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M&F Bancorp, Inc. (MFBP – OTC)

107 Windel Dr., Suite 211
Raleigh
North Carolina
27609
919-876-8868 ph
www.equityresearch.com

John A. (Buddy) Howard, CFA
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Price:	$7.45	**EPS ***	**2020A:**	$0.51	**P/E**	**2020A:**	14.6x
52 Wk. Range:	$3.40 - $8.05	(FY: DEC)	**2021E:**	$1.40		**2021E:**	5.3x
Div/Div Yld:	$0.08 / 1.1%		**2022E:**	$1.05		**2022E:**	7.1x
Shrs/Mkt Cap:	2.0 mm / $14.8 mm	**Tang. Book Value:**		$12.40	**Price/Tang. Book Value:**		0.60x

* EPS are diluted.

SYMBOL: MFBP

ASSETS: $373 MILLION

HQ: DURHAM, NC

CONTACT:
RANDALL C. HALL
(919) 313-3600

3RD QUARTER HIGHLIGHTS:

THE THIRD QUARTER OF 2021 WAS AN EXCELLENT QUARTER FROM SEVERAL STANDPOINTS

EARNINGS WERE STRONG, AS WAS BALANCE SHEET GROWTH, AND ASSET QUALITY WAS EXCELLENT

EPS: $0.44 VS. $0.16

THERE WAS A REVERSAL FOR LOAN LOSSES OF $77K VERSUS A PROVISION OF $250K

NET INTEREST INCOME WAS UP 42%, REFLECTING PPP LOAN FEE ACCRETION, IMPROVING MARGINS AND GOOD AVERAGE EARNING ASSET GROWTH

NONINTEREST INCOME EXCLUDING NONRECURRING ITEMS IN THE YEAR-AGO QUARTER WAS UP 50%

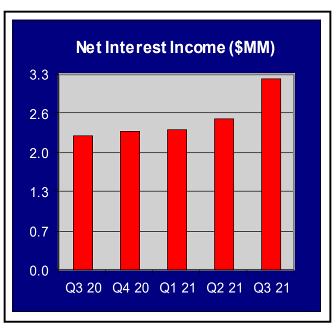
Background

M&F Bancorp, Inc., headquartered in Durham, North Carolina, is a bank holding company whose subsidiary is Mechanics and Farmers Bank ("Bank"). With $373 million in assets as of September 30, 2021, the Company conducts its operations through branch offices of M&F Bank, which are located in five major cities in North Carolina: Durham, Charlotte, Raleigh, Greensboro and Winston-Salem. In addition to M&F Bank's branch offices, the Bank owns six ATMs. The Bank actively supports economic development in each of its markets, which can provide a competitive advantage in the marketplace. Trading in the stock is limited, although the Company's common stock is quoted in the over-the-counter market through the OTC Pink under the symbol "MFBP."

Third Quarter EPS Beat Projections by $0.21 Per Share; Profitability Metrics Were Impressive

M&F Bancorp continued its recent string of excellent quarters in the third quarter of 2021. Earnings were strong and were well above our estimates, prompting us to increase our 2021 earnings projection. Moreover, balance sheet growth momentum accelerated, putting the Company in excellent shape to maintain the earnings momentum. Asset quality wise, nonperforming assets declined relative to the linked quarter and the year-ago dates. Finally, profitability ratios were quite impressive, with return on average common equity exceeding 14% in the quarter.

In terms of specifics, M&F reported net income available to common stockholders of $878,000, or $0.44 per diluted share (after $30,000 in preferred stock dividends), for the third quarter of 2021, versus $319,000, or $0.16 per diluted share, in the year-ago quarter. The strength in earnings was mainly due to an increase in net interest income to $3,214,000 in 2021's third quarter, which was up 42% from $2,269,000 in the year-ago quarter and up 27% from the linked quarter. While much of this increase stemmed from an increase in PPP fee accretion ($680,000 in 2021's third quarter, versus $167,000 in the linked quarter and $54,000 in the year-ago quarter), it was also due to strong growth in average earning assets and a higher net interest margin. (Excluding the PPP loan fee accretion, net interest income would still have increased a solid 14%.) Average earning assets increased about 18%, while the net interest margin was up 65 basis points to 3.91% in 2021's third quarter from 3.26% in the year-ago quarter.



