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## **M&F Bancorp, Inc. Announces Second Quarter 2019 Results**

DURHAM, N.C.-- M&F Bancorp, Inc. (“Company”) (OTC Pink: MFBP), the parent company of M&F Bank (“Bank”), announced unaudited consolidated financial results for the second 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 74% loans-to-deposit ratio vs 71% from one year ago, which is contributing to increased earnings for the Company. Total assets increased \$5.3 million as of June 30, 2019 compared to December 31, 2018. We are experiencing some headwinds in loan growth. Loans grew slightly by approximately \$639,000 or 0.37% to \$175.1 million at June 30, 2019 from \$174.4 million as of December 31, 2018. Deposits increased \$2.8 million to \$235.8 million as of June 30, 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 fluctuations in wholesale funding. We continue to execute our strategic plan to provide access to capital to small and medium size businesses in all the markets served. The Company’s delinquency rate was .79%, and asset quality metrics continue to be below the peer group. We continue to monitor our asset quality very closely and the ALLL coverage ratio was 1.18%. 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 net income for the second quarter of 2019 of \$124,000 compared to \$228,000 for the comparable quarter of 2018. Diluted income per common share was \$0.06 and \$0.11 for the second quarter of 2019 and 2018, respectively.

The Company recorded net income for the six months ended June 30, 2019 of \$298,000 compared to a net loss of \$512,000 for the same period of 2018. Diluted income (loss) per common share was \$0.15 and \$(0.25) for the six months ended June 30, 2019 and 2018, respectively.

The Company produced net interest income of \$2.1 million during the three months ended June 30, 2019, which was up \$42,000 from the \$2.1 million generated for the same period of 2018. Interest income increased \$191,000 or 8.02% to \$2.6 million for the three months ended June 30, 2019 as compared to the same period of the prior year. The increase was primarily attributable to an increase in loan rates and increased loans outstanding. Interest expense increased to \$427,000 for the three months ended June 30, 2019 compared to \$278,000 for the same period in 2018. The increase was primarily driven by an overall increase in cost of funds, especially brokered-deposits, which are rate sensitive.

The Company produced net interest income of \$4.3 million during the six months ended June 30, 2019, which was up \$257,000 from the \$4.1 million generated for the same period in 2018. Interest income increased \$577,000 or 12.57% to \$5.2 million for the six months ended June 30, 2019 as compared to the same period of the prior year. The increase was primarily attributable to an increase in loan rates and increased loans outstanding. Interest expense increased to \$847,000 for the six months ended June 30, 2019 compared to \$527,000 for the same period in 2018. The increase was primarily driven by an overall increase in cost of funds, especially brokered-deposits, which are rate sensitive.

The provision for loan losses totaled \$(35,000) and \$67,000 during the quarters ended June 30, 2019 and 2018, respectively.

The provision for loan losses totaled \$(70,000) and \$1.1 million during the six months ended June 30, 2019 and 2018, respectively. The provision for the first six months of 2018 was largely attributable to a \$992,000 charge-off on a nationally syndicated loan, which had declared bankruptcy.

Excluding a \$52,000 realized gain on disposal of assets during the second quarter of 2019 and \$233,000 in a Bank Enterprise Award (“BEA”) during the second quarter of 2018, noninterest income increased \$40,000 or 8.95% to \$487,000 during the quarter ended June 30, 2019 as compared to the same period in 2018. The increase was primarily attributable to a \$27,000 increase in other service charges, commissions and fees and a \$14,000 increase in other income. The BEA, awarded by the U.S. Treasury, reflects M&F Bank’s commitment to low and moderate income areas within its footprint.

Excluding a \$52,000 realized gain on disposal of assets during the six months ended June 30, 2019 and \$233,000 in BEA during the six months ended June 30, 2018, noninterest income increased \$47,000 or 5.20% to \$951,000 during the six months ended June 30, 2019 as compared to the same period in 2018. The increase was primarily attributable to a \$50,000 increase in other service charges, commission and fees and a \$13,000 increase in other income. Service charge income, which is primarily driven by fee based activities, decreased \$18,000 or 3.36% to \$518,000.

Noninterest expense increased \$166,000 or 6.91% to \$2.6 million for the quarter ended June 30, 2019 compared to \$2.4 million for the same period of 2018, primarily driven by a \$97,000 increase in other noninterest expenses, a \$61,000 increase in salaries and employee benefits, and a \$33,000 increase in occupancy and equipment expenses, partially offset by a \$21,000 decrease in marketing expenses.

Noninterest expense increased \$250,000 or 5.22% to \$5.0 million for the six months ended June 30, 2019 compared to \$4.8 million for the same period of 2018, primarily driven by \$133,000 increase in other noninterest expenses, a \$120,000 increase in salaries and employee benefits, and a \$50,000 increase in occupancy and equipment expenses, partially off-set by a \$31,000 decrease in marketing expenses.

Total assets as of June 30, 2019 were \$262.5 million, up 2.09% or \$5.3 million from \$257.2 million at December 31, 2018. During the six months ended June 30, 2019, loans increased to \$175.1 million, up 0.37% or \$639,000 from \$174.4 million at December 31, 2018, while investment securities decreased \$1.1 million to \$49.7 million at June 30, 2019 from \$50.8 million at December 31, 2018. Cash and cash equivalents increased by \$4.3 million to \$16.5 million at June 30, 2019 as compared to \$12.2 million at December 31, 2018. Operating lease right-of-use asset of \$1.2 million at June 30, 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 \$2.1 million at June 30, 2019 and December 31, 2018, respectively, which represented 1.18% and 1.19%, respectively, of loans outstanding.

