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## M&F Bancorp, Inc. Announces Third Quarter 2024 Results and \$500 Million Milestone

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

### Third Quarter 2024 Highlights

- Net income available to common stockholders totaled \$928,000 and \$1.4 million for the three months ended September 30, 2024 and 2023, respectively, down 32.11%; net income available to common stockholders totaled \$2.8 million and \$4.4 million for the nine months ended September 30, 2024 and 2023, respectively, down 36.86%.
- Basic and diluted earnings per common share of \$0.47 and \$0.46, respectively, for the three months ended September 30, 2024, down from \$0.69 and \$0.68, respectively, for the same period in 2023; basic and diluted earnings per common share of \$1.41 and \$1.40, respectively, for the nine months ended September 30, 2024, down from \$2.23 and \$2.20, respectively, for the same period in 2023.
- Return on average common stockholders’ equity of 12.14% for the three months ended September 30, 2024, compared with 22.40% for the same period in 2023.
- Period end loans of \$283.2 million, up 5.25% from December 31, 2023.
- Provision for (reversal of) credit losses totaled \$(16,000) and \$356,000 for the three months ended September 30, 2024 and 2023, respectively; provision for credit losses totaled \$274,000 and \$426,000 for the nine months ended September 30, 2024 and 2023, respectively.
- Period end deposits of \$375.1 million, up 16.86% from December 31, 2023.
- Period end assets of \$512.4 million, up 13.06% from December 31, 2023.

James H. Sills III, President and CEO of the Company, commented, "I am pleased to report that our third quarter results have pushed the Company to over \$512 million in total assets. This is the highest total asset threshold achieved in the 117-year history of the Company. This asset growth was due to receiving significant deposits from corporate partners that support the mission of the Bank. The Company is in an enviable position in terms of having excess liquidity compared to peer banks. We will leverage these deposits to continue the mission of providing access to capital to small businesses and consumers in the form of loans. We achieved earnings available to stockholders of \$928,000 and return of assets of 0.75% during the quarter. Finally, we remain focused on executing our strategic plan related to our investments in our new SBA line of business, new loan origination system, and branch up-fits 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 December 13, 2024 to stockholders of record as of the close of business on November 21, 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 Company’s capital ratios remain strong and exceeded all regulatory requirements. As of September 30, 2024, the Company’s stockholders’ equity was 25.44% of total assets.

The Company previously announced its Board of Directors had approved the development and implementation of a stock repurchase program, whereby up to \$2.6 million will be allocated to repurchase the Company’s common stock. The timing and exact amount of common stock repurchased will depend on various factors, including market conditions, internal capital generation and capital consumption through loan growth or other uses. Repurchases may be executed through open market purchases, privately negotiated transactions, or by other means in accordance with federal securities laws, including utilizing a Rule 10b5-1 program, and may be suspended at any time without prior notice. As of September 30, 2024, no shares had been repurchased.

For the three months ended September 30, 2024, net interest income was \$5.0 million, which was a 4.68% increase from \$4.8 million during the same period in 2023. For the three months ended September 30, 2024, the net interest margin was 4.18% compared to 4.69%

for the same period in 2023, a decrease of 51 basis points. The decrease was due to higher cost of interest-bearing deposits. For the nine months ended September 30, 2024, net interest income was \$14.6 million, which was a 1.82% increase from \$14.4 million during the same period in 2023. For the nine months ended September 30, 2024, the net interest margin was 4.25% compared to 4.56% for the same period in 2023, a decrease of 31 basis points. The decrease was due to higher cost of interest-bearing deposits.

The Company recorded a provision for (reversal of) credit losses of \$(16,000) and \$356,000 for the three months ended September 30, 2024 and 2023, respectively. The Company recorded a provision for credit losses of \$274,000 and \$426,000 for the nine months ended September 30, 2024 and 2023, respectively. The Allowance for Credit Losses (“ACL”) as a percentage of total loans was 1.33% at September 30, 2024 compared to 1.48% at December 31, 2023. Nonperforming assets excluding performing loans modified to borrowers experiencing financial difficulties represented 0.10% and 0.18% of total assets as of September 30, 2024 and 2023, respectively.