Adding to this strength was a favorable swing in the provision for loan losses, reflecting the Bank's improving asset quality and strong reserve position. Specifically, there was a reversal of loan losses of $77,000 in the third quarter of 2021, versus a provision of $250,000 in the year-ago quarter. Noninterest income, excluding a Bank Enterprise Award of $203,000 and net gains on the sale of securities of $13,000 (both in the third quarter of 2020), was up 50% to $1,083,000 for 2021's third quarter from $724,000 in the year-ago quarter. The largest contributor to the noninterest income

ANNUALIZED RETURN ON AVERAGE COMMON EQUITY REACHED 14.30%

growth was money service business income, which increased 74% compared to the year-ago quarter. Noninterest expense was $3,254,000 for the third quarter of 2021, versus $2,583,000 in the year-ago quarter, mainly due to higher salaries and employee benefits. Finally, we would note that the Bank's profitability and efficiency metrics improved markedly in the quarter. Annualized return on average common equity was particularly good, increasing to 14.30% from 5.52% in the year-ago quarter and versus 12.26% for the Company's peer group median, which consisted of public NC banks with less than $1 billion in assets. Annualized ROAA was 0.96%, up from 0.42% in the year-ago quarter.

YEAR-TO-DATE HIGHLIGHTS:

EARNINGS WERE STRONG

EPS: $0.98 VS. $0.15

Results for the first nine months of 2021 were likewise strong. Net income available to common stockholders was $1,936,000, or $0.98 per diluted share (after $60,000 in preferred stock dividends), in the 2021 year-to-date period, versus $298,000, or $0.15 per diluted share, in the year-ago period. Net interest income grew 19% (up 7% excluding PPP loan fee accretion in both periods), noninterest income (excluding nonrecurring factors) was up 61% and noninterest expense increased 15%.

FROM 9/30/20 TO 9/30/21:

GROSS LOANS GREW 23%, DEPOSITS INCREASED 11% AND TOTAL ASSETS WERE UP 18%

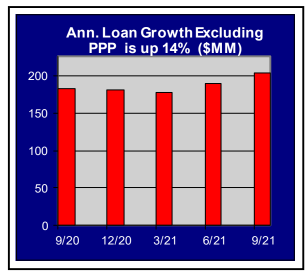
ORGANIC LOAN GROWTH (EXCLUDING PPP LOANS) WAS ROUGHLY 12%

TOTAL EQUITY/ASSETS: 11.23%

COMMON EQUITY/ASSETS: 6.6%

Net Loans Increased 24%, Organic Loan Growth Excluding PPP Was Strong

Balance sheet growth from September 30, 2020 to September 30, 2021 was excellent, with loan growth particularly impressive. Specifically, total assets increased 18%, deposits were up 11% and gross loans grew 23% over the past year. While loan growth has benefited from the Company's participation in the government's Paycheck Protection Program, an important point is that the growth has also been due to improving organic loan growth (i.e., excluding the PPP loans. That fact may be the most significant recent development of the Company, as we view high quality loan growth as one of the most important drivers of future earnings growth. As is reflected in the adjacent chart, organic loans increased approximately 12% from September 30, 2020 to September 30, 2021. M&F continued to maintain a strong capital position, which was bolstered by issuance of preferred stock in 2021's first quarter. At September 30, 2021, total stockholders' equity was $41.8 million, or 11.2% of total assets, versus $23.6 million, or 7.5% of assets, at the year-ago date. Common equity was $24.5 million, or 6.6% of total assets, at September 30, 2021. All of the Bank's capital ratios exceed regulatory minimums to be considered "well capitalized."



NPAS/ASSETS: 0.22%, DOWN FROM 0.28% AT THE YEAR-AGO DATE

RESERVES/LOANS: 1.01%, OR 1.16% EXCLUDING PPP LOANS

Nonperforming Assets Were Down From the Linked and Year-ago Quarters

M&F's level of nonperforming assets improved relative to both June 30, 2021 and the year-ago date. Moreover, its key asset quality ratios were superior to the majority of its NC peers, as can be seen from the adjacent table. Specifically, nonperforming assets ("NPAs" which include nonaccruing loans, accruing loans more than 90 days past due and OREO but excludes performing TDRs), were $821,000, or 0.22% of total assets, at September 30, 2021, versus $833,000, or 0.23% of total assets, at June 30, 2021 and $895,000, or 0.28% of total assets, at the September 30, 2020. The allowance for loan losses totaled $2,356,000, or 1.01% of loans (1.16% excluding PPP loans) at September 30, 2021, compared to $2,955,000 (1.56% of loans) at the year-ago date.

ASSET QUALITY VS. NC BANKS

	MFBP	NC Peer Group Median
NPAs/Assets (%)	0.22	0.27
Reserves/NPAs (x)	2.87	1.42
Reserves/Loans (%)	1.01	0.99

EPS (LOSS):
2020A: $ 0.51
2021E: $ 1.40
2022E: $ 1.05

Projections Increased

We are raising our 2021 earnings estimate to $2.8 million, or $1.40 per diluted share (versus $0.92 per share previously). For 2022, we are projecting net income of $2.1 million, or $1.05 per diluted share. The reason for the drop in projected 2022 EPS is that there will likely be a large drop PPP loan fee accretion in 2022 relative to 2021 (loan fees accreted have been $950,000 so far this year).

ADDITIONAL INFORMATION UPON REQUEST