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## **M&F Bancorp, Inc. Announces Second Quarter 2024 Results, Quarterly Cash Dividend and New Stock Repurchase Program**

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

### **Second Quarter 2024 Highlights**

- Net income available to common stockholders totaled \$1.0 million and \$1.3 million for the three months ended June 30, 2024 and 2023, respectively, down 18.43%; net income available to common stockholders totaled \$1.9 million and \$3.1 million for the six months ended June 30, 2024 and 2023, respectively, down 38.98%.
- Basic and diluted earnings per common share of \$0.53 for the three months ended June 30, 2024, down from \$0.65 and \$0.64, respectively, for the same period in 2023; basic and diluted earnings per common share of \$0.94 and \$0.93, respectively, for the six months ended June 30, 2024, down from \$1.54 and \$1.52, respectively, for the same period in 2023.
- Return on average common stockholders’ equity of 15.20% for the three months ended June 30, 2024, compared with 21.64% for the same period in 2023.
- Period end loans of \$276.4 million, up 2.70% from December 31, 2023.
- Provision for credit losses totaled \$113,000 and \$138,000 for the three months ended June 30, 2024 and 2023, respectively; provision for credit losses totaled \$290,000 and \$70,000 for the six months ended June 30, 2024 and 2023, respectively.
- Period end deposits of \$340.7 million, up 6.14% from December 31, 2023.
- Period end assets of \$473.4 million, up 4.44% from December 31, 2023.

James H. Sills III, President and CEO of the Company, commented, "Our second quarter results were on target with our projections. We are seeing some slowdown in lending, but generally speaking other economic factors remain favorable in our region; however, we remain concerned about certain economic sectors. We continue to see our deposit costs significantly increase year over year. We are doing a good job of managing our net interest margin; however, it continues to tighten. We achieved earnings available to stockholders of \$1.0 million and return of assets of 0.90% during the quarter. We are pleased to announce a stock repurchase program up to \$2.6 million of the common stock for the next year to further enhance shareholder value. Finally, we remain focused on executing our strategic plan to position the bank for growth in the markets served."

The Board of Directors declared a quarterly cash dividend of \$0.05 per share of common stock payable on or about September 11, 2024 to stockholders of record as of the close of business on August 22, 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 June 30, 2024, the Company’s stockholders’ equity was 26.70% of total assets.

The Company also announced its Board of Directors has 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.

For the three months ended June 30, 2024, net interest income was \$4.8 million, which was a 0.27% decrease from \$4.8 million during the same period in 2023. For the three months ended June 30, 2024, the net interest margin was 4.22% compared to 4.62% for the same period in 2023, a decrease of 40 basis points. The decrease was due to higher cost of interest-bearing deposits. For the six months ended

June 30, 2024, net interest income was \$9.6 million, which was a 0.39% increase from \$9.6 million during the same period in 2023. For the six months ended June 30, 2024, the net interest margin was 4.29% compared to 4.50% for the same period in 2023, a decrease of 21 basis points. The decrease was due to higher cost of interest-bearing deposits.

The Company recorded a provision for credit losses of \$113,000 and \$138,000 for the three months ended June 30, 2024 and 2023, respectively. The Company recorded a provision for credit losses of \$290,000 and \$70,000 for the six months ended June 30, 2024 and 2023, respectively. The Allowance for Credit Losses ("ACL") as a percentage of total loans was 1.38% at June 30, 2024 compared to 1.48% at December 31, 2023. Nonperforming assets excluding performing loans modified to borrowers experiencing financial difficulties represented 0.23% and 0.21% of total assets as of June 30, 2024 and 2023, respectively.

Noninterest income totaled \$1.2 million in the three months ended June 30, 2024, compared with \$1.1 million for the same period in 2023, an increase of \$47,000 or 4.15%. During the quarter, the Company recognized grant revenue in the amount of \$520,000. 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 \$473,000 or 41.78%. The largest contributor to the decrease was money service business income, which totaled none during the quarter ended June 30, 2024 compared with \$366,000 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 \$2.1 million in the six months ended June 30, 2024, compared with \$2.3 million for the same period in 2023, a decrease of \$245,000 or 10.55%. During the period, the Company recognized grant revenue in the amount of \$722,000. The majority of the grant revenue came from U.S. Treasury Community Development Financial Institution Fund's ERP. Excluding grant revenue, noninterest income decreased \$967,000 or 41.63%. The largest contributor to the decrease was the money service business, which totaled none during the six month period ended June 30, 2024 compared to \$758,000 during the same period of the prior year.

Noninterest expense totaled \$4.4 million in the three months ended June 30, 2024, an increase of \$371,000 or 9.16%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$258,000 or 12.13%, professional fees, which increased \$83,000 or 36.24%, and other expenses, which increased \$81,000 or 24.04%. Noninterest expense totaled \$8.8 million in the six months ended June 30, 2024, an increase of \$1.0 million or 13.30%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$684,000 or 16.55%, professional fees, which increased \$242,000 or 57.08% primarily related to a project, which has now been completed, and information technology, which increased \$169,000 or 18.15%.

As of June 30, 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.