Noninterest income totaled \$1.1 million in the three months ended September 30, 2024, compared with \$1.6 million for the same period in 2023, a decrease of \$531,000 or 32.92%. During the quarter ended September 30, 2024, the Company recognized grant revenue in the amount of \$467,000 compared to \$423,000 during the comparable period of the prior year. The majority of the grant revenue came from two grants. Approximately, \$167,000 of the grant revenue came from U.S. Treasury Community Development Financial Institution Fund’s Equitable Recovery Program (“ERP”) during 2024 compared to none during the prior year. 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. The Bank received \$280,000 and \$423,000 during the quarters ended September 30, 2024 and 2023, respectively, from the Bank Enterprise Award (“BEA”) program. The BEA, awarded by the U.S. Treasury, reflects M&F Bank’s commitment to low- or moderate-income areas within its footprint. Excluding grant revenue, noninterest income decreased \$575,000 or 48.32%. The largest contributor to the decrease was money service business income, which totaled none during the quarter ended September 30, 2024 compared with \$330,000 during same period of the prior year. Management discontinued the money services business at the end of 2023 due to inflation, rise in value of the Mexican Peso against the U.S. Dollar and state legislature changes in Florida, which negatively impacted the product. Noninterest income totaled \$3.2 million in the nine months ended September 30, 2024, compared with \$3.9 million for the same period in 2023, a decrease of \$776,000 or 19.72%. The Company recognized grant revenue in the amount of \$1.2 million and \$423,000 during the nine months ended September 30, 2024 and 2023, respectively. The majority of the grant revenue came from U.S. Treasury Community Development Financial Institution Fund’s ERP during 2024, while 2023 reflected a BEA grant. Excluding grant revenue, noninterest income decreased \$1.5 million or 43.89%. The largest contributor to the decrease was the money service business, which totaled none in the nine month period ended September 30, 2024 compared to \$1.1 million during the same period of the prior year.

Noninterest expense totaled \$4.3 million in the three months ended September 30, 2024, an increase of \$110,000 or 2.60%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$76,000 or 3.36%, professional fees, which increased \$72,000 or 31.30% and information technology, which increased \$49,000 or 9.28%. Noninterest expense totaled \$13.1 million in the nine months ended September 30, 2024, an increase of \$1.1 million or 9.52%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$760,000 or 11.89%, professional fees, which increased \$314,000 or 48.01% primarily related to a project now been completed, and information technology, which increased \$218,000 or 14.94%.

As of September 30, 2024, accumulated other comprehensive loss totaled \$6.5 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.

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#### **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)

