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M&F Bancorp, Inc. Announces Third 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 third quarter of 2023 and a quarterly cash common dividend of \$0.04 per share.

Third Quarter 2023 Highlights

- Net income available to common stockholders totaled \$1.4 million and \$1.0 million for the three months ended September 30, 2023 and 2022, respectively, up 36.56%; net income available to common stockholders totaled \$4.4 million and \$2.7 million for the nine months ended September 30, 2023 and 2022, respectively, up 63.29%.
- Basic and diluted earnings per common share of \$0.69 and \$0.68, respectively, for the three months ended September 30, 2023, up \$0.18 from \$0.51 and \$0.50, respectively, for the same period in 2022; basic and diluted earnings per common share of \$2.23 and \$2.20, respectively, for the nine months ended September 30, 2023, up \$0.86 and \$0.83, respectively, from \$1.37 for the same period in 2022
- Return on average common stockholders’ equity of 22.40% for the three months ended September 30, 2023, compared with 18.47% for the same period in 2022
- Period end loans of \$256.3 million, up 3.81% from December 31, 2022
- Provision for credit losses totaled \$356,000 and \$348,000 for the three months ended September 30, 2023 and 2022, respectively; provision for credit losses totaled \$426,000 and \$484,000 for the nine months ended September 30, 2023 and 2022, respectively.
- Period end deposits of \$317.7 million, down 2.95% from December 31, 2022

James H. Sills III, President and CEO of the Company, commented, "We are pleased with our results for the third quarter of 2023. We achieved excellent earnings available to stockholders of \$1.4 million and achieved a 1.27% return on assets as the economy continues to slow down. We are continuing to experience headwinds related to increased interest expense and deposit competition, although our net interest margin continues to improve with higher loan rates. Our asset quality metrics continue to be excellent compared to peer banks. We continued to execute our new strategic plan. In August, we implemented the first phase of our new loan origination system, which allows us to serve our customers more efficiently utilizing one of the best platforms in the industry. In our pursuit to reduce the wealth gap by providing access to capital, our efforts were recognized by the U.S Treasury with our most recent Bank Enterprise Award of \$423,000. Finally, I appreciate the efforts of our Associates and Board of Directors to support our customers and markets as we head toward year end."

The Board of Directors declared a quarterly cash dividend of \$0.04 per share of common stock payable on or about December 13, 2023 to stockholders of record as of the close of business on November 24, 2023. The Bank’s capital ratios remain strong and exceeded all regulatory requirements. As of September 30, 2023, the Company’s stockholders’ equity was 27.02% of total assets.

For the three months ended September 30, 2023, net interest income was \$4.8 million, which was a 25.04% increase from \$3.8 million during the same period in 2022. For the three months ended September 30, 2023, the net interest margin was 4.69% compared to 3.62% for the same period in 2022, an increase of 107 basis points. The increase was primarily attributable to increased rates on loans, taxable securities and overnight funds during 2023. For the nine months ended September 30, 2023, net interest income was \$14.4 million, which was a 40.97% increase from \$10.2 million during the same period in 2022. For the nine months ended September 30, 2023, the net interest margin was 4.56% compared to 3.65% for the same period in 2022, an increase of 91 basis points. The increase was primarily attributable to increased rates on loans, taxable securities and overnight funds during 2023.

The Company recorded a provision for credit losses of \$356,000 and \$348,000 for the three months ended September 30, 2023 and 2022, respectively. The Company recorded a provision for credit losses of \$426,000 and \$484,000 for the nine months ended September 30, 2023 and 2022, respectively. The allowance for credit as a percentage of total loans was 1.21% at September 30, 2023 compared to

1.16% at December 31, 2022. Nonperforming assets excluding performing TDRs represented 0.18% and 0.20% of total assets as of September 30, 2023 and 2022, respectively.

