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## M&F Bancorp, Inc. Announces Record First Quarter 2023 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 2023 and a quarterly cash common dividend of \$0.04 per share.

### First Quarter 2023 Highlights

- Net income available to common stockholders totaled \$1.8 million and \$783,000 for the three months ended March 31, 2023 and 2022, respectively, up 125.29%.
- Basic and diluted earnings per common share of \$0.89 and \$0.88, respectively, for the three months ended March 31, 2023, up \$0.49 and \$0.48, respectively, from \$0.40 for the same period in 2022
- Return on average common stockholders’ equity of 32.32% for the three months ended March 31, 2023, compared with 12.60% for the same period in 2022
- Period end loans of \$243.5 million, down 1.39% from December 31, 2022
- Reversal of credit losses totaled \$68,000 and \$10,000 for the periods ended March 31, 2023 and 2022, respectively
- Period end deposits of \$321.1 million, down 1.92% from December 31, 2022

James H. Sills III, President and CEO of the Company, commented, “We are pleased with our results for the first quarter of 2023, which exceeded our expectations. We achieved significantly increased earnings available to stockholders of \$1.8 million and achieved a 1.55% return on assets, which is outstanding. At the moment, most all banks are experiencing headwinds related to increased interest expense, loan growth and earnings, which we are closely monitoring. From a deposits standpoint, we are fortunate to have a well-diversified deposit base of long-term customers, who support the mission of our Bank and contribute to the stability of our deposit base. Nonetheless, we are watching deposit inflows and outflows closely, which appear to be normal at the present. During the second quarter, we received notification from the U.S. Treasury CDFI Fund that we will receive a grant award of \$2.4 million to provide more lending to underserved communities. This grant highlights the continued mission and impact of the company to invest in small and medium business, nonprofits and consumers. Finally, we continue to execute our new strategic plan to improve the overall performance of the Company during very challenging economic conditions”.

The Board of Directors declared a quarterly cash dividend of \$0.04 per share of common stock payable on June 14, 2023 to stockholders of record as of the close of business on May 26, 2023. “We are pleased to continue our quarterly cash dividend as it reflects our Company’s improved 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, 2023, the Company’s stockholders’ equity was 26.95% of total assets.

For the three months ended March 31, 2023, net interest income was \$4.7 million, which was a 51.70% increase from \$3.1 million during the same period in 2022. For the three months ended March 31, 2023, the net interest margin was 4.38% compared to 3.62% for the same period in 2022, an increase of 76 basis points. The increase was primarily attributable to increased rates on loans, taxable securities and overnight funds during 2023.

The Company recorded a reversal of credit losses of \$68,000 for the three months ended March 31, 2023 compared to a reversal of credit losses of \$10,000 for the three months ended March 31, 2022. The allowance for credit as a percentage of total loans was 1.14% at March 31, 2023 compared to 1.16% at December 31, 2022. Nonperforming assets excluding performing TDRs represented 0.19% of total assets as of March 31, 2023 compared to 0.26% at March 31, 2022.

Noninterest income totaled \$1.2 million in the three months ended March 31, 2023, compared with \$1.1 million for the same period in 2022, an increase of \$79,000 or 7.10%. The largest contributor to the increase was commissions from the sales of financial products, which totaled \$256,000 compared with \$122,000 during same period of the prior year.

Noninterest expense totaled \$3.7 million in the three months ended March 31, 2023, an increase of \$531,000 or 16.70%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$227,000 or 12.76%, marketing, which increased to \$111,000, up \$64,000 or 136.17%, information technology, which increased to \$440,000, up \$91,000 or 26.07%, and other expenses, which increased to \$284,000, up \$129,000 or 83.23%. The increase in other expenses was primarily attributable to actuarial adjustments in the Bank's defined benefits plan.

As of March 31, 2023, accumulated other comprehensive loss totaled \$10.1 million compared to \$11.1 million at December 31, 2022. The accumulated other comprehensive loss was due to increased 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)

