M&F Bancorp, Inc.

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M&F Bancorp, Inc. Announces Improved Third Quarter 2018 Earnings

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 2018 today.

James H. Sills, III, President and CEO of the Company, commented, "We continue to build momentum back to profitability. During the third quarter, we recorded positive net income of $850,000, primarily driven by a significant recovery from a previously charged-off nationally syndicated loan. We continue to experience improvements in loan growth, deposit growth, total asset growth and positive earnings. Our overall delinquency percentage is now .86% and below the industry standard of 1.00% as of September 30, 2018. During the third quarter, we had excellent loan diversity and sales activity. The commercial and retail teams continue to attract new small and medium sized businesses and consumer customers to the Company, which allows us to generate organic growth in our five markets. We closed 42 loans totaling $6.0 million, and our loans outstanding increased from $164.6 million as of June 30, 2018 to $169.1 million as of September 30, 2018. For the remaining quarter in 2018, the Company will strive to make progress on our strategic priorities placing emphasis on increasing loan volume and diversifying our fee income streams. We are continuing to execute our strategic plan designed to improve the overall performance of the Company."

The Company recorded net income for the third quarter of 2018 of $850,000 compared to a net loss of $170,000 for the comparable quarter of 2017. Diluted income (loss) per common share was $0.42 for the third quarter of 2018 compared to $(0.08) in the third quarter of 2017.

The Company recorded net income for the nine months ended September 30, 2018 of $338,000 compared to a net loss of $173,000 for the same period of 2017. Diluted income (loss) per common share was $0.17 and $(0.09) for the nine months ended September 30, 2018 and 2017, respectively.

The Company produced net interest income of $2.1 million during the three months ended September 30, 2018, which was up $88,000 from the $2.0 million generated for the same period of 2017. Interest income increased $209,000 or 9.38% to $2.4 million for the three months ended September 30, 2018 as compared to the same period of the prior year. The increase was primarily attributable to an increase in rates on interest-earning assets and loan growth. Interest expense increased to $331,000 for the three months ended September 30, 2018 compared to $210,000 for the same period in 2017. The increase was primarily attributable to increased rates on the Company's brokered-deposits, which are rate sensitive.

The Company produced net interest income of $6.2 million during the nine months ended September 30, 2018, which was up $182,000 from the $6.0 million generated for the same period of 2017. Interest income increased $453,000 or 6.89% to $7.0 million for the nine months ended September 30, 2018 as compared to the same period of the prior year. The increase was primarily attributable to an increase in rates on interest-earning assets and loan growth. Interest expense increased to $858,000 for the nine months ended September 30, 2018 compared to $587,000 for the same period in 2017. The increase was primarily driven by increased rates on the Company's brokered-deposits, which are rate sensitive.

The provision for loan losses totaled $(1.1) million and $627,000 during the quarters ended September 30, 2018 and 2017, respectively. The negative provision during the third quarter of 2018 was primarily driven by a significant recovery on a previously charged-off nationally syndicated loan.

The provision for loan losses totaled $15,000 and $627,000 during the nine months ended September 30, 2018 and 2017, respectively.

Excluding $227,000 in a Bank Enterprise Award ("BEA") received during the third quarter of 2017, noninterest income decreased $69,000 or 12.50% to $483,000 during the quarter ended September 30, 2018 as compared to the same period in 2017. The decrease was primarily attributable to a $74,000 reduction in revenue from rental income, which resulted from the sale of the Company's corporate office building during the fourth quarter of 2017. The BEA, awarded by the U.S. Treasury, reflects M&F Bank's commitment to low and moderate income areas within its footprint. Service charge income increased $24,000 or 6.72% to $381,000 as a result of growth in demand deposit accounts and increased rates on fee based activities.

Excluding $233,000 and $227,000 in BEA during the nine months ended September 30, 2018 and 2017, respectively, noninterest income decreased $184,000 or 11.71% to $1.4 million during the nine months ended September 30, 2018 as compared to the same period in 2017. The decrease was primarily attributable to a $224,000 reduction in revenue from rental income, which resulted from the sale of the Company's corporate office building during the fourth quarter of 2017. Additionally, the Company realized a $19,000 gain on the sale of a loan during the first nine months of 2018 as compared to $30,000 during the comparable period of 2017. Service charge income increased $76,000 or 7.18% to $1.1 million as a result of growth in demand deposit accounts and increased rates on fee based activities.

Noninterest expense increased $51,000 or 2.00% to $2.6 million for the quarter ended September 30, 2018 compared to $2.6 million for the same period of 2017, primarily driven by an $137,000 increase in salaries and employee benefits, $22,000 increase in information technology and a $20,000 increase in professional fees, partially off-set by decreases in other line item expenses.

Noninterest expense decreased $126,000 or 1.67% to $7.4 million for the nine months ended September 30, 2018 compared to $7.5 million for the same period of 2017, primarily driven by a $192,000 decrease in other noninterest expenses, a $107,000 decrease in occupancy and equipment expenses, an $87,000 decrease in FDIC deposit insurance premiums and an $87,000 decrease in net OREO expenses, partially off-set by increases in other line item expenses.

Total assets as of September 30, 2018 were $262.3 million, up 2.82% or $7.2 million from $255.1 million at December 31, 2017. During the nine months ended September 30, 2018, loans increased to $169.1 million, up 10.08% or $15.5 million from $153.6 million at December 31, 2017, while investment securities decreased $6.4 million to $51.1 million at September 30, 2018 from $57.5 million at December 31, 2017. Cash and cash equivalents decreased by $2.0 million to $22.1 million at September 30, 2018 as compared to $24.0 million at December 31, 2017. The Company used maturities of investment securities and cash to fund loan growth during the nine months ended September 30, 2018.

