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Contact:

Randall C. Hall, EVP/CFO

919.313.3600

randall.hall@mfbonline.com

M&F Bancorp, Inc. Announces Second Quarter 2021 Results and Quarterly Cash Dividend of \$0.02 Per Share

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 2021 and a quarterly cash common dividend of \$0.02 per share.

Second Quarter 2021 Highlights

- Basic and diluted earnings per common share of \$0.29 for the three months ended June 30, 2021, up \$0.32 from \$(0.03) for the same period in 2020; basic and diluted earnings per common share of \$0.54 for the six months ended June 30, 2021, up \$0.55 from \$(0.01) for the same period in 2020
- Return on average common stockholders’ equity of 9.71% for the three months ended June 30, 2021, compared to (1.03%) for the same period in 2020
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$187.8 million, up 3.84% from December 31, 2020
- Period end loans of \$223.9 million, up 19.38% from December 31, 2020
- Through June 30, 2021, the Bank had funded 638 PPP loans totaling \$34.4 million, and earned processing fees from the SBA of \$2.2 million; these fees will be recognized as interest income over the life of the PPP loans
- No loans were on deferral as of June 30, 2021 in response to COVID-19
- Loan loss reversal through the six months ended June 30, 2021 was \$218 thousand, down from a provision of \$730 thousand for the same period in 2020; most of the 2020 loan loss provision was related to the potential adverse economic impact of the COVID-19 pandemic
- Period end deposits of \$312.0 million, up 11.15% from December 31, 2020
- Tangible book value per common share at June 30, 2021 of \$12.10, up \$0.01 or 0.08%, from \$12.09 as of December 31, 2020
- Period end noninterest-bearing deposits of \$113.8 million, up 23.18% from December 31, 2020
- Nonperforming assets of \$833,000, down 5.23% from December 31, 2020

James H. Sills III, President and CEO of the Company, commented, “During the second quarter, we were focused on the second round of the PPP. We really stepped up to help 638 small and medium sized businesses in 81 different cities in North Carolina. I am extremely proud of our company and team through our efforts to help impacted businesses access needed capital to get through the pandemic. We are happy that PPP is over, and we will continue to focus on our commercial and consumer business for the remainder of the year. Overall, Company performance continues to improve, and we are experiencing very good total asset, loan and deposit growth. I am pleased to report that along with improved core earnings, the Company plans to pay its second consecutive quarterly common stock cash dividend to shareholders. Finally, our branches are open, and we continue to make improvements in our processes and systems to better serve our customers.”

The Board of Directors has declared a quarterly cash dividend of \$0.02 per share of common stock payable on September 13, 2021 to stockholders of record as of the close of business on August 28, 2021. “We are pleased to announce this quarterly cash dividend as it reflects our 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 at June 30, 2021. As of June 30, 2021, the Company’s stockholders’ equity was 11.52% of total assets, up from 7.59% as of December 31, 2020.

For the three months ended June 30, 2021, net interest income was \$2.5 million, which was an 11.02% increase from \$2.3 million during the same period in 2020. For the three months ended June 30, 2021, the net interest margin was 3.21% compared to 3.59% for the same period in 2020, a decrease of 38 basis points. For the six months ended June 30, 2021, net interest income was \$4.9 million, compared to \$4.6 million during the same period in 2020. The net interest margin was 3.23% for the six months ended June 30, 2021 compared to 3.65% for the same period in 2020, a decrease of 42 basis points. The decrease in net interest margin represents operating in a lower interest rate environment during 2021 compared to 2020.

The Company recorded a reversal from loan losses of \$140,000 for the three months ended June 30, 2021, compared with a provision of \$622,000 for the same period in 2020. For the six months ended June 30, 2021 the Company recorded a reversal from loan loss of \$218,000 compared with a provision for loan losses of \$730,000 for the same period in 2020. The allowance for loan losses ("ALLL") as a percentage of total loans was 1.09% at June 30, 2021 compared to 1.43% at December 31, 2020. The allowance for loan losses as a percentage of total loans excluding PPP loans was 1.30% and 1.48% at June 30, 2021 and December 31, 2020, respectively. The increase in the allowance for loan losses in 2020 was largely the result of the Company increasing the qualitative factors in its allowance for loan loss model due to the deteriorating economic outlook related to COVID-19. Nonperforming assets represented 0.23% of total assets at June 30, 2021, compared to 0.28% at December 31, 2020.

