 2018. Increases in total deposits were primarily attributable to growth in core deposit accounts, partially offset by significant temporary fluctuations in a couple of the Company’s largest commercial deposit accounts and a reduction in wholesale time deposits. Interest-bearing deposits, including CDARS®, increased \$6.3 million or 3.48% to \$186.1 million at March 31, 2019 from \$179.8 million December 31, 2018. Noninterest-bearing deposits increased \$2.8 million or 5.27% to \$56.0 million at March 31, 2019 from \$53.2 million at December 31, 2018. Operating lease liabilities of \$1.2 million at March 31, 2019 reflects the Company’s implementation of ASC 842, Leases. Other liabilities decreased \$172,000 to \$3.4 million at March 31, 2019 from \$3.6 million at December 31, 2018, primarily due to decreases in miscellaneous payables.

Total stockholders' equity as of March 31, 2019 was \$20.7 million as compared to total stockholders' equity at December 31, 2018 of \$19.9 million. Accumulated other comprehensive loss decreased to \$2.6 million at March 31, 2019 from \$3.2 million at December 31, 2018, driven by an increase in the market value of the Company's available-for-sale investment securities 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 except for share)</i>	March 31, 2019	December 31, 2018
	<i>(unaudited)</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,400	\$ 2,654
Interest-bearing cash	19,312	9,531
Total cash and cash equivalents	<u>21,712</u>	<u>12,185</u>
Interest-bearing time deposits	3,206	3,206
Investment securities available-for-sale, at fair value	50,336	50,753
Other invested assets	256	254
Loans, net of unearned income and deferred fees	175,569	174,449
ALL	(2,039)	(2,079)
Loans, net	<u>173,530</u>	<u>172,370</u>
Interest receivable	725	699
Bank premises and equipment, net	2,311	2,391
Cash surrender value of bank-owned life insurance	9,048	8,985
Deferred tax assets and taxes receivable, net	4,515	4,735
Operating lease right-of-use asset	1,160	-
Other assets	1,248	1,605
TOTAL ASSETS	<u>\$ 268,047</u>	<u>\$ 257,183</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 186,083	\$ 179,824
Noninterest-bearing deposits	55,997	53,196
Total deposits	<u>242,080</u>	<u>233,020</u>
Other borrowings	656	678
Operating lease liabilities	1,173	-
Other liabilities	3,424	3,596
Total liabilities	<u>247,333</u>	<u>237,294</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	14,576	14,360
Accumulated other comprehensive loss	(2,594)	(3,203)
Total stockholders' equity	<u>20,714</u>	<u>19,889</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 268,047</u>	<u>\$ 257,183</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended	
	March 31,	
	2019	2018
<i>(Dollars in thousands except for share and per share data)</i>		
<i>(unaudited)</i>		
Interest income:		
Loans, including fees	\$ 2,189	\$ 1,814
Investment securities available-for-sale, including dividends		
Taxable	277	298
Interest-bearing time deposits	15	14
Other	113	82
Total interest income	2,594	2,208
Interest expense:		
Deposits	419	248
Borrowings	1	1
Total interest expense	420	249
Net interest income	2,174	1,959
Less provision for loan losses	(35)	1,067
Net interest income after provision for loan losses	2,209	892
Noninterest income:		
Service charges on deposit accounts	257	272
Other service charges, commissions and fees	116	94
Cash surrender value of life insurance	63	62
Other income	28	29
Total noninterest income	464	457
Noninterest expense:		
Salaries and employee benefits	1,310	1,251
Occupancy and equipment	306	289
Directors' fees	45	50
Marketing	35	46
Professional fees	126	138
Information technology	337	343
FDIC deposit insurance	34	41
Other real estate owned (income) expenses, net	1	(12)
Delivery expenses	28	29
Other	251	214
Total noninterest expense	2,473	2,389
Income (loss) before income tax expense (benefit)	200	(1,040)
Income tax expense (benefit)	26	(300)
Net income (loss)	\$ 174	\$ (740)
Basic and diluted income (loss) per share of common stock:	\$ 0.09	\$ (0.36)
Weighted average shares of common stock outstanding:		
Basic and diluted	2,031,337	2,031,337

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Selected Quarterly Financial Ratios					
Return on average assets (1) (2)	0.26%	0.20%	1.31%	0.35%	(1.14%)
Return on average common stockholders' equity (1)(3)	3.47%	2.66%	17.98%	4.96%	(15.12%)
Tangible book value per share	\$ 10.20	\$ 9.79	\$ 9.45	\$ 9.16	\$ 9.18
Net interest margin (1)	3.51%	3.42%	3.50%	3.53%	3.27%
Net interest income to average assets (1)	3.25%	3.17%	3.24%	3.26%	3.02%
Efficiency ratio (4)	93.75%	92.13%	100.58%	86.38%	98.88%
Nonperforming assets to total assets	0.46%	0.50%	0.49%	0.65%	0.66%

(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), if applicable.