



FOR IMMEDIATE RELEASE – August 3, 2022

Contact:

Randall C. Hall, EVP/CFO
919.313.3600

randall.hall@mfbonline.com

M&F Bancorp, Inc. Announces Second Quarter 2022 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 second quarter of 2022 and a quarterly cash common dividend of \$0.03 per share.

June 30, 2022 Highlights

- Basic and diluted earnings per common share of \$0.47 for the three months ended June 30, 2022, up \$0.18 from \$0.29 for the same period in 2021; basic and diluted earnings per common share of \$0.86 for the six months ended June 30, 2022, up \$0.32 from \$0.54 for the same period in 2021
- Return on average common stockholders’ equity of 17.21% for the three months ended June 30, 2022, compared with 9.71% for the same period in 2021
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$218.1 million, up 5.97% from December 31, 2021
- Period end loans of \$224.8 million, down 3.05% from December 31, 2021
- Through June 30, 2022, have forgiven and recognized 90% of the unamortized fees and associated costs on the \$51.0 million of the first and second round of SBA PPP loans.
- Loan loss provision totaled \$136,000 for the six months ended June 30, 2022 compared with a reversal of \$218,000 during the same period of the prior year
- Period end deposits of \$328.6 million, up 3.67% from December 31, 2021
- Money service business income totaled \$1.1 million for the six months ended June 30, 2022, up 10.80% from the prior year
- Received \$171,000 Bank Enterprise Award (“BEA”) from U.S. Treasury
- Raised \$80.0 million equity from U.S. Treasury Emergency Capital Investment Program

Net income available to common stockholders totaled \$921,000 and \$568,000 for the three months ended June 30, 2022 and 2021, respectively, up 62.15%. For the six months ended June 30, 2022 and 2021, net income available to common stockholders totaled \$1.7 million and \$1.1 million, respectively, up 61.06%.

James H. Sills III, President and CEO of the Company, commented, “We are pleased with the financial results through the first six months of the year. All of our metrics, ratios and total asset growth numbers continue to improve. At the end of the second quarter, we were extremely pleased to receive \$80 million in new capital from the U.S. Treasury Emergency Capital Investment Program, which will allow the Company to continue the mission of providing capital to small and medium sized businesses across the state. Finally, we are closely watching the economic conditions related to inflation, rising interest rates and loan demand”.

The Board of Directors declared a quarterly cash dividend of \$0.03 per share of common stock payable on September 14, 2022 to stockholders of record as of the close of business on August 26, 2022. “We are pleased to continue 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. As of June 30, 2022, the Company’s stockholders’ equity was 26.18% of total assets.

For the three months ended June 30, 2022, net interest income was \$3.2 million, which was a 27.34% increase from \$2.5 million during the same period in 2021. For the three months ended June 30, 2022, the net interest margin was 3.82% compared to 3.21% for the same period in 2021, an increase of 61 basis points. For the six months ended June 30, 2022, net interest income was \$6.3 million, compared to \$4.9 million during the same period in 2021. The net interest margin was 3.73% for the six months ended June 30, 2022 compared to 3.23% for the same period in 2021, an increase of 50 basis points.

The Company recorded a provision for loan losses of \$146,000 for the three months ended June 30, 2022 compared to a reversal from loan losses of \$140,000 for the three months ended June 30, 2021. For the six months ended June 30, 2022, the Company recorded a provision for loans losses of \$136,000 compared to a reversal from loan losses of \$218,000 during the same period of the prior year. The allowance for loan losses as a percentage of total loans was 1.04% at June 30, 2022 compared to 0.98% at December 31, 2021. The allowance for loan losses as a percentage of total loans excluding PPP loans was 1.07% and 1.10% at June 30, 2022 and December 31, 2021, respectively. Nonperforming assets represented 0.21% of total assets as of June 30, 2022 compared to 0.23% at December 31, 2021.

Noninterest income totaled \$1.4 million in the three months ended June 30, 2022, compared with \$1.0 million for the same period in 2021, an increase of \$400,000 or 38.28%. The largest contributors to the increase were money service business income, which increased to \$571,000, up \$58,000 or 11.31% over prior year, commissions from the sales of financial products, which totaled \$231,000 compared with none during same period of the prior year, and a BEA in the amount of \$171,000 compared to none during the prior year. The BEA reflects the Company's efforts to advance community development financing and service activities in the most economically distressed areas within its markets.

Noninterest income totaled \$2.6 million in the six months ended June 30, 2022, compared with \$2.0 million for the same period in 2021, an increase of \$554,000 or 27.66%. The largest contributors to the increase were the increase in money service business income, which increased to \$1.1 million, up \$108,000 or 10.80% over prior year and commissions from the sales of financial products, which totaled \$353,000, compared with none during the same period of the prior year.

Noninterest expense totaled \$3.3 million in the three months ended June 30, 2022, an increase of \$400,000, or 13.72%, from the same period in 2021. The most significant increases occurred in salaries and employee benefits, which increased to \$1.7 million, an increase of \$89,000 or 5.44%, due to increased staffing, costs of providing benefits along with amortization of previously deferred salaries associated with PPP loan originations, and professional fees, which increased to \$249,000, up \$118,000 or 90.08%.