Noninterest income totaled \$1.0 million for the three months ended June 30, 2021, compared with \$768,000 for the same period in 2020, an increase of 277,000 or 36.07%. The largest contributor to the increase was the increase in money service business income, which increased to \$513,000, up \$ 333,000 or 185.00% over prior year, partially offset by a gain on sale of PPP loans of \$186,000 in the second quarter of 2020 and no such gain in the comparable period of 2021.

Noninterest income totaled \$2.0 million for the six months ended June 30, 2021, compared with \$1.4 million for the same period in 2020, an increase of \$646,000 or 47.61%. The largest contributor to the increase was the increase in money service business income, which increased to \$1.0 million, up \$676,000 or 208.64% over prior year, partially offset by a gain on sale of PPP loans of \$186,000 during the six-month period of 2020 and no such gain in the comparable period of 2021.

Noninterest expense totaled \$2.9 million in the three months ended June 30, 2021, an increase of \$418,000, or 16.74%, from the same period in 2020. The most significant increases occurred in salaries and employee benefits, which increased to \$1.6 million, an increase of \$305,000 or 22.93%, due to increased staffing and costs of providing benefits, and money service business expenses, which increased \$92,000 or 167.27%, due to increased activities.

Noninterest expense totaled \$5.7 million for the six months ended June 30, 2021, compared with \$5.2 million for the same period in 2020, an increase of \$500,000 or 9.62%. The most significant increases occurred in salaries and employee benefits, which increased to \$3.1 million, an increase of \$364,000 or 13.21%, due to increased staffing and costs of providing benefits, money service business expenses, an increase of \$186,000 or 193.75%, due to increased activities, and information technology, which increased \$144,000 or 29.45% due to having used remaining technology contract credits during 2020, which were not available during the current period.

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.

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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. 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)*

