



FOR IMMEDIATE RELEASE – February 10, 2022

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M&F Bancorp, Inc. Announces Record 2021 Results and Increased 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 fourth quarter of 2021 and a quarterly cash common dividend of \$0.03 per share.

Fourth Quarter 2021 Highlights

- Basic and diluted earnings per common share of \$0.38 for the three months ended December 31, 2021, up \$0.02 from \$0.36 for the same period in 2020; basic and diluted earnings per common share of \$1.36 for the year ended December 31, 2021, up \$0.85 from \$0.51 for the same period in 2020
- Return on average common stockholders’ equity of 12.21% for the three months ended December 31, 2021, compared to 12.78% for the same period in 2020
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$205.8 million, up 13.71% from December 31, 2020
- Period end loans of \$231.9 million, up 23.67% from December 31, 2020
- At December 31, 2021, the Bank had 267 PPP loans totaling \$26.1 million, and unrecognized processing fees from the SBA of \$1.0 million; these fees will be recognized as interest income over the life of the PPP loans
- During the year ended December 31, 2021, the Bank processed 642 PPP loans totaling \$35.0 million
- Loan loss reversal for the year ended December 31, 2021 was \$373,000, down from a provision of \$700,000 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 \$317.0 million, up 12.92% from December 31, 2020
- Tangible book value per common share at December 31, 2021 of \$12.93, up \$0.84 or 6.95%, from \$12.09 as of December 31, 2020
- Period end noninterest-bearing deposits of \$106.7 million, up 15.49% from December 31, 2020
- Nonperforming assets of \$824,000, down 6.26% from December 31, 2020
- Money service business income tops \$2.0 million

James H. Sills III, President and CEO of the Company, commented, “2021 was the best year in the history of the Company! We are extremely pleased that we exceeded net income, total assets, loan and deposit targets for the year. Additionally, 2021 marked four straight years of delinquency rates significantly below 1.0%. I am proud of our efforts to support the communities served through the PPP and the new customers we have acquired in 81 different markets in NC. We had our best year in terms of number of loans and loan growth for consumers and businesses. 2021 was the “year of capital” for the Company. The four largest banks in the U.S. invested \$18.0 million in new capital into the Company, which allows us to continue the mission of providing access to capital to the markets served. Our money service business program generated significant fee income in 2021. In addition, the Empower Share Class Fund partnership with JPM Asset Management group generated significant fee income, which helped the Company achieve record earnings for 2021. Finally, I am extremely proud of our Company associates, management team, partners, and board of directors for all their efforts this past year. Over the years, we have made many strategic investments that are improving the overall performance of the Company.”

The Board of Directors declared an increased quarterly cash dividend of \$0.03 per share of common stock payable on March 14, 2022 to stockholders of record as of the close of business on February 28, 2022. “We are pleased to increase 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 at December 31, 2021. As of December 31, 2021, the Company’s stockholders’ equity was 11.75% of total assets, up from 7.59% as of December 31, 2020.

For the three months ended December 31, 2021, net interest income was \$3.2 million, which was a 34.81% increase from \$2.4 million during the same period in 2020. For the three months ended December 31, 2021, the net interest margin was 3.82% compared to 3.47% for the same period in 2020, an increase of 35 basis points. For the year ended December 31, 2021, net interest income was \$11.3 million,

compared to \$9.2 million during the same period in 2020, an increase of 23.04%. The net interest margin was 3.56% for the year ended December 31, 2021 compared to 3.50% for the same period in 2020, an increase of 6 basis points.

The Company recorded a reversal from loan losses of \$78,000 and \$280,000 for the three months ended December 31, 2021 and 2020, respectively. For the year ended December 31, 2021, the Company recorded a reversal from loan loss of \$373,000 compared with a provision for loan losses of \$700,000 for the same period in 2020. The allowance for loan losses as a percentage of total loans was 0.98% at December 31, 2021 compared to 1.43% at December 31, 2020. The allowance for loan losses as a percentage of total loans excluding PPP loans was 1.10% and 1.48% at December 31, 2021 and 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 December 31, 2021, compared to 0.28% at December 31, 2020.

Noninterest income totaled \$1.1 million for the three months ended December 31, 2021, compared with \$913,000 for the same period in 2020, an increase of \$178,000 or 19.50%. The largest contributors to the increase were money service business income, which increased to \$542,000, up \$ 84,000 or 18.34% over prior year, and commissions from the sales of financial products, which increased to \$85,000, up \$82,000 or 2,733.33% over the prior year.

Noninterest income totaled \$4.2 million for the year ended December 31, 2021, compared with \$3.2 million for the same period in 2020, an increase of \$967,000 or 30.12%. The largest contributors to the increase were money service business income, which increased to \$2.1 million, up \$985,000 or 90.62% over prior year, and commissions from the sales of financial products, which increased to \$240,000 or 2,300.00% over prior year.

Noninterest expense totaled \$3.3 million in the three months ended December 31, 2021, an increase of \$717,000, or 28.01%, 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 \$484,000 or 35.91%, due to increased staffing, costs of providing benefits along with amortization of previously deferred salaries associated with PPP loan originations, and net other real estate owned expenses, which increased \$88,000 or 101.15%.