Noninterest income totaled \$1.6 million in the three months ended September 30, 2023, compared with \$1.3 million for the same period in 2022, an increase of \$276,000 or 20.64%. During the quarter, the Company recognized a Bank Enterprise Award ("BEA") in the amount of \$423,000. The BEA, awarded by the U.S. Treasury, reflects M&F Bank's commitment to low and moderate income areas within its footprint. There was no BEA recognized during the comparable 2022 period. Excluding BEA, noninterest income decreased \$147,000 or 10.99%. The largest contributor to the decrease was money service business income, which totaled \$330,000 compared with \$608,000 during same period of the prior year. Inflation, rise in value of the Mexican Peso against the US Dollar and state legislature changes in Florida contributed to the decrease. Noninterest income totaled \$3.9 million in the nine months ended September 30, 2023 and 2022, an increase of \$42,000 or 1.08%. During the period, the Company recognized a BEA in the amount of \$423,000. There was no BEA recognized during the comparable 2022 period. Excluding BEA, noninterest income decreased \$381,000 or 9.78%. The largest contributor to the decrease was money service business income, which totaled \$1.1 million compared with \$1.7 million during same period of the prior year. Inflation, rise in value of the Mexican Peso against the US Dollar and state legislature changes in Florida contributed to the decrease.

Noninterest expense totaled \$4.2 million in the three months ended September 30, 2023, an increase of \$743,000 or 21.30%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$473,000 or 26.45%, information technology, which increased to \$528,000, up \$156,000 or 41.94%, and other expenses, which increased to \$351,000, up \$123,000 or 53.95%. The increase in other expenses was primarily attributable to actuarial adjustments in the Bank's defined benefits plan and increases in franchise taxes. Noninterest expense totaled \$12.0 million in the nine months ended September 30, 2023, an increase of \$2.0 million or 20.12%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$1.1 million or 20.85%, information technology, which increased to \$1.5 million, up \$368,000 or 33.73%, and other expenses, which increased to \$972,000, up \$433,000 or 80.33%. The increase in other expenses was primarily attributable to actuarial adjustments in the Bank's defined benefits plan and increases in franchise taxes.

