



FOR IMMEDIATE RELEASE – November 8, 2021

Contact:

Randall C. Hall, EVP/CFO

919.313.3600

randall.hall@mfbonline.com

M&F Bancorp, Inc. Announces Third 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 third quarter of 2021 and a quarterly cash common dividend of \$0.02 per share.

Third Quarter 2021 Highlights

- Basic and diluted earnings per common share of \$0.44 for the three months ended September 30, 2021, up \$0.28 from \$0.16 for the same period in 2020; basic and diluted earnings per common share of \$0.98 for the nine months ended September 30, 2021, up \$0.83 from \$0.15 for the same period in 2020
- Return on average common stockholders’ equity of 14.30% for the three months ended September 30, 2021, compared to 5.52% for the same period in 2020
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$203.8 million, up 12.62% from December 31, 2020
- Period end loans of \$234.3 million, up 24.92% from December 31, 2020
- At September 30, 2021, the Bank had 429 PPP loans totaling \$30.4 million, and unrecognized processing fees from the SBA of \$1.5 million; these fees will be recognized as interest income over the life of the PPP loans
- Loan loss reversal through the nine months ended September 30, 2021 was \$295 thousand, down from a provision of \$980 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 \$318.9 million, up 13.60% from December 31, 2020
- Tangible book value per common share at September 30, 2021 of \$12.40, up \$0.31 or 2.56%, from \$12.09 as of December 31, 2020
- Period end noninterest-bearing deposits of \$113.5 million, up 22.94% from December 31, 2020
- Nonperforming assets of \$821,000, down 6.60% from December 31, 2020

James H. Sills III, President and CEO of the Company, commented, “The third quarter was one of the best for the Company in terms of total assets, loans and deposits growth and net income in the past 20 years. We were focused on getting back to our normal commercial and consumer loans business and deposit gathering. We had a successful experience with PPP round 2, and now we are focused on the PPP forgiveness process. We have retained a high percentage of the new PPP small businesses as customers. I am extremely proud of our Company in terms of assisting small businesses during the recovery. Finally, we are continuing to make strategic investments to improve the overall performance of the Company.”

The Board of Directors has declared a quarterly cash dividend of \$0.02 per share of common stock payable on December 13, 2021 to stockholders of record as of the close of business on November 26, 2021. “We are pleased to pay another 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 September 30, 2021. As of September 30, 2021, the Company’s stockholders’ equity was 11.23% of total assets, up from 7.59% as of December 31, 2020.

For the three months ended September 30, 2021, net interest income was \$3.2 million, which was a 41.65% increase from \$2.3 million during the same period in 2020. For the three months ended September 30, 2021, the net interest margin was 3.91% compared to 3.26% for the same period in 2020, an increase of 65 basis points. For the nine months ended September 30, 2021, net interest income was \$8.1 million, compared to \$6.8 million during the same period in 2020. The net interest margin was 3.47% for the nine months ended September 30, 2021 compared to 3.51% for the same period in 2020, a decrease of 4 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 \$77,000 for the three months ended September 30, 2021, compared with a provision of \$250,000 for the same period in 2020. For the nine months ended September 30, 2021, the Company recorded a reversal from loan loss of \$295,000 compared with a provision for loan losses of \$980,000 for the same period in 2020. The allowance for loan losses as a percentage of total loans was 1.01% at September 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 1.16% and 1.48% at September 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 0.22% of total assets at September 30, 2021, compared to 0.28% at December 31, 2020.

Noninterest income totaled \$1.1 million for the three months ended September 30, 2021, compared with \$940,000 for the same period in 2020, an increase of 143,000 or 15.21%. The largest contributor to the increase was money service business income, which increased to \$530,000, up \$ 226,000 or 74.34% over prior year, partially offset by a \$120,000 decrease in other income primarily reflective of a Bank Enterprise Award received during 2020 and no such award in the comparable period of 2021.

Noninterest income totaled \$3.1 million for the nine months ended September 30, 2021, compared with \$2.3 million for the same period in 2020, an increase of \$789,000 or 34.35%. The largest contributor to the increase was money service business income, which increased to \$1.5 million, up \$902,000 or 143.63% over prior year, partially offset by a gain on sale of PPP loans of \$186,000 during the nine-month period of 2020 and no such gain in the comparable period of 2021.

Noninterest expense totaled \$3.3 million in the three months ended September 30, 2021, an increase of \$671,000, or 25.98%, from the same period in 2020. The most significant increases occurred in salaries and employee benefits, which increased to \$1.9 million, an increase of \$487,000 or 34.20%, due to increased staffing, costs of providing benefits along with amortization of previously deferred salaries associated with PPP loan originations, and money service business expenses, which increased \$106,000 or 331.25%, due to increased activities.

Noninterest expense totaled \$8.9 million for the nine months ended September 30, 2021, compared with \$7.8 million for the same period in 2020, an increase of \$1.2 million or 15.06%. The most significant increases occurred in salaries and employee benefits, which increased to \$5.0 million, an increase of \$851,000 or 20.36%, due to increased staffing, costs of providing benefits along with amortization of previously deferred salaries associated with PPP loan originations, money service business expenses, an increase of \$244,000 or 138.64%, due to increased activities, and information technology, which increased \$156,000 or 19.72% 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.