Noninterest expense totaled \$12.2 million for the year ended December 31, 2021, compared with \$10.3 million for the same period in 2020, an increase of \$1.9 million or 18.26%. The most significant increases occurred in salaries and employee benefits, which increased to \$6.9 million, an increase of \$1.3 million or 24.15%, 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 \$260,000 or 81.76%, due to increased activities, and information technology, which increased \$166,000 or 14.77% 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

	December 31, 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	\$ 16,799	\$ 20,297
Interest-bearing cash	24,499	23,680
Total cash and cash equivalents	<u>41,298</u>	<u>43,977</u>
Interest-bearing time deposits	3,201	4,189
Investment securities available-for-sale, at fair value	72,326	57,017
Other invested assets	177	262
Loans, net of unearned income and deferred fees	231,908	187,524
Allowance for loan losses	<u>(2,272)</u>	<u>(2,673)</u>
Loans, net	<u>229,636</u>	<u>184,851</u>
Interest receivable	870	867
Bank premises and equipment, net	2,302	2,589
Cash surrender value of bank-owned life insurance	9,782	9,508
Deferred tax assets and taxes receivable, net	2,149	3,025
Operating lease right-of-use asset	946	1,116
Other assets	<u>2,376</u>	<u>1,665</u>
TOTAL ASSETS	<u><u>\$ 365,063</u></u>	<u><u>\$ 309,066</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 210,363	\$ 188,385
Noninterest-bearing deposits	<u>106,658</u>	<u>92,356</u>
Total deposits	317,021	280,741
Other borrowings	130	204
Operating lease liabilities	985	1,148
Other liabilities	<u>4,025</u>	<u>3,510</u>
Total liabilities	<u>322,161</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 December 31, 2021 and 2020, respectively; 17,302 and no shares issued and outstanding at December 31, 2021 and 2020, respectively	17,302	-
Common stock, no par value, 10,000,000 shares authorized at December 31, 2021 and 2020; issued and outstanding: 1,979,975 and 1,940,375 at December 31, 2021 and 2020, respectively	8,823	8,614
Retained earnings	18,910	16,336
Accumulated other comprehensive loss	<u>(2,133)</u>	<u>(1,487)</u>
Total stockholders' equity	<u>42,902</u>	<u>23,463</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 365,063</u></u>	<u><u>\$ 309,066</u></u>

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands except for share and per share data)

	For the Three Months Ended		For the Years Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	
Interest income:				
Loans, including fees	\$ 2,996	\$ 2,305	\$ 10,748	\$ 9,242
Investment securities available-for-sale, including dividends				
Taxable	205	155	735	720
Tax-exempt	10	-	13	-
Interest-bearing time deposits	16	23	74	96
Other	11	7	47	72
Total interest income	3,238	2,490	11,617	10,130
Interest expense:				
Deposits	66	136	331	955
Borrowings	-	1	1	3
Total interest expense	66	137	332	958
Net interest income	3,172	2,353	11,285	9,172
Less provision for (reversal of) loan losses	(78)	(280)	(373)	700
Net interest income after provision for (reversal of) loan losses	3,250	2,633	11,658	8,472
Noninterest income:				
Service charges on deposit accounts	198	216	822	850
Other service charges, commissions and fees	174	138	642	472
Money service business income	542	458	2,072	1,087
Commissions from sales of financial products	85	3	240	10
Rental income	-	2	4	8
Cash surrender value of life insurance	70	67	274	265
Realized gain on sale of PPP loans	-	-	-	186
Net realized gains on sales of investment securities available-for-sale	-	12	-	25
Net realized loss on disposal of Bank premises and equipment	-	-	-	(4)
Gains on sales of repossessed assets	-	-	29	-
Other income	22	17	94	311
Total noninterest income	1,091	913	4,177	3,210
Noninterest expense:				
Salaries and employee benefits	1,832	1,348	6,863	5,528
Occupancy and equipment	346	320	1,427	1,268
Directors' fees	48	37	153	140
Money service business expenses	158	142	578	318
Marketing	111	102	264	293
Professional fees	153	99	663	578
Information technology	343	333	1,290	1,124
FDIC deposit insurance	18	36	82	143
Other real estate owned expenses (income), net	1	(87)	1	(86)
Delivery expenses	34	28	131	121
Interchange Expenses	84	71	309	269
Other	149	131	465	642
Total noninterest expense	3,277	2,560	12,226	10,338
Income before income tax expense	1,064	986	3,609	1,344
Income tax expense	277	234	826	294
Net income	787	752	2,783	1,050
Preferred stock dividends	(30)	-	(90)	-
Net income available to common stockholders	\$ 757	\$ 752	\$ 2,693	\$ 1,050
Basic and diluted income per share of common stock:				
Basic and Diluted	\$ 0.38	\$ 0.36	\$ 1.36	\$ 0.51
Weighted average shares of common stock outstanding:				
Basic and Diluted	1,979,975	2,094,060	1,975,418	2,047,623

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.82%	0.96%	0.64%	0.61%	1.00%	0.42%
Return on average common stockholders' equity (1)(3)	12.21%	14.30%	9.71%	8.30%	12.78%	5.52%
Tangible book value per share	\$ 12.93	\$ 12.40	\$ 12.10	\$ 11.60	\$ 12.09	\$ 11.11
Net interest margin (1)	3.82%	3.91%	3.21%	3.27%	3.47%	3.26%
Net interest income to average assets (1)	3.44%	3.52%	2.88%	2.94%	3.12%	2.98%
Efficiency ratio (4)	76.82%	75.71%	81.36%	83.76%	78.67%	80.82%
Nonperforming assets to total assets	0.23%	0.22%	0.23%	0.25%	0.28%	0.28%

(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.