	September 30, 2024 <i>(Unaudited)</i>	December 31, 2023
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,698	\$ 4,444
Interest-bearing cash	32,200	41,243
Total cash and cash equivalents	<u>34,898</u>	<u>45,687</u>
Interest-bearing time deposits	3,209	3,455
Investment securities available-for-sale, at fair value	155,229	89,774
Investment securities held-to-maturity (fair value of \$16,985 in 2024 and \$26,749 in 2023)	16,923	26,960
Other invested assets	324	324
Loans, net of unearned income and deferred fees	283,200	269,082
ACL	<u>(3,762)</u>	<u>(3,987)</u>
Loans, net	279,438	265,095
Interest receivable	1,909	1,538
Bank premises and equipment, net	3,352	2,964
Cash surrender value of bank-owned life insurance	10,615	10,370
Deferred tax assets and taxes receivable, net	2,417	3,248
Operating lease right-of-use asset	1,099	1,243
Other assets	<u>3,018</u>	<u>2,600</u>
<b>TOTAL ASSETS</b>	<u>\$ 512,431</u>	<u>\$ 453,258</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 277,572	\$ 220,221
Noninterest-bearing deposits	97,498	100,723
Total deposits	<u>375,070</u>	<u>320,944</u>
Other borrowings	19	30
Operating lease liabilities	1,157	1,293
Other liabilities	<u>5,813</u>	<u>5,789</u>
Total liabilities	<u>382,059</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 September 30, 2024 and December 31, 2023, respectively; 17,302 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at September 30, 2024 and December 31, 2023, respectively; 80,000 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at September 30, 2024 and December 31, 2023 issued and outstanding: 1,982,518 and 1,981,996 at September 30, 2024 and December 31, 2023	9,141	9,000
Retained earnings	30,398	27,907
Accumulated other comprehensive loss	<u>(6,469)</u>	<u>(9,007)</u>
Total stockholders' equity	<u>130,372</u>	<u>125,202</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 512,431</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 September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Interest income:</b>				
Loans, including fees	\$ 4,455	\$ 3,943	\$ 12,947	\$ 11,037
Investment securities, including dividends				
Taxable	1,467	605	3,673	1,815
Tax-exempt	40	39	119	113
Interest-bearing time deposits	33	14	93	52
Other	466	612	1,351	2,297
Total interest income	<u>6,461</u>	<u>5,213</u>	<u>18,183</u>	<u>15,314</u>
<b>Interest expense:</b>				
Deposits	1,432	409	3,559	952
Total interest expense	<u>1,432</u>	<u>409</u>	<u>3,559</u>	<u>952</u>
Net interest income	5,029	4,804	14,624	14,362
<b>Provision for credit losses:</b>				
Provision for credit losses on loans	41	259	447	282
Provision for (reversal of) credit losses on unfunded commitments	(57)	97	(173)	144
Total provision for credit losses	<u>(16)</u>	<u>356</u>	<u>274</u>	<u>426</u>
Net interest income after provision for (reversal of) credit losses	5,045	4,448	14,350	13,936
<b>Noninterest income:</b>				
Service charges on deposit accounts	200	206	576	622
Other service charges, commissions and fees	132	140	404	441
Money service business income	-	330	-	1,088
Commissions from sales of financial products	126	263	473	767
Cash surrender value of life insurance	83	77	245	225
Net realized (gain) loss on disposal of Bank premises and equipment	-	3	-	(26)
Grant revenue	467	423	1,189	423
Other income	74	171	273	396
Total noninterest income	<u>1,082</u>	<u>1,613</u>	<u>3,160</u>	<u>3,936</u>
<b>Noninterest expense:</b>				
Salaries and employee benefits	2,337	2,261	7,154	6,394
Occupancy and equipment	395	371	1,131	1,096
Directors compensation	90	70	276	195
Money service business expenses	-	158	-	433
Marketing	90	85	259	276
Professional fees	302	230	968	654
Information technology	577	528	1,677	1,459
FDIC deposit insurance	50	43	144	137
Delivery expenses	44	42	143	127
Interchange expenses	97	93	269	250
Other	360	351	1,114	972
Total noninterest expense	<u>4,342</u>	<u>4,232</u>	<u>13,135</u>	<u>11,993</u>
Income before income tax expense	1,785	1,829	4,375	5,879
Income tax expense	382	402	921	1,282
<b>Net income</b>	<u>1,403</u>	<u>1,427</u>	<u>3,454</u>	<u>4,597</u>
Preferred stock dividends	(475)	(60)	(665)	(180)
<b>Net income available to common stockholders</b>	<u>\$ 928</u>	<u>\$ 1,367</u>	<u>\$ 2,789</u>	<u>\$ 4,417</u>
<b>Basic and diluted income per share of common stock:</b>				
Basic	0.47	0.69	1.41	2.23
Diluted	0.46	0.68	1.40	2.20
<b>Weighted average shares of common stock outstanding:</b>				
Basic	1,982,518	1,981,665	1,982,391	1,981,203
Diluted	2,002,894	2,001,226	1,998,284	2,005,034

**SELECTED QUARTERLY FINANCIAL RATIOS***(Unaudited)*

	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>	<b>June 30, 2023</b>
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.75%	0.90%	0.72%	0.95%	1.27%	1.17%
Return on average common stockholders' equity (1)(3)	12.14%	15.20%	11.62%	17.23%	22.40%	21.64%
Tangible book value per share	\$ 16.68	\$ 14.68	\$ 14.15	\$ 14.08	\$ 11.79	\$ 12.12
Net interest margin (1)(4)	4.18%	3.83%	4.36%	4.53%	4.69%	4.62%
Net interest income to average assets (1)	4.05%	3.74%	4.25%	4.37%	4.49%	4.41%
Efficiency ratio (5)	70.92%	73.56%	76.92%	66.20%	65.85%	67.77%
Nonperforming assets to total assets	1.29%	1.53%	1.53%	1.57%	1.60%	1.64%
Nonperforming assets excluding performing loans modified to borrowers in financial distress to total assets	0.40%	0.23%	0.16%	0.20%	0.18%	0.21%

(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