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M&F Bancorp, Inc. Announces First Quarter 2024 Results and Quarterly Cash Dividend

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 2024 and a quarterly cash common dividend of \$0.05 per share.

First Quarter 2024 Highlights

- Net income available to common stockholders totaled \$812,000 and \$1.8 million for the three months ended March 31, 2024 and 2023, respectively, down 53.97%.
- Basic and diluted earnings per common share of \$0.41 for the three months ended March 31, 2024, down from \$0.89 and \$0.88, respectively, for the same period in 2023.
- Return on average common stockholders’ equity of 11.62% for the three months ended March 31, 2024, compared with 32.32% for the same period in 2023.
- Period end loans of \$271.6 million, up 0.95% from December 31, 2023.
- Provision for credit losses totaled \$177,000 and reversal of credit losses totaled \$68,000 for the three months ended March 31, 2024 and 2023, respectively.
- Period end deposits of \$318.6 million, down 0.74% from December 31, 2023.

James H. Sills III, President and CEO of the Company, commented, "Our first quarter results were on target with our projections. We remain focused on providing the community bank relationship model to our business and consumer customers. We are seeing some economic factors that remain favorable in our region; however, we remain concerned about certain economic factors including inflation and unemployment. Like most banks we are seeing our deposit costs significantly increase quarter over quarter. We are doing a good job of managing our net interest margin; however, it continues to get squeezed. We achieved earnings available to stockholders of \$812,000 and return of assets of 0.72 percent. During the first quarter, we continued to see excellent asset quality trends with a delinquency rate of 0.51 percent. Finally, we continue to make investments in our new SBA line of business, new loan origination system and branding to increase market share and profitability."

The Board of Directors declared a quarterly cash dividend of \$0.05 per share of common stock payable on or about June 12, 2024 to stockholders of record as of the close of business on May 23, 2024. "We are pleased to continue our quarterly cash dividend as it reflects our Company’s performance and commitment to enhance stockholder value," said James A. Stewart, Chairman of the Board of Directors. The Bank’s capital ratios remain strong and exceeded all regulatory requirements. As of March 31, 2024, the Company’s stockholders’ equity was 27.80% of total assets.

For the three months ended March 31, 2024, net interest income was \$4.8 million, which was a 1.06% increase from \$4.7 million during the same period in 2023. For the three months ended March 31, 2024, the net interest margin was 4.36% compared to 4.38% for the same period in 2023, a decrease of 2 basis points.

The Company recorded a provision for credit losses of \$177,000 and a reversal of credit losses of \$68,000 for the three months ended March 31, 2024 and 2023, respectively. The Allowance for Credit Losses (“ACL”) as a percentage of total loans was 1.30% at March 31, 2024 compared to 1.48% at December 31, 2023. Nonperforming assets excluding performing loans modified to borrowers in financial distress represented 0.16% and 0.19% of total assets as of March 31, 2024 and 2023, respectively.

Noninterest income totaled \$899,000 in the three months ended March 31, 2024, compared with \$1.2 million for the same period in 2023, a decrease of \$292,000 or 24.52%. During the quarter, the Company recognized grant revenue in the amount of \$202,000. The majority of the grant revenue came from U.S. Treasury Community Development Financial Institution Fund’s Equitable Recovery Program (“ERP”). This program is designed to 1) provide funding to Community Development Financial Institutions (“CDFI”) to expand lending,

grant making and investment activities in low- or moderate-income communities and to borrowers that have significant unmet capital and financial services needs and have experienced disproportionate economic impacts from the COVID-19 pandemic and 2) enable CDFIs to build organization capacity and acquire technology, staff and other tools necessary to accomplish the activities under a CDFI ERP award. Excluding grant revenue, noninterest income decreased \$494,000 or 41.48%. The largest contributor to the decrease was money service business income, which totaled none during the quarter ended March 31, 2024 compared with \$392,000 during same period of the prior year. Inflation, rise in value of the Mexican Peso against the U.S. Dollar and state legislature changes in Florida contributed to the decrease. As a result, management has elected to discontinue the product offering after December 31, 2023.

Noninterest expense totaled \$4.4 million in the three months ended March 31, 2024, an increase of \$661,000 or 17.81%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$426,000 or 21.24%, professional fees, which increased \$159,000 or 81.54% primarily for a project, which has now been completed, and information technology, which increased \$96,000 or 21.82%.

As of March 31, 2024, accumulated other comprehensive loss totaled \$9.6 million compared to \$9.0 million at December 31, 2023. The accumulated other comprehensive loss was primarily due to fluctuation in interest rates and its impact on the Company's investment securities held-available-for sale, which are carried at fair value. When rates increase, the value of investment securities decrease; the opposite is true when rates move in the opposite direction. As investment securities mature, principal is paid down or if rates decrease, the accumulated other comprehensive loss will decrease and may turn positive.

About M&F Bancorp, Inc.

M&F Bancorp, Inc., a bank holding company headquartered in Durham, NC, and is the parent company of M&F Bank. M&F Bank is a state-chartered commercial bank founded in 1907 and has operated continuously since 1908. Branches are located in Durham, Raleigh, Charlotte, Greensboro and Winston-Salem, NC. M&F Bank is one of only a few NC banks designated by the U.S. Treasury as a Community Development Financial Institution.

