



FOR IMMEDIATE RELEASE – November 3, 2022

Contact:

Randall C. Hall, EVP/CFO

919.313.3600

randall.hall@mfbonline.com

M&F Bancorp, Inc. Announces Third Quarter 2022 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 third quarter of 2022 and a quarterly cash common dividend of \$0.03 per share.

September 30, 2022 Highlights

- Basic and diluted earnings per common share of \$0.51 and \$0.50, respectively, for the three months ended September 30, 2022, up \$0.07 and \$0.06, respectively, from \$0.44 for the same period in 2021; basic and diluted earnings per common share of \$1.37 for the nine months ended September 30, 2022, up \$0.39 from \$0.98 for the same period in 2021
- Return on average common stockholders’ equity of 18.47% for the three months ended September 30, 2022, compared with 14.30% for the same period in 2021
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$224.7 million, up 9.18% from December 31, 2021
- Period end loans of \$228.7 million, down 1.38% from December 31, 2021
- Through September 30, 2022, have forgiven and recognized 94% of the unamortized fees and associated costs on the \$51.0 million of the first and second round of SBA PPP loans.
- Loan loss provision totaled \$484,000 for the nine months ended September 30, 2022 compared with a reversal of \$295,000 during the same period of the prior year
- Period end deposits of \$329.1 million, up 3.81% from December 31, 2021
- Money service business income totaled \$1.7 million for the nine months ended September 30, 2022, up 12.16% from the prior year

Net income available to common stockholders totaled \$1.0 million and \$878,000 for the three months ended September 30, 2022 and 2021, respectively, up 14.01%. For the nine months ended September 30, 2022 and 2021, net income available to common stockholders totaled \$2.7 million and \$1.9 million, respectively, up 39.72%.

James H. Sills III, President and CEO of the Company, commented, “We continue to be pleased with the financial results through the first nine months of the year. All our metrics, ratios and total asset growth numbers continue to increase in a challenging environment. We are excited to develop strategic plans to leverage the recent \$80 million in new capital from the U.S. Treasury Emergency Capital Investment Program. This investment will allow the Company to continue the mission of providing capital to small and medium sized businesses across the state. Finally, we are closely watching the economic conditions related to inflation, rising interest rates, asset quality metrics and loan demand going into the fourth quarter.”

The Board of Directors declared a quarterly cash dividend of \$0.03 per share of common stock payable on December 14, 2022 to stockholders of record as of the close of business on November 25, 2022. “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 September 30, 2022, the Company’s stockholders’ equity was 25.75% of total assets.

For the three months ended September 30, 2022, net interest income was \$3.8 million, which was a 19.54% increase from \$3.2 million during the same period in 2021. For the three months ended September 30, 2022, the net interest margin was 3.62% compared to 3.91% for the same period in 2021, a decrease of 29 basis points. The decrease was primarily attributable to lower loan fees associated with PPP loans during 2022. For the nine months ended September 30, 2022, net interest income was \$10.2 million, compared to \$8.1 million during the same period in 2021. The net interest margin was 3.65% for the nine months ended September 30, 2022 compared to 3.47% for the same period in 2021, an increase of 18 basis points.

The Company recorded a provision for loan losses of \$348,000 for the three months ended September 30, 2022 compared to a reversal from loan losses of \$77,000 for the three months ended September 30, 2021. For the nine months ended September 30, 2022, the Company recorded a provision for loans losses of \$484,000 compared to a reversal from loan losses of \$295,000 during the same period of the prior year. The allowance for loan losses as a percentage of total loans was 1.16% at September 30, 2022 compared to 0.98% at December 31, 2021. The allowance for loan losses as a percentage of total loans excluding PPP loans was 1.18% and 1.10% at September 30, 2022 and December 31, 2021, respectively. Nonperforming assets represented 0.20% of total assets as of September 30, 2022 compared to 0.23% at December 31, 2021.

Noninterest income totaled \$1.3 million in the three months ended September 30, 2022, compared with \$1.1 million for the same period in 2021, an increase of \$254,000 or 23.45%. The largest contributors to the increase were money service business income, which increased to \$608,000, up \$78,000 or 14.72% over prior year and commissions from the sales of financial products, which totaled \$231,000 compared with \$85,000 during same period of the prior year.

Noninterest income totaled \$3.9 million in the nine months ended September 30, 2022, compared with \$3.1 million for the same period in 2021, an increase of \$808,000 or 26.18%. The largest contributors to the increase were the increase in money service business income, which increased to \$1.7 million, up \$186,000 or 12.16% over prior year and commissions from the sales of financial products, which totaled \$584,000, compared with \$156,000 during the same period of the prior year.

Noninterest expense totaled \$3.5 million in the three months ended September 30, 2022, an increase of \$235,000, or 7.22%, from the same period in 2021. The most significant increases occurred in professional fees, which increased to \$289,000, up \$89,000 or 44.50%, information technology, which increased to \$372,000, up \$58,000 or 18.47%, and other expenses, which increased to \$228,000, up \$116,000 or 103.57%.

Noninterest expense totaled \$10.0 million in the nine months ended September 30, 2022, an increase of \$1.0 million, or 11.57%, from the same period in 2021. The most significant increases occurred in salaries and employee benefits, which increased to \$5.3 million, up \$260,000 or 5.17%, professional fees, which increased to \$683,000, up \$173,000 or 33.92%, information technology, which increased to \$1.1 million, up \$144,000 or 15.21%, and other expenses, which increased to \$539,000, up \$224,000 or 71.11%.

As of September 30, 2022, accumulated other comprehensive loss totaled \$11.9 million compared to \$2.1 million at December 31, 2021. The increase in 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.

