



FOR IMMEDIATE RELEASE – August 3, 2023

Contact:

Randall C. Hall, EVP/CFO
919.313.3600

randall.hall@mfbonline.com

M&F Bancorp, Inc. Announces Second Quarter 2023 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 2023 and a quarterly cash common dividend of \$0.04 per share.

Second Quarter 2023 Highlights

- Net income available to common stockholders totaled \$1.3 million and \$921,000 for the three months ended June 30, 2023 and 2022, respectively, up 39.63%; net income available to common stockholders totaled \$3.1 million and \$1.7 million for the six months ended June 30, 2023 and 2022, respectively.
- Basic and diluted earnings per common share of \$0.65 and \$0.64, respectively, for the three months ended June 30, 2023, up \$0.18 and \$0.17, respectively, from \$0.47 for the same period in 2022; basic and diluted earnings per common share of \$1.54 and \$1.52, respectively, for the six months ended June 30, 2023, up \$0.68 and \$0.66, respectively, from \$0.86 for the same period in 2022
- Return on average common stockholders’ equity of 21.64% for the three months ended June 30, 2023, compared with 17.21% for the same period in 2022
- Period end loans of \$258.3 million, up 4.60% from December 31, 2022
- Provision for credit losses totaled \$138,000 and \$146,000 for the three months ended June 30, 2023 and 2022, respectively; provision for credit losses totaled \$70,000 and \$136,000 for the six months ended June 30, 2023 and 2022, respectively
- Period end deposits of \$318.5 million, down 2.72% from December 31, 2022

James H. Sills III, President and CEO of the Company, commented, “We are pleased with our results for the second quarter of 2023. We achieved excellent loan and net interest margin growth, which resulted in earnings available to stockholders of \$1.3 million and achieved a 1.17% return on assets, which is excellent, as the Federal Reserve continues to attack inflation. We are continuing to experience headwinds related to increased interest expense, and deposit competition, which we are closely monitoring. We continued to execute on our new strategic plan, and we are in the middle of implementing a new loan origination system in August that will allow us to serve our customers more efficiently utilizing one of the best platforms in the industry. Further, we are in the process of launching a new SBA line of business to further diversify our loan portfolio and revenue streams. Finally, in June, we were named the “Best Bank in Durham” by the Durham Magazine for the second consecutive year, which highlights the demand for our community banking brand”.

The Board of Directors declared a quarterly cash dividend of \$0.04 per share of common stock payable on or about September 13, 2023 to stockholders of record as of the close of business on August 25, 2023. The Bank’s capital ratios remain strong and exceeded all regulatory requirements. As of June 30, 2023, the Company’s stockholders’ equity was 27.25% of total assets.

For the three months ended June 30, 2023, net interest income was \$4.8 million, which was a 49.57% increase from \$3.2 million during the same period in 2022. For the three months ended June 30, 2023, the net interest margin was 4.62% compared to 3.73% for the same period in 2022, an increase of 89 basis points. The increase was primarily attributable to increased rates on loans, taxable securities and overnight funds during 2023. For the six months ended June 30, 2023, net interest income was \$9.6 million, which was a 50.61% increase from \$6.3 million during the same period in 2022. For the six months ended June 30, 2023, the net interest margin was 4.50% compared to 3.68% for the same period in 2022, an increase of 82 basis points. The increase was primarily attributable to increased rates on loans, taxable securities and overnight funds during 2023.

The Company recorded a provision for credit losses of \$138,000 for the three months ended June 30, 2023 compared to a provision for credit losses of \$146,000 for the three months ended June 30, 2022. The Company recorded a provision for credit losses of \$70,000 for the six months ended June 30, 2023 compared to \$136,000 for the six months ended June 30, 2022. The allowance for credit as a percentage of total loans was 1.11% at June 30, 2023 compared to 1.16% at December 31, 2022. Nonperforming assets excluding performing TDRs represented 0.21% of total assets as of June 30, 2023 and 2022.