	June 30, 2021	December 31, 2020
	<i>(Unaudited)</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 19,189	\$ 20,297
Interest-bearing cash	28,384	23,680
Total cash and cash equivalents	<u>47,573</u>	<u>43,977</u>
Interest-bearing time deposits	3,446	4,189
Investment securities available-for-sale, at fair value	66,946	57,017
Other invested assets	177	262
Loans, net of unearned income and deferred fees	223,866	187,524
ALLL	(2,439)	(2,673)
Loans, net	<u>221,427</u>	<u>184,851</u>
Interest receivable	1,527	867
Bank premises and equipment, net	2,411	2,589
Cash surrender value of bank-owned life insurance	9,643	9,508
Deferred tax assets and taxes receivable, net	2,637	3,025
Operating lease right-of-use asset	1,024	1,116
Other assets	1,482	1,665
TOTAL ASSETS	<u>\$ 358,293</u>	<u>\$ 309,066</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 198,281	\$ 188,385
Noninterest-bearing deposits	113,768	92,356
Total deposits	<u>312,049</u>	<u>280,741</u>
Other borrowings	167	204
Operating lease liabilities	1,060	1,148
Other liabilities	3,748	3,510
Total liabilities	<u>317,024</u>	<u>285,603</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 and no shares authorized at June 30, 2021 and December 31, 2020, respectively; 17,302 and 0 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	17,302	-
Common stock, no par value, 10,000,000 shares authorized at June 30, 2021 and December 31, 2020; issued and outstanding: 1,979,975 and 1,940,375 at June 30, 2021 and December 31, 2020, respectively	8,812	8,614
Retained earnings	17,354	16,336
Accumulated other comprehensive loss	(2,199)	(1,487)
Total stockholders' equity	<u>41,269</u>	<u>23,463</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 358,293</u>	<u>\$ 309,066</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,	
	2021	2020	2021	2020
Interest income:				
Loans, including fees	\$ 2,427	\$ 2,346	\$ 4,692	\$ 4,654
Investment securities available-for-sale, including dividends				
Taxable	173	189	331	412
Interest-bearing time deposits	20	24	42	48
Other	12	6	22	56
Total interest income	<u>2,632</u>	<u>2,565</u>	<u>5,087</u>	<u>5,170</u>
Interest expense:				
Deposits	93	278	187	618
Borrowings	1	1	1	2
Total interest expense	<u>94</u>	<u>279</u>	<u>188</u>	<u>620</u>
Net interest income	<u>2,538</u>	<u>2,286</u>	<u>4,899</u>	<u>4,550</u>
Less provision for (reversal of) loan losses	<u>(140)</u>	<u>622</u>	<u>(218)</u>	<u>730</u>
Net interest income after provision for (reversal of) loan losses	<u>2,678</u>	<u>1,664</u>	<u>5,117</u>	<u>3,820</u>
Noninterest income:				
Service charges on deposit accounts	206	190	414	435
Other service charges, commissions and fees	167	103	301	208
Money service business income	513	180	1,000	324
Rental income	2	2	4	4
Cash surrender value of life insurance	68	65	135	130
Realized gain on sale of PPP loans	-	186	-	186
Net realized loss on disposal of Bank premises and equipment	-	(4)	-	(4)
Gains on sales of repossessed assets	-	-	29	-
Other income	89	46	120	74
Total noninterest income	<u>1,045</u>	<u>768</u>	<u>2,003</u>	<u>1,357</u>
Noninterest expense:				
Salaries and employee benefits	1,635	1,330	3,120	2,756
Occupancy and equipment	357	317	700	640
Directors' fees	39	33	76	72
Money service business expenses	147	55	282	96
Marketing	61	55	104	131
Professional fees	131	195	310	356
Information technology	313	251	633	489
FDIC deposit insurance	16	39	54	78
Other real estate owned expenses, net	-	1	-	1
Delivery expenses	35	34	66	62
Other	181	187	350	514
Total noninterest expense	<u>2,915</u>	<u>2,497</u>	<u>5,695</u>	<u>5,195</u>
Income (loss) before income tax expense	<u>808</u>	<u>(65)</u>	<u>1,425</u>	<u>(18)</u>
Income tax expense (benefit)	<u>210</u>	<u>(6)</u>	<u>337</u>	<u>3</u>
Net income (loss)	<u>598</u>	<u>(59)</u>	<u>1,088</u>	<u>(21)</u>
Preferred stock dividends	(30)	-	(30)	-
Net income (loss) available to common stockholders	<u>\$ 568</u>	<u>\$ (59)</u>	<u>\$ 1,058</u>	<u>\$ (21)</u>
Basic and diluted income (loss) per share of common stock:				
Basic and Diluted	\$ 0.29	\$ (0.03)	\$ 0.54	\$ (0.01)
Weighted average shares of common stock outstanding:				
Basic and Diluted	1,979,975	2,031,337	1,970,786	2,031,337

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.64%	0.61%	1.00%	0.42%	(0.08%)	0.06%
Return on average common stockholders' equity (1)(3)	9.71%	8.30%	12.78%	5.52%	(1.03%)	0.68%
Tangible book value per share	\$ 12.10	\$ 11.60	\$ 12.09	\$ 11.11	\$ 11.30	\$ 11.32
Net interest margin (1)	3.21%	3.27%	3.47%	3.26%	3.59%	3.71%
Net interest income to average assets (1)	2.88%	2.94%	3.12%	2.98%	3.26%	3.39%
Efficiency ratio (4)	81.36%	83.76%	78.67%	80.82%	81.76%	94.57%
Nonperforming assets to total assets	0.23%	0.25%	0.28%	0.28%	0.35%	0.35%

(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) 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.