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. Effects of COVID-19 may negatively impact significant estimates and exacerbate a vulnerability due of certain concentrations (e.g., business concentration in a market or geographical area severely affected by effects of COVID-19). 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, 2022	December 31, 2021
	<i>(Unaudited)</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 13,276	\$ 16,799
Interest-bearing cash	98,879	24,499
Total cash and cash equivalents	<u>112,155</u>	<u>41,298</u>
Interest-bearing time deposits	3,946	3,201
Investment securities available-for-sale, at fair value	67,515	72,326
Investment securities held to maturity (fair value of \$18,488 and \$0)	18,886	-
Other invested assets	205	177
Loans, net of unearned income and deferred fees	228,714	231,908
Allowance for loan losses	<u>(2,660)</u>	<u>(2,272)</u>
Loans, net	<u>226,054</u>	<u>229,636</u>
Interest receivable	985	870
Bank premises and equipment, net	2,221	2,302
Cash surrender value of bank-owned life insurance	9,994	9,782
Deferred tax assets and taxes receivable, net	4,263	2,149
Operating lease right-of-use asset	795	946
Other assets	<u>2,532</u>	<u>2,376</u>
TOTAL ASSETS	<u><u>\$ 449,551</u></u>	<u><u>\$ 365,063</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 218,271	\$ 210,363
Noninterest-bearing deposits	<u>110,832</u>	<u>106,658</u>
Total deposits	329,103	317,021
Other borrowings	92	130
Operating lease liabilities	837	985
Other liabilities	<u>3,780</u>	<u>4,025</u>
Total liabilities	<u>333,812</u>	<u>322,161</u>
Stockholders' equity:		
Series C Junior Participating Preferred Stock- \$0.01 par value, 21,000 shares authorized, no shares issued or outstanding	-	-
authorized at September 30, 2022 and December 31, 2021, respectively; 17,302 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at September 30, 2022 and none at December 31, 2021, respectively; 80,000 shares issued and outstanding at September 30, 2022 and none at December 31, 2021, respectively	80,000	-
Common stock, no par value, 10,000,000 shares authorized at September 30, 2022 and December 31, 2021; issued and outstanding: 1,979,975 at September 30, 2022 and December 31, 2021	8,855	8,823
Retained earnings	21,437	18,910
Accumulated other comprehensive loss	<u>(11,855)</u>	<u>(2,133)</u>
Total stockholders' equity	<u>115,739</u>	<u>42,902</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 449,551</u></u>	<u><u>\$ 365,063</u></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,	
	2022	2021	2022	2021
Interest income:				
Loans, including fees	\$ 2,863	\$ 3,060	\$ 8,561	\$ 7,752
Investment securities, including dividends				
Taxable	401	199	1,006	530
Tax-exempt	27	3	58	3
Interest-bearing time deposits	14	16	38	58
Other	631	14	756	36
Total interest income	3,936	3,292	10,419	8,379
Interest expense:				
Deposits	94	78	230	265
Borrowings	-	-	1	1
Total interest expense	94	78	231	266
Net interest income	3,842	3,214	10,188	8,113
Less provision for (reversal of) loan losses	348	(77)	484	(295)
Net interest income after provision for (reversal of) loan losses	3,494	3,291	9,704	8,408
Noninterest income:				
Service charges on deposit accounts	213	210	634	624
Other service charges, commissions and fees	158	167	481	468
Money service business income	608	530	1,716	1,530
Commissions from sales of financial products	231	85	584	156
Rental income	-	-	-	4
Cash surrender value of life insurance	72	69	212	204
Gains on sales of repossessed assets	-	-	-	29
Other income	55	22	267	71
Total noninterest income	1,337	1,083	3,894	3,086
Noninterest expense:				
Salaries and employee benefits	1,788	1,911	5,291	5,031
Occupancy and equipment	340	381	1,038	1,081
Directors' fees	59	29	151	105
Money service business expenses	191	138	544	420
Marketing	78	49	219	153
Professional fees	289	200	683	510
Information technology	372	314	1,091	947
FDIC deposit insurance	25	10	72	64
Delivery expenses	38	31	108	97
Interchange expenses	81	79	248	226
Other	228	112	539	315
Total noninterest expense	3,489	3,254	9,984	8,949
Income before income tax expense	1,342	1,120	3,614	2,545
Income tax expense	296	212	774	549
Net income	1,046	908	2,840	1,996
Preferred stock dividends	(45)	(30)	(135)	(60)
Net income available to common stockholders	\$ 1,001	\$ 878	\$ 2,705	\$ 1,936
Basic and diluted income per share of common stock:				
Basic	0.51	0.44	1.37	0.98
Diluted	0.50	0.44	1.37	0.98
Weighted average shares of common stock outstanding:				
Basic	1,979,975	1,979,975	1,979,975	1,973,883
Diluted	1,990,499	1,979,975	1,979,975	1,973,883

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.88%	0.98%	0.83%	0.82%	0.96%	0.64%
Return on average common stockholders' equity (1)(3)	18.47%	17.21%	12.60%	12.21%	14.30%	9.71%
Tangible book value per share	\$ 9.31	\$ 10.53	\$ 11.29	\$ 12.93	\$ 12.40	\$ 12.10
Net interest margin (1)(4)	3.62%	3.73%	3.62%	3.81%	3.91%	3.20%
Net interest income to average assets (1)	3.39%	3.44%	3.31%	3.44%	3.52%	2.88%
Efficiency ratio (5)	67.28%	70.80%	75.20%	76.82%	75.71%	81.36%
Nonperforming assets to total assets	0.20%	0.21%	0.26%	0.23%	0.22%	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