As of September 30, 2023, accumulated other comprehensive loss totaled \$12.5 million compared to \$11.1 million at December 31, 2022. The accumulated other comprehensive loss was primarily 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. 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,	December 31,
	2023	2022
	<i>(Unaudited)</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 8,032	\$ 12,667
Interest-bearing cash	69,774	76,800
Total cash and cash equivalents	<u>77,806</u>	<u>89,467</u>
Interest-bearing time deposits	2,714	3,701
Investment securities available-for-sale, at fair value	60,847	67,092
Investment securities held-to-maturity (fair value of \$26,403 in 2023 and \$24,740 in 2022)	27,001	25,141
Other invested assets	324	205
Loans, net of unearned income and deferred fees	256,321	246,909
Allowance for credit losses	<u>(3,111)</u>	<u>(2,863)</u>
Loans, net	<u>253,210</u>	<u>244,046</u>
Interest receivable	1,299	1,324
Bank premises and equipment, net	2,940	2,612
Cash surrender value of bank-owned life insurance	10,291	10,066
Deferred tax assets and taxes receivable, net	4,250	3,608
Operating lease right-of-use asset	1,290	1,444
Other assets	<u>4,575</u>	<u>2,291</u>
TOTAL ASSETS	<u><u>\$ 446,547</u></u>	<u><u>\$ 450,997</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 204,233	\$ 222,175
Noninterest-bearing deposits	113,516	105,220
Total deposits	<u>317,749</u>	<u>327,395</u>
Other borrowings	33	76
Operating lease liabilities	1,336	1,479
Other liabilities	<u>6,770</u>	<u>3,989</u>
Total liabilities	<u>325,888</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 September 30, 2023 and December 31, 2022; 17,302 shares issued and outstanding at September 30, 2023 and December 31, 2022	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at September 30, 2023 and December 31, 2022; 80,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at September 30, 2023 and December 31, 2022; issued and outstanding: 1,981,665 and 1,979,975 at September 30, 2023 and December 31, 2022, respectively	8,947	8,866
Retained earnings	26,948	23,005
Accumulated other comprehensive loss	<u>(12,538)</u>	<u>(11,115)</u>
Total stockholders' equity	<u>120,659</u>	<u>118,058</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 446,547</u></u>	<u><u>\$ 450,997</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,	
	2023	2022	2023	2022
Interest income:				
Loans, including fees	\$ 3,943	\$ 2,863	\$ 11,037	\$ 8,561
Investment securities, including dividends				
Taxable	605	401	1,815	1,006
Tax-exempt	39	27	113	58
Interest-bearing time deposits	14	14	52	38
Other	612	631	2,297	756
Total interest income	<u>5,213</u>	<u>3,936</u>	<u>15,314</u>	<u>10,419</u>
Interest expense:				
Deposits	409	94	952	230
Borrowings	-	-	-	1
Total interest expense	<u>409</u>	<u>94</u>	<u>952</u>	<u>231</u>
Net interest income	4,804	3,842	14,362	10,188
Provision for credit losses:				
Provision for credit losses on loans	259	348	282	484
Provision for credit losses on unfunded commitments	97	-	144	-
Total provision for credit losses	<u>356</u>	<u>348</u>	<u>426</u>	<u>484</u>
Net interest income after reversal of credit losses	4,448	3,494	13,936	9,704
Noninterest income:				
Service charges on deposit accounts	206	213	622	634
Other service charges, commissions and fees	140	158	441	481
Money service business income	330	608	1,088	1,716
Commissions from sales of financial products	263	231	767	584
Cash surrender value of life insurance	77	72	225	212
Net realized gain (loss) on disposal of Bank premises and equipment	3	-	(26)	-
Other income	594	55	819	267
Total noninterest income	<u>1,613</u>	<u>1,337</u>	<u>3,936</u>	<u>3,894</u>
Noninterest expense:				
Salaries and employee benefits	2,261	1,788	6,394	5,291
Occupancy and equipment	371	340	1,096	1,038
Directors compensation	70	59	195	151
Money service business expenses	158	191	433	544
Marketing	85	78	276	219
Professional fees	230	289	654	683
Information technology	528	372	1,459	1,091
FDIC deposit insurance	43	25	137	72
Delivery expenses	42	38	127	108
Interchange expenses	93	81	250	248
Other	351	228	972	539
Total noninterest expense	<u>4,232</u>	<u>3,489</u>	<u>11,993</u>	<u>9,984</u>
Income before income tax expense	1,829	1,342	5,879	3,614
Income tax expense	402	296	1,282	774
Net income	<u>1,427</u>	<u>1,046</u>	<u>4,597</u>	<u>2,840</u>
Preferred stock dividends	(60)	(45)	(180)	(135)
Net income available to common stockholders	<u>\$ 1,367</u>	<u>\$ 1,001</u>	<u>\$ 4,417</u>	<u>\$ 2,705</u>
Basic and diluted income per share of common stock:				
Basic	0.69	0.51	2.23	1.37
Diluted	0.68	0.50	2.20	1.37
Weighted average shares of common stock outstanding:				
Basic	1,981,665	1,979,975	1,981,203	1,979,975
Diluted	2,001,266	1,990,499	2,005,034	1,979,975

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	1.27%	1.17%	1.55%	1.44%	0.88%	0.98%
Return on average common stockholders' equity (1)(3)	22.40%	21.64%	32.32%	33.84%	18.47%	17.21%
Tangible book value per share	\$ 11.79	\$ 12.12	\$ 11.73	\$ 10.48	\$ 9.31	\$ 10.53
Net interest margin (1)(4)	4.69%	4.62%	4.38%	4.38%	3.62%	3.73%
Net interest income to average assets (1)	4.49%	4.41%	4.17%	4.17%	3.39%	3.44%
Efficiency ratio (5)	65.85%	67.77%	62.63%	61.27%	67.28%	70.80%
Nonperforming assets to total assets	1.60%	1.64%	1.63%	1.63%	1.66%	1.67%
Nonperforming assets excluding performing TDRs to total assets	0.18%	0.21%	0.19%	0.20%	0.20%	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