Total liabilities as of June 30, 2019 were \$241.2 million, up 1.64% or \$3.9 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®, decreased \$1.2 million or 0.69% to \$178.6 million at June 30, 2019 from \$179.8 million at December 31, 2018. Noninterest-bearing deposits increased \$4.0 million or 7.55% to \$57.2 million at June 30, 2019 from \$53.2 million at December 31, 2018. Operating lease liabilities of \$1.2 million at June 30, 2019 reflects the Company’s implementation of ASC 842, Leases. Other liabilities decreased \$11,000 to \$3.6 million at June 30, 2019 from \$3.6 million at December 31, 2018, primarily due to decreases in miscellaneous payables.

Total stockholders' equity as of June 30, 2019 was \$21.4 million as compared to total stockholders' equity at December 31, 2018 of \$19.9 million. Accumulated other comprehensive loss decreased to \$2.1 million at June 30, 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**

	<b>June 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<i>(unaudited)</i>	
<i>(Dollars in thousands except for share)</i>		
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,130	\$ 2,654
Interest-bearing cash	14,341	9,531
Total cash and cash equivalents	16,471	12,185
Interest-bearing time deposits	4,436	3,206
Investment securities available-for-sale, at fair value	49,654	50,753
Other invested assets	256	254
Loans, net of unearned income and deferred fees	175,088	174,449
ALL	(2,065)	(2,079)
Loans, net	173,023	172,370
Interest receivable	762	699
Bank premises and equipment, net	2,269	2,391
Cash surrender value of bank-owned life insurance	9,112	8,985
Deferred tax assets and taxes receivable, net	4,332	4,735
Operating lease right-of-use asset	1,158	-
Other assets	1,074	1,605
<b>TOTAL ASSETS</b>	<b>\$ 262,547</b>	<b>\$ 257,183</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 178,575	\$ 179,824
Noninterest-bearing deposits	57,214	53,196
Total deposits	235,789	233,020
Other borrowings	633	678
Operating lease liabilities	1,174	-
Other liabilities	3,585	3,596
Total liabilities	241,181	237,294
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	14,699	14,360
Accumulated other comprehensive loss	(2,065)	(3,203)
Total stockholders' equity	21,366	19,889
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 262,547</b>	<b>\$ 257,183</b>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Interest income:</b>				
Loans, including fees	\$ 2,196	\$ 2,012	\$ 4,385	\$ 3,826
Investment securities available-for-sale, including dividends				
Taxable	264	282	541	580
Interest-bearing time deposits	18	13	33	27
Other	94	74	207	156
Total interest income	2,572	2,381	5,166	4,589
<b>Interest expense:</b>				
Deposits	426	276	845	524
Borrowings	1	2	2	3
Total interest expense	427	278	847	527
Net interest income	2,145	2,103	4,319	4,062
Less provision for loan losses	(35)	67	(70)	1,134
Net interest income after provision for loan losses	2,180	2,036	4,389	2,928
<b>Noninterest income:</b>				
Service charges on deposit accounts	261	263	518	536
Other service charges, commissions and fees	131	104	247	197
Cash surrender value of life insurance	64	63	127	125
Realized gain on disposal of assets	52	-	52	-
Other income	31	250	59	279
Total noninterest income	539	680	1,003	1,137
<b>Noninterest expense:</b>				
Salaries and employee benefits	1,316	1,255	2,626	2,506
Occupancy and equipment	317	284	623	573
Directors' fees	37	45	82	95
Marketing	45	66	80	111
Professional fees	133	130	259	268
Information technology	342	330	679	673
FDIC deposit insurance	42	49	76	90
OREO (income) expenses, net	1	3	2	(9)
Delivery expenses	32	34	60	63
Other	305	208	556	423
Total noninterest expense	2,570	2,404	5,043	4,793
Income (loss) before income tax expense (benefit)	149	312	349	(728)
Income tax expense (benefit)	25	84	51	(216)
<b>Net income (loss)</b>	<b>\$ 124</b>	<b>\$ 228</b>	<b>\$ 298</b>	<b>\$ (512)</b>
<b>Basic and diluted income (loss) per share of common stock:</b>	<b>\$ 0.06</b>	<b>\$ 0.11</b>	<b>\$ 0.15</b>	<b>\$ (0.25)</b>
<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>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>
Selected Quarterly Financial Ratios					
Return on average assets (1) (2)	0.19%	0.26%	0.20%	1.31%	0.35%
Return on average common stockholders' equity (1)(3)	2.39%	3.47%	2.66%	17.98%	4.96%
Tangible book value per share	\$ 10.52	\$ 10.20	\$ 9.79	\$ 9.45	\$ 9.16
Net interest margin (1)	3.52%	3.51%	3.42%	3.50%	3.53%
Net interest income to average assets (1)	3.26%	3.25%	3.17%	3.24%	3.26%
Efficiency ratio (4)	95.75%	93.75%	92.13%	100.58%	86.38%
Nonperforming assets to total assets	0.37%	0.46%	0.50%	0.49%	0.65%

(1) Annualized

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

(3) Calculated by dividing annualized net income 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.