The allowance for loan losses was $2.1 million and $1.9 million at September 30, 2018 and December 31, 2017, respectively, which represented 1.23% of loans outstanding.

OREO totaled none and $104,000 at September 30, 2018 and December 31, 2017, respectively. The decrease has been driven by significant effort to dispose of nonperforming assets and to write-down other real estate owned ("OREO") to current net realizable values.

Total liabilities as of September 30, 2018 were $243.1 million, up 3.49% or $8.2 million from $234.9 million as of December 31, 2017. Increases in total deposits were primarily attributable to growth in core deposit accounts as well as significant temporary fluctuations in a couple of the Company's largest commercial deposit accounts. Interest-bearing deposits, including CDARS®, increased $1.8 million or 0.96% to $184.9 million at September 30, 2018 from $183.1 million December 31, 2017. Noninterest-bearing deposits increased $6.5 million or 13.72% to $53.8 million at September 30, 2018 from $47.3 million at December 31, 2017. Other liabilities were $3.7 million at September 30, 2018 and December 31, 2017.

Total stockholders' equity as of September 30, 2018 was $19.2 million as compared to total stockholders' equity at December 31, 2017 of $20.2 million. Accumulated other comprehensive loss increased to $3.8 million at September 30, 2018 from $2.4 million at December 31, 2017, driven by a decrease in the market value of the Company's available-for-sale investment securities during the period, while retained earnings increased $338,000 during the nine months ended September 30, 2018.

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

(Dollars in thousands except for share)	September 30, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 2,235	$ 2,255
Interest-bearing cash	19,828	21,762
Total cash and cash equivalents	22,063	24,017
Interest-bearing time deposits	3,210	3,210
Investment securities available-for-sale, at fair value	51,103	57,488
Other invested assets	254	256
Loans, net of unearned income and deferred fees	169,051	153,565
Allowance for loan losses	(2,076)	(1,885)
Loans, net	166,975	151,680
Interest receivable	703	651
Bank premises and equipment, net	2,427	2,437
Cash surrender value of bank-owned life insurance	8,921	8,733
OREO	-	104
Deferred tax assets and taxes receivable, net	4,975	4,875
Other assets	1,644	1,623
TOTAL ASSETS	$ 262,275	$ 255,074
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	$ 184,895	$ 183,128
Noninterest-bearing deposits	53,808	47,315
Total deposits	238,703	230,443
Other borrowings	699	769
Other liabilities	3,682	3,681
Total liabilities	243,084	234,893
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	14,232	13,894
Accumulated other comprehensive loss	(3,773)	(2,445)
Total stockholders' equity	19,191	20,181
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 262,275	$ 255,074

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands except for share and per share data) *(Unaudited)*	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Interest income:				
Loans, including fees	$ 2,059	$ 1,849	$ 5,885	$ 5,445
Investment securities available-for-sale, including dividends				
Taxable	275	307	855	949
Tax-exempt	-	-	-	-
Interest-bearing time deposits	14	11	41	20
Other	90	62	246	160
Total interest income	2,438	2,229	7,027	6,574
Interest expense:				
Deposits	330	208	854	581
Borrowings	1	2	4	6
Total interest expense	331	210	858	587
Net interest income	2,107	2,019	6,169	5,987
Less provision for loan losses	(1,119)	627	15	627
Net interest income after provision for loan losses	3,226	1,392	6,154	5,360
Noninterest income:				
Service charges	381	357	1,135	1,059
Rental income	-	74	-	224
Cash surrender value of life insurance	63	64	188	189
Realized gain on sale of loan	19	-	19	30
Realized loss on disposal of assets	-	(2)	-	(5)
Other income	20	286	278	301
Total noninterest income	483	779	1,620	1,798
Noninterest expense:				
Salaries and employee benefits	1,378	1,241	3,883	3,698
Occupancy and equipment	307	329	880	987
Directors' fees	42	37	137	128
Marketing	82	63	216	154
Professional fees	153	133	421	391
Information technology	348	326	1,021	964
FDIC deposit insurance	48	67	138	225
OREO expenses, net	2	51	(7)	80
Delivery expenses	29	28	92	88
Other	216	279	617	809
Total noninterest expense	2,605	2,554	7,398	7,524
Income (loss) before income tax expense (benefit)	1,104	(383)	376	(366)
Income tax expense (benefit)	254	(213)	38	(193)
Net income (loss)	$ 850	$ (170)	$ 338	$ (173)
Basic and diluted income (loss) per share of common stock:	$ 0.42	$ (0.08)	$ 0.17	$ (0.09)
Weighted average shares of common stock outstanding:				
Basic and diluted	2,031,337	2,031,337	2,031,337	2,031,337

SELECTED QUARTERLY FINANCIAL RATIOS

(Unaudited)

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	1.31%	0.35%	(1.14%)	(3.81%)	(0.26%)	(0.02%)
Return on average common stockholders' equity (1)(3)	17.98%	4.96%	(15.12%)	(43.05%)	(2.99%)	(0.19%)
Tangible book value per share	$ 9.45	$ 9.16	$ 9.18	$ 9.93	$ 11.09	$ 11.12
Net interest margin (1)	3.50%	3.53%	3.27%	3.40%	3.38%	3.27%
Net interest income to average assets (1)	3.24%	3.26%	3.02%	3.10%	3.08%	3.00%
Efficiency ratio (4)	100.58%	86.38%	98.88%	102.42%	91.28%	99.64%
Nonperforming assets to total assets	0.49%	0.65%	0.66%	1.02%	1.56%	0.75%

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