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

	September 2021	December 31, 2020
	<i>(Unaudited)</i>	
<i>(Dollars in thousands except for share)</i>		
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 20,333	\$ 20,297
Interest-bearing cash	30,706	23,680
Total cash and cash equivalents	<u>51,039</u>	<u>43,977</u>
Interest-bearing time deposits	3,446	4,189
Investment securities available-for-sale, at fair value	68,429	57,017
Other invested assets	177	262
Loans, net of unearned income and deferred fees	234,250	187,524
Allowance for loan losses	<u>(2,356)</u>	<u>(2,673)</u>
Loans, net	<u>231,894</u>	<u>184,851</u>
Interest receivable	769	867
Bank premises and equipment, net	2,351	2,589
Cash surrender value of bank-owned life insurance	9,712	9,508
Deferred tax assets and taxes receivable, net	2,524	3,025
Operating lease right-of-use ("ROU") asset	977	1,116
Other assets	<u>1,425</u>	<u>1,665</u>
TOTAL ASSETS	<u><u>\$ 372,743</u></u>	<u><u>\$ 309,066</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 205,394	\$ 188,385
Noninterest-bearing deposits	<u>113,541</u>	<u>92,356</u>
Total deposits	318,935	280,741
Other borrowings	159	204
Operating lease liabilities	1,015	1,148
Other liabilities	<u>10,786</u>	<u>3,510</u>
Total liabilities	<u>330,895</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 0 shares authorized at September 30, 2021 and December 31, 2020, respectively; 17,302 and no shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	17,302	-
Common stock, no par value, 10,000,000 shares authorized at September 30, 2021 and December 31, 2020; issued and outstanding: 1,979,975 and 1,940,375 at September 30, 2021 and December 31, 2020, respectively	8,812	8,614
Retained earnings	18,193	16,336
Accumulated other comprehensive loss	<u>(2,459)</u>	<u>(1,487)</u>
Total stockholders' equity	<u>41,848</u>	<u>23,463</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 372,743</u></u>	<u><u>\$ 309,066</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,	
	2021	2020	2021	2020
Interest income:				
Loans, including fees	\$ 3,060	\$ 2,283	\$ 7,752	\$ 6,937
Investment securities available-for-sale, including dividends				
Taxable	199	153	530	565
Tax-exempt	3	-	3	-
Interest-bearing time deposits	16	25	58	73
Other	14	9	36	65
Total interest income	3,292	2,470	8,379	7,640
Interest expense:				
Deposits	78	201	265	819
Borrowings	-	-	1	2
Total interest expense	78	201	266	821
Net interest income	3,214	2,269	8,113	6,819
Less provision for (reversal of) loan losses	(77)	250	(295)	980
Net interest income after provision for (reversal of) loan losses	3,291	2,019	8,408	5,839
Noninterest income:				
Service charges on deposit accounts	210	199	624	634
Other service charges, commissions and fees	167	127	468	335
Money service business income	530	304	1,530	628
Rental income	-	2	4	6
Cash surrender value of life insurance	69	68	204	198
Realized gain on sale of PPP loans	-	-	-	186
Net realized gains on sales of investment securities available-for-sale	-	13	-	13
Net realized loss on disposal of Bank premises and equipment	-	-	-	(4)
Gains on sales of repossessed assets	-	-	29	-
Other income	107	227	227	301
Total noninterest income	1,083	940	3,086	2,297
Noninterest expense:				
Salaries and employee benefits	1,911	1,424	5,031	4,180
Occupancy and equipment	381	356	1,081	948
Directors' fees	29	31	105	103
Money service business expenses	138	32	420	176
Marketing	49	60	153	191
Professional fees	200	123	510	479
Information technology	314	302	947	791
FDIC deposit insurance	10	29	64	107
Other real estate owned expenses, net	-	-	-	1
Delivery expenses	31	31	97	93
Other	191	195	541	709
Total noninterest expense	3,254	2,583	8,949	7,778
Income before income tax expense	1,120	376	2,545	358
Income tax expense	212	57	549	60
Net income	908	319	1,996	298
Preferred stock dividends	(30)	-	(60)	-
Net income available to common stockholders	\$ 878	\$ 319	\$ 1,936	\$ 298
Basic and diluted income per share of common stock:				
Basic and Diluted	\$ 0.44	\$ 0.16	\$ 0.98	\$ 0.15
Weighted average shares of common stock outstanding:				
Basic and Diluted	1,979,975	2,033,404	1,973,883	2,032,031

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.96%	0.64%	0.61%	1.00%	0.42%	(0.08%)
Return on average common stockholders' equity (1)(3)	14.30%	9.71%	8.30%	12.78%	5.52%	(1.03%)
Tangible book value per share	\$ 12.40	\$ 12.10	\$ 11.60	\$ 12.09	\$ 11.11	\$ 11.30
Net interest margin (1)	3.91%	3.21%	3.27%	3.47%	3.26%	3.59%
Net interest income to average assets (1)	3.52%	2.88%	2.94%	3.12%	2.98%	3.26%
Efficiency ratio (4)	75.71%	81.36%	83.76%	78.67%	80.82%	81.76%
Nonperforming assets to total assets	0.22%	0.23%	0.25%	0.28%	0.28%	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.