Noninterest income totaled \$1.1 million in the three months ended June 30, 2023, compared with \$1.4 million for the same period in 2022, a decrease of \$313,000 or 21.66%. The largest contributor to the decrease was money service business income, which totaled \$366,000 compared with \$571,000 during same period of the prior year. Inflation, rise in value of the Mexican Peso against the US Dollar and state legislature changes in Florida contributed to the decrease. Noninterest income totaled \$2.3 million in the six months ended June 30, 2023, compared with \$2.6 million for the same period in 2022, a decrease of \$234,000 or 9.15%. The largest contributor to the decrease was money service business income, which totaled \$758,000 compared with \$1.1 million during same period of the prior year. Inflation, rise in value of the Mexican Peso against the US Dollar and state legislature changes in Florida contributed to the decrease.

Noninterest expense totaled \$4.1 million in the three months ended June 30, 2023, an increase of \$735,000 or 22.17%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$403,000 or 23.38%, information technology, which increased to \$491,000, up \$121,000 or 32.70%, and other expenses, which increased to \$337,000, up \$181,000 or 116.03%. The increase in other expenses was primarily attributable to actuarial adjustments in the Bank's defined benefits plan and increases in franchise taxes. Noninterest expense totaled \$7.8 million in the six months ended June 30, 2023, an increase of \$1.3 million or 19.49%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$630,000 or 17.98%, information technology, which increased to \$931,000, up \$212,000 or 29.49%, and other expenses, which increased to \$621,000, up \$310,000 or 99.68%. The increase in other expenses was primarily attributable to actuarial adjustments in the Bank's defined benefits plan and increases in franchise taxes.

As of June 30, 2023, accumulated other comprehensive loss totaled \$10.5 million compared to \$11.1 million at December 31, 2022. The accumulated other comprehensive loss was primarily 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. 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 and per share data)*