	March 31, 2023 <i>(Unaudited)</i>	December 31, 2022
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 11,289	\$ 12,667
Interest-bearing cash	73,869	76,800
Total cash and cash equivalents	<u>85,158</u>	<u>89,467</u>
Interest-bearing time deposits	3,701	3,701
Investment securities available-for-sale, at fair value	67,152	67,092
Investment securities held-to-maturity (fair value of \$28,832 in 2023 and \$24,740 in 2022)	29,117	25,141
Other invested assets	238	205
Loans, net of unearned income and deferred fees	243,470	246,909
Allowance for credit losses	<u>(2,765)</u>	<u>(2,863)</u>
Loans, net	240,705	244,046
Interest receivable	1,289	1,324
Bank premises and equipment, net	2,995	2,612
Cash surrender value of bank-owned life insurance	10,139	10,066
Deferred tax assets and taxes receivable, net	3,254	3,608
Operating lease right-of-use asset	1,382	1,444
Other assets	<u>2,183</u>	<u>2,291</u>
<b>TOTAL ASSETS</b>	<u>\$ 447,313</u>	<u>\$ 450,997</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 220,125	\$ 222,175
Noninterest-bearing deposits	100,970	105,220
Total deposits	<u>321,095</u>	<u>327,395</u>
Other borrowings	60	76
Operating lease liabilities	1,421	1,479
Other liabilities	<u>4,197</u>	<u>3,989</u>
Total liabilities	<u>326,773</u>	<u>332,939</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, 2023 and December 31, 2022; 17,302 shares issued and outstanding at March 31, 2023 and December 31, 2022	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at March 31, 2023 and December 31, 2022; 80,000 shares issued and outstanding at March 31, 2023 and December 31, 2022	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at March 31, 2023 and December 31, 2022; issued and outstanding: 1,980,915 and 1,979,975 at March 31, 2023 and December 31, 2022, respectively	8,881	8,866
Retained earnings	24,454	23,005
Accumulated other comprehensive loss	<u>(10,097)</u>	<u>(11,115)</u>
Total stockholders' equity	<u>120,540</u>	<u>118,058</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 447,313</u>	<u>\$ 450,997</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,	
	2023	2022
<i>(Dollars in thousands except for share and per share data)</i>		
<i>(Unaudited)</i>		
<b>Interest income:</b>		
Loans, including fees	\$ 3,419	\$ 2,861
Investment securities, including dividends		
Taxable	597	278
Tax-exempt	37	12
Interest-bearing time deposits	19	12
Other	886	18
Total interest income	<u>4,958</u>	<u>3,181</u>
<b>Interest expense:</b>		
Deposits	234	67
Total interest expense	<u>234</u>	<u>67</u>
Net interest income	4,724	3,114
<b>Provision for credit losses:</b>		
Reversal of credit losses on loans	(78)	(10)
Provision for credit losses on unfunded commitments	10	-
Total reversal of credit losses	<u>(68)</u>	<u>(10)</u>
Net interest income after reversal of credit losses	<u>4,792</u>	<u>3,124</u>
<b>Noninterest income:</b>		
Service charges on deposit accounts	206	210
Other service charges, commissions and fees	151	155
Money service business income	392	537
Commissions from sales of financial products	256	122
Cash surrender value of life insurance	73	69
Other income	113	19
Total noninterest income	<u>1,191</u>	<u>1,112</u>
<b>Noninterest expense:</b>		
Salaries and employee benefits	2,006	1,779
Occupancy and equipment	356	356
Directors compensation	61	47
Money service business expenses	119	164
Marketing	111	47
Professional fees	195	145
Information technology	440	349
FDIC deposit insurance	30	23
Delivery expenses	41	34
Interchange expenses	68	81
Other	284	155
Total noninterest expense	<u>3,711</u>	<u>3,180</u>
Income before income tax expense	2,272	1,056
Income tax expense	448	228
<b>Net income</b>	<u>1,824</u>	<u>828</u>
Preferred stock dividends	(60)	(45)
<b>Net income available to common stockholders</b>	<u>\$ 1,764</u>	<u>\$ 783</u>
<b>Basic and diluted income per share of common stock:</b>		
Basic	0.89	0.40
Diluted	0.88	0.40
<b>Weighted average shares of common stock outstanding:</b>		
Basic	1,980,915	1,979,975
Diluted	2,007,423	1,979,975

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

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	1.55%	1.44%	0.88%	0.98%	0.83%	0.82%
Return on average common stockholders' equity (1)(3)	32.32%	33.84%	18.47%	17.21%	12.60%	12.21%
Tangible book value per share	\$ 11.73	\$ 10.48	\$ 9.31	\$ 10.53	\$ 11.29	\$ 12.93
Net interest margin (1)(4)	4.38%	4.38%	3.62%	3.73%	3.62%	3.81%
Net interest income to average assets (1)	4.17%	4.17%	3.39%	3.44%	3.31%	3.44%
Efficiency ratio (5)	62.63%	61.27%	67.28%	70.80%	75.20%	76.82%
Nonperforming assets to total assets	1.63%	1.63%	1.66%	1.67%	2.07%	2.09%
Nonperforming assets excluding performing TDRs to total assets	0.19%	0.20%	0.20%	0.21%	0.26%	0.23%

(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