Noninterest expense totaled \$6.5 million in the six months ended June 30, 2022, an increase of \$800,000, or 14.05%, from the same period in 2021. The most significant increases occurred in salaries and employee benefits, which increased to \$3.5 million, an increase of \$383,000 or 12.28%, due to increased staffing, costs of providing benefits along with amortization of previously deferred salaries associated with PPP loan originations, professional fees, which increased to \$394,000, up \$84,000 or 27.10%, information technology, which increased to \$719,000, up \$86,000 or 13.59%, and other expenses, which increased to \$311,000, up \$108,000 or 53.20%.

As of June 30, 2022, accumulated other comprehensive loss totaled \$8.5 million compared to \$2.1 million at December 31, 2021. The increase in accumulated other comprehensive loss was 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. 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

	June 30, 2022	December 31, 2021
	<i>(Unaudited)</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 18,934	\$ 16,799
Interest-bearing cash	113,811	24,499
Total cash and cash equivalents	<u>132,745</u>	<u>41,298</u>
Interest-bearing time deposits	2,217	3,201
Investment securities available-for-sale, at fair value	73,732	72,326
Other invested assets	205	177
Loans, net of unearned income and deferred fees	224,828	231,908
Allowance for loan losses	(2,337)	(2,272)
Loans, net	<u>222,491</u>	<u>229,636</u>
Interest receivable	836	870
Bank premises and equipment, net	2,294	2,302
Cash surrender value of bank-owned life insurance	9,922	9,782
Deferred tax assets and taxes receivable, net	3,565	2,149
Operating lease right-of-use asset	842	946
Other assets	2,454	2,376
TOTAL ASSETS	<u>\$ 451,303</u>	<u>\$ 365,063</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 207,979	\$ 210,363
Noninterest-bearing deposits	120,663	106,658
Total deposits	<u>328,642</u>	<u>317,021</u>
Other borrowings	108	130
Operating lease liabilities	882	985
Other liabilities	3,510	4,025
Total liabilities	<u>333,142</u>	<u>322,161</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, 2022 and December 31, 2021, respectively; 17,302 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at June 30, 2022 and none at December 31, 2021, respectively; 80,000 shares issued and outstanding at June 30, 2022 and none at December 31, 2021, respectively	80,000	-
Common stock, no par value, 10,000,000 shares authorized at June 30, 2022 and December 31, 2021; issued and outstanding: 1,979,975 at June 30, 2022 and December 31, 2021	8,844	8,823
Retained earnings	20,496	18,910
Accumulated other comprehensive loss	(8,481)	(2,133)
Total stockholders' equity	<u>118,161</u>	<u>42,902</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 451,303</u>	<u>\$ 365,063</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 Years Ended June 30,	
	2022	2021	2022	2021
Interest income:				
Loans, including fees	\$ 2,837	\$ 2,427	\$ 5,698	\$ 4,692
Investment securities available-for-sale, including dividends				
Taxable	327	173	605	331
Tax-exempt	19	-	31	-
Interest-bearing time deposits	12	20	24	42
Other	107	12	125	22
Total interest income	3,302	2,632	6,483	5,087
Interest expense:				
Deposits	69	93	136	187
Borrowings	1	1	1	1
Total interest expense	70	94	137	188
Net interest income	3,232	2,538	6,346	4,899
Less provision for (reversal of) loan losses	146	(140)	136	(218)
Net interest income after provision for (reversal of) loan losses	3,086	2,678	6,210	5,117
Noninterest income:				
Service charges on deposit accounts	211	206	421	414
Other service charges, commissions and fees	168	167	323	301
Money service business income	571	513	1,108	1,000
Commissions from sales of financial products	231	-	353	-
Rental income	-	2	-	4
Cash surrender value of life insurance	71	68	140	135
Gains on sales of repossessed assets	-	-	-	29
Other income	193	89	212	120
Total noninterest income	1,445	1,045	2,557	2,003
Noninterest expense:				
Salaries and employee benefits	1,724	1,635	3,503	3,120
Occupancy and equipment	342	357	698	700
Directors' fees	45	39	92	76
Money service business expenses	189	147	353	282
Marketing	94	61	141	104
Professional fees	249	131	394	310
Information technology	370	313	719	633
FDIC deposit insurance	24	16	47	54
Delivery expenses	36	35	70	66
Interchange expenses	86	83	167	147
Other	156	98	311	203
Total noninterest expense	3,315	2,915	6,495	5,695
Income before income tax expense	1,216	808	2,272	1,425
Income tax expense	250	210	478	337
Net income	966	598	1,794	1,088
Preferred stock dividends	(45)	(30)	(90)	(30)
Net income available to common stockholders	\$ 921	\$ 568	\$ 1,704	\$ 1,058
Basic and diluted income per share of common stock:				
Basic and Diluted	\$ 0.47	\$ 0.29	\$ 0.86	\$ 0.54
Weighted average shares of common stock outstanding:				
Basic and Diluted	1,979,975	1,979,975	1,979,975	1,970,786

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	June 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.98%	0.83%	0.82%	0.96%	0.64%	0.61%
Return on average common stockholders' equity (1)(3)	17.21%	12.60%	12.21%	14.30%	9.71%	8.30%
Tangible book value per share	\$ 10.53	\$ 11.29	\$ 12.93	\$ 12.40	\$ 12.10	\$ 11.60
Net interest margin (1)	3.82%	3.65%	3.82%	3.91%	3.21%	3.27%
Net interest income to average assets (1)	3.44%	3.31%	3.44%	3.52%	2.88%	2.94%
Efficiency ratio (4)	70.80%	75.20%	76.82%	75.71%	81.36%	83.76%
Nonperforming assets to total assets	0.21%	0.26%	0.23%	0.22%	0.23%	0.25%

(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.