	June 30, 2023	December 31, 2022
	<i>(Unaudited)</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 9,486	\$ 12,667
Interest-bearing cash	60,693	76,800
Total cash and cash equivalents	<u>70,179</u>	<u>89,467</u>
Interest-bearing time deposits	3,455	3,701
Investment securities available-for-sale, at fair value	65,146	67,092
Investment securities held-to-maturity (fair value of \$28,553 in 2023 and \$24,740 in 2022)	29,058	25,141
Other invested assets	238	205
Loans, net of unearned income and deferred fees	258,274	246,909
Allowance for credit losses	(2,863)	(2,863)
Loans, net	<u>255,411</u>	<u>244,046</u>
Interest receivable	1,349	1,324
Bank premises and equipment, net	2,990	2,612
Cash surrender value of bank-owned life insurance	10,214	10,066
Deferred tax assets and taxes receivable, net	3,417	3,608
Operating lease right-of-use asset	1,336	1,444
Other assets	<u>2,377</u>	<u>2,291</u>
TOTAL ASSETS	<u>\$ 445,170</u>	<u>\$ 450,997</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 204,463	\$ 222,175
Noninterest-bearing deposits	<u>114,025</u>	<u>105,220</u>
Total deposits	318,488	327,395
Other borrowings	44	76
Operating lease liabilities	1,378	1,479
Other liabilities	3,937	3,989
Total liabilities	<u>323,847</u>	<u>332,939</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, 2023 and December 31, 2022; 17,302 shares issued and outstanding at June 30, 2023 and December 31, 2022	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at June 30, 2023 and December 31, 2022; 80,000 shares issued and outstanding at June 30, 2023 and December 31, 2022	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at June 30, 2023 and December 31, 2022; issued and outstanding: 1,981,665 and 1,979,975 at June 30, 2023 and December 31, 2022, respectively	8,895	8,866
Retained earnings	25,661	23,005
Accumulated other comprehensive loss	(10,535)	(11,115)
Total stockholders' equity	<u>121,323</u>	<u>118,058</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 445,170</u>	<u>\$ 450,997</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands except for share and per share data)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Interest income:				
Loans, including fees	\$ 3,675	\$ 2,837	\$ 7,094	\$ 5,698
Investment securities, including dividends				
Taxable	613	327	1,210	605
Tax-exempt	37	19	74	31
Interest-bearing time deposits	19	12	38	24
Other	799	107	1,685	125
Total interest income	<u>5,143</u>	<u>3,302</u>	<u>10,101</u>	<u>6,483</u>
Interest expense:				
Deposits	309	69	543	136
Borrowings	-	1	-	1
Total interest expense	<u>309</u>	<u>70</u>	<u>543</u>	<u>137</u>
Net interest income	4,834	3,232	9,558	6,346
Provision for credit losses:				
Provision for credit losses on loans	101	146	23	136
Provision for credit losses on unfunded commitments	37	-	47	-
Total reversal of credit losses	<u>138</u>	<u>146</u>	<u>70</u>	<u>136</u>
Net interest income after reversal of credit losses	<u>4,696</u>	<u>3,086</u>	<u>9,488</u>	<u>6,210</u>
Noninterest income:				
Service charges on deposit accounts	210	211	416	421
Other service charges, commissions and fees	150	168	301	323
Money service business income	366	571	758	1,108
Commissions from sales of financial products	248	231	504	353
Cash surrender value of life insurance	75	71	148	140
Net realized loss on disposal of Bank premises and equipment	(29)	-	(29)	-
Other income	112	193	225	212
Total noninterest income	<u>1,132</u>	<u>1,445</u>	<u>2,323</u>	<u>2,557</u>
Noninterest expense:				
Salaries and employee benefits	2,127	1,724	4,133	3,503
Occupancy and equipment	369	342	725	698
Directors compensation	64	45	125	92
Money service business expenses	156	189	275	353
Marketing	80	94	191	141
Professional fees	229	249	424	394
Information technology	491	370	931	719
FDIC deposit insurance	64	24	94	47
Delivery expenses	44	36	85	70
Interchange expenses	89	86	157	167
Other	337	156	621	311
Total noninterest expense	<u>4,050</u>	<u>3,315</u>	<u>7,761</u>	<u>6,495</u>
Income before income tax expense	1,778	1,216	4,050	2,272
Income tax expense	432	250	880	478
Net income	<u>1,346</u>	<u>966</u>	<u>3,170</u>	<u>1,794</u>
Preferred stock dividends	(60)	(45)	(120)	(90)
Net income available to common stockholders	<u>\$ 1,286</u>	<u>\$ 921</u>	<u>\$ 3,050</u>	<u>\$ 1,704</u>
Basic and diluted income per share of common stock:				
Basic	0.65	0.47	1.54	0.86
Diluted	0.64	0.47	1.52	0.86
Weighted average shares of common stock outstanding:				
Basic	1,981,267	1,979,975	1,980,968	1,979,975
Diluted	2,005,943	1,979,975	2,006,548	1,979,975

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2023	2022	2022	2022	2022	2022
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	1.17%	1.55%	1.44%	0.88%	0.98%	0.83%
Return on average common stockholders' equity (1)(3)	21.64%	32.32%	33.84%	18.47%	17.21%	12.60%
Tangible book value per share	\$ 12.12	\$ 11.73	\$ 10.48	\$ 9.31	\$ 10.53	\$ 11.29
Net interest margin (1)(4)	4.62%	4.38%	4.38%	3.62%	3.73%	3.62%
Net interest income to average assets (1)	4.41%	4.17%	4.17%	3.39%	3.44%	3.31%
Efficiency ratio (5)	67.77%	62.63%	61.27%	67.28%	70.80%	75.20%
Nonperforming assets to total assets	1.64%	1.63%	1.63%	1.66%	1.67%	2.07%
Nonperforming assets excluding performing TDRs to total assets	0.21%	0.19%	0.20%	0.20%	0.21%	0.26%

(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) Excludes net unrealized holding gains (losses) in available-for-sale securities

(5) 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