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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)*

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,766	\$ 4,444
Interest-bearing cash	27,872	41,243
Total cash and cash equivalents	<u>30,638</u>	<u>45,687</u>
Interest-bearing time deposits	3,209	3,455
Investment securities available-for-sale, at fair value	117,964	89,774
Investment securities held-to-maturity (fair value of \$25,660 in 2024 and \$26,749 in 2023)	25,958	26,960
Other invested assets	324	324
Loans, net of unearned income and deferred fees	276,354	269,082
ACL	(3,805)	(3,987)
Loans, net	<u>272,549</u>	<u>265,095</u>
Interest receivable	1,885	1,538
Bank premises and equipment, net	3,019	2,964
Cash surrender value of bank-owned life insurance	10,532	10,370
Deferred tax assets and taxes receivable, net	3,438	3,248
Operating lease right-of-use asset	1,147	1,243
Other assets	2,705	2,600
<b>TOTAL ASSETS</b>	<u>\$ 473,368</u>	<u>\$ 453,258</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Interest-bearing deposits	\$ 242,642	\$ 220,221
Noninterest-bearing deposits	98,024	100,723
Total deposits	<u>340,666</u>	<u>320,944</u>
Other borrowings	23	30
Operating lease liabilities	1,203	1,293
Other liabilities	5,067	5,789
Total liabilities	<u>346,959</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 June 30, 2024 and December 31, 2023, respectively; 17,302 shares issued and outstanding at June 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 June 30, 2024 and December 31, 2023, respectively; 80,000 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at June 30, 2024 and December 31, 2023 issued and outstanding: 1,982,518 and 1,981,996 at June 30, 2024 and December 31, 2023	9,092	9,000
Retained earnings	29,569	27,907
Accumulated other comprehensive loss	(9,554)	(9,007)
Total stockholders' equity	<u>126,409</u>	<u>125,202</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 473,368</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 June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Interest income:</b>				
Loans, including fees	\$ 4,255	\$ 3,675	\$ 8,492	\$ 7,094
Investment securities, including dividends				
Taxable	1,216	613	2,206	1,210
Tax-exempt	39	37	79	74
Interest-bearing time deposits	32	19	60	38
Other	454	799	885	1,685
Total interest income	<u>5,996</u>	<u>5,143</u>	<u>11,722</u>	<u>10,101</u>
<b>Interest expense:</b>				
Deposits	1,175	309	2,127	543
Total interest expense	<u>1,175</u>	<u>309</u>	<u>2,127</u>	<u>543</u>
Net interest income	4,821	4,834	9,595	9,558
<b>Provision for credit losses:</b>				
Provision for credit losses on loans	209	101	406	23
Provision for (reversal of) credit losses on unfunded commitments	(96)	37	(116)	47
Total provision for credit losses	<u>113</u>	<u>138</u>	<u>290</u>	<u>70</u>
Net interest income after provision for credit losses	<u>4,708</u>	<u>4,696</u>	<u>9,305</u>	<u>9,488</u>
<b>Noninterest income:</b>				
Service charges on deposit accounts	187	210	376	416
Other service charges, commissions and fees	140	150	272	301
Money service business income	-	366	-	758
Commissions from sales of financial products	153	248	347	504
Cash surrender value of life insurance	82	75	162	148
Net realized loss on disposal of Bank premises and equipment	-	(29)	-	(29)
Grant revenue	520	-	722	-
Other income	97	112	199	225
Total noninterest income	<u>1,179</u>	<u>1,132</u>	<u>2,078</u>	<u>2,323</u>
<b>Noninterest expense:</b>				
Salaries and employee benefits	2,385	2,127	4,817	4,133
Occupancy and equipment	377	369	736	725
Directors compensation	87	64	186	125
Money service business expenses	-	156	-	275
Marketing	95	80	169	191
Professional fees	312	229	666	424
Information technology	568	491	1,100	931
FDIC deposit insurance	47	64	94	94
Delivery expenses	48	44	99	85
Interchange expenses	84	89	172	157
Other	418	337	754	621
Total noninterest expense	<u>4,421</u>	<u>4,050</u>	<u>8,793</u>	<u>7,761</u>
Income before income tax expense	1,466	1,778	2,590	4,050
Income tax expense	301	432	539	880
<b>Net income</b>	<u>1,165</u>	<u>1,346</u>	<u>2,051</u>	<u>3,170</u>
Preferred stock dividends	(116)	(60)	(190)	(120)
<b>Net income available to common stockholders</b>	<u>\$ 1,049</u>	<u>\$ 1,286</u>	<u>\$ 1,861</u>	<u>\$ 3,050</u>
<b>Basic and diluted income per share of common stock:</b>				
Basic	0.53	0.65	0.94	1.54
Diluted	0.53	0.64	0.93	1.52
<b>Weighted average shares of common stock outstanding:</b>				
Basic	1,982,518	1,981,267	1,982,328	1,980,968
Diluted	1,995,515	2,005,943	1,995,067	2,006,548

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

	<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>	<b>March 31, 2023</b>
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.90%	0.72%	0.95%	1.27%	1.17%	1.55%
Return on average common stockholders' equity (1)(3)	15.20%	11.62%	17.23%	22.40%	21.64%	32.32%
Tangible book value per share	\$ 14.68	\$ 14.15	\$ 14.08	\$ 11.79	\$ 12.12	\$ 11.73
Net interest margin (1)(4)	4.22%	4.36%	4.53%	4.69%	4.62%	4.38%
Net interest income to average assets (1)	4.13%	4.25%	4.37%	4.49%	4.41%	4.17%
Efficiency ratio (5)	73.56%	76.92%	66.20%	65.85%	67.77%	62.63%
Nonperforming assets to total assets	1.53%	1.53%	1.57%	1.60%	1.64%	1.63%
Nonperforming assets excluding performing loans modified to borrowers in financial distress to total assets	0.23%	0.16%	0.20%	0.18%	0.21%	0.19%

(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