Banking Services | ATM Usage Worldwide | Mobile Banking | Online Bill Pay | Remote and Mobile Deposit | Checking | Savings | Lending | Wealth Management

Forward-looking Information

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 and per share data)

	March 31, 2024 <i>(Unaudited)</i>	December 31, 2023
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,336	\$ 4,444
Interest-bearing cash	29,105	41,243
Total cash and cash equivalents	<u>31,441</u>	<u>45,687</u>
Interest-bearing time deposits	3,455	3,455
Investment securities available-for-sale, at fair value	99,124	89,774
Investment securities held-to-maturity (fair value of \$26,140 in 2024 and \$26,749 in 2023)	26,443	26,960
Other invested assets	324	324
Loans, net of unearned income and deferred fees	271,625	269,082
ACL	(3,540)	(3,987)
Loans, net	<u>268,085</u>	<u>265,095</u>
Interest receivable	1,576	1,538
Bank premises and equipment, net	2,994	2,964
Cash surrender value of bank-owned life insurance	10,450	10,370
Deferred tax assets and taxes receivable, net	3,286	3,248
Operating lease right-of-use asset	1,195	1,243
Other assets	2,560	2,600
TOTAL ASSETS	<u>\$ 450,933</u>	<u>\$ 453,258</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 226,184	\$ 220,221
Noninterest-bearing deposits	92,383	100,723
Total deposits	<u>318,567</u>	<u>320,944</u>
Other borrowings	26	30
Operating lease liabilities	1,248	1,293
Other liabilities	5,740	5,789
Total liabilities	<u>325,581</u>	<u>328,056</u>
Stockholders' equity:		
Series C Junior Participating Preferred Stock- \$0.01 par value, 21,000 shares authorized, no shares issued or outstanding	-	-
Series D Noncumulative Perpetual Preferred Stock- \$0.01 par value, 20,000 authorized at March 31, 2024 and December 31, 2023, respectively; 17,302 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at March 31, 2024 and December 31, 2023, respectively; 80,000 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at March 31, 2024 and December 31, 2023 issued and outstanding: 1,982,518 and 1,981,996 at March 31, 2024 and December 31, 2023	9,043	9,000
Retained earnings	28,619	27,907
Accumulated other comprehensive loss	(9,612)	(9,007)
Total stockholders' equity	<u>125,352</u>	<u>125,202</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 450,933</u>	<u>\$ 453,258</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended March 31,	
	2024	2023
Interest income:		
Loans, including fees	\$ 4,237	\$ 3,419
Investment securities, including dividends		
Taxable	990	597
Tax-exempt	40	37
Interest-bearing time deposits	28	19
Other	431	886
Total interest income	<u>5,726</u>	<u>4,958</u>
Interest expense:		
Deposits	952	234
Total interest expense	<u>952</u>	<u>234</u>
Net interest income	4,774	4,724
Provision for credit losses:		
Provision for (reversal of) credit losses on loans	197	(78)
Provision for (reversal of) credit losses on unfunded commitments	(20)	10
Total provision for (reversal of) credit losses	<u>177</u>	<u>(68)</u>
Net interest income after provision for (reversal of) credit losses	<u>4,597</u>	<u>4,792</u>
Noninterest income:		
Service charges on deposit accounts	189	206
Other service charges, commissions and fees	132	151
Money service business income	-	392
Commissions from sales of financial products	194	256
Cash surrender value of life insurance	80	73
Grant revenue	202	-
Other income	102	113
Total noninterest income	<u>899</u>	<u>1,191</u>
Noninterest expense:		
Salaries and employee benefits	2,432	2,006
Occupancy and equipment	355	356
Directors compensation	99	61
Money service business expenses	-	119
Marketing	74	111
Professional fees	354	195
Information technology	536	440
FDIC deposit insurance	47	30
Delivery expenses	51	41
Interchange expenses	88	68
Other	336	284
Total noninterest expense	<u>4,372</u>	<u>3,711</u>
Income before income tax expense	1,124	2,272
Income tax expense	238	448
Net income	<u>886</u>	<u>1,824</u>
Preferred stock dividends	(74)	(60)
Net income available to common stock holders	<u>\$ 812</u>	<u>\$ 1,764</u>
Basic and diluted income per share of common stock:		
Basic	0.41	0.89
Diluted	0.41	0.88
Weighted average shares of common stock outstanding:		
Basic	1,982,137	1,980,915
Diluted	1,994,666	2,007,423

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.72%	0.95%	1.27%	1.17%	1.55%	1.44%
Return on average common stockholders' equity (1)(3)	11.62%	17.23%	22.40%	21.64%	32.32%	33.84%
Tangible book value per share	\$ 14.15	\$ 14.08	\$ 11.79	\$ 12.12	\$ 11.73	\$ 10.48
Net interest margin (1)(4)	4.36%	4.53%	4.69%	4.62%	4.38%	4.38%
Net interest income to average assets (1)	4.25%	4.37%	4.49%	4.41%	4.17%	4.17%
Efficiency ratio (5)	76.92%	66.20%	65.85%	67.77%	62.63%	61.27%
Nonperforming assets to total assets	1.53%	1.57%	1.60%	1.64%	1.63%	1.63%
Nonperforming assets excluding performing loans modified to borrowers in financial distress to total assets	0.16%	0.20%	0.18%	0.21%	0.19%	0.20%

(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) Excludes net unrealized holding gains (losses) in available-for-sale securities

(5) 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