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M&F Bancorp, Inc. Announces Record 2022 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 2022 and a quarterly cash common dividend of \$0.04 per share.

December 31, 2022 Highlights

- Net income available to common stockholders totaled \$1.6 million and \$757,000 for the three months ended December 31, 2022 and 2021, respectively, up 114.93%. For the years ended December 31, 2022 and 2021, net income available to common stockholders totaled \$4.3 million and \$2.7 million, respectively, up 60.86%.
- Basic and diluted earnings per common share of \$0.82 and \$0.81, respectively, for the three months ended December 31, 2022, up \$0.44 and \$0.43, respectively, from \$0.38 for the same period in 2021; basic and diluted earnings per common share of \$2.19 and \$2.18, respectively, for the year ended December 31, 2022, up \$0.83 and \$0.82, respectively, for the same period in 2021
- Return on average common stockholders’ equity of 33.84% for the three months ended December 31, 2022, compared with 12.21% for the same period in 2021
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$245.9 million, up 19.49% from December 31, 2021
- Period end loans of \$246.9 million, up 6.47% from December 31, 2021
- Through December 31, 2022, have forgiven and recognized 99% 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 \$699,000 for the year ended December 31, 2022 compared with a reversal of \$373,000 during the same period of the prior year
- Period end deposits of \$327.4 million, up 3.27% from December 31, 2021
- Money service business income totaled \$2.2 million for the year ended December 31, 2022, up 5.65% from the prior year

James H. Sills III, President and CEO of the Company, commented, “We are pleased with our results for 2022, which exceeded our expectations entering the year. We achieved increased earnings available to stockholders of \$4.3 million and achieved a 1.0% return on assets at the Bank level, which is the standard for profitability in the industry. Our strong performance allowed us to invest in our Company, our communities, and our associates, and we ended the year with more capital than in any other time in the history of the Company with the recent \$80 million investment. Finally, we are closely watching the economic conditions related to inflation, rising interest rates, asset quality metrics and loan demand going into 2023.”

The Board of Directors declared a quarterly cash dividend of \$0.04 per share of common stock payable on March 15, 2023 to stockholders of record as of the close of business on February 24, 2023. “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. As of December 31, 2022, the Company’s stockholders’ equity was 26.18% of total assets.

For the three months ended December 31, 2022, net interest income was \$4.7 million, which was a 48.77% increase from \$3.2 million during the same period in 2021. For the three months ended December 31, 2022, the net interest margin was 4.38% compared to 3.81% for the same period in 2021, an increase of 57 basis points. The increase was primarily attributable to increased rates on loans and overnight funds during 2022. For the year ended December 31, 2022, net interest income was \$14.9 million, compared to \$11.3 million during the same period in 2021. The net interest margin was 3.85% for the year ended December 31, 2022 compared to 3.56% for the same period in 2021, an increase of 29 basis points.

The Company recorded a provision for loan losses of \$215,000 for the three months ended December 31, 2022 compared to a reversal from loan losses of \$78,000 for the three months ended December 31, 2021. For the year ended December 31, 2022, the Company recorded a provision for loans losses of \$699,000 compared to a reversal from loan losses of \$373,000 during the same period of the prior year. The allowance for loan losses as a percentage of total loans was 1.16% at December 31, 2022 compared to 0.98% at December 31, 2021. The allowance for loan losses as a percentage of total loans excluding PPP loans was 1.16% and 1.10% at December 31, 2022 and December 31, 2021, respectively. Nonperforming assets represented 0.20% of total assets as of December 31, 2022 compared to 0.23% at December 31, 2021.

Noninterest income totaled \$1.3 million in the three months ended December 31, 2022, compared with \$1.1 million for the same period in 2021, an increase of \$233,000 or 21.36%. The largest contributor to the increase was commissions from the sales of financial products, which totaled \$264,000 compared with \$85,000 during same period of the prior year.

Noninterest income totaled \$5.2 million in the year ended December 31, 2022, compared with \$4.2 million for the same period in 2021, an increase of \$1.0 million or 24.92%. The largest contributors to the increase were the increase in money service business income, which increased to \$2.2 million, up \$117,000 or 5.65% over prior year and commissions from the sales of financial products, which totaled \$848,000, compared with \$240,000 during the same period of the prior year.

Noninterest expense totaled \$3.7 million in the three months ended December 31, 2022, an increase of \$431,000, or 13.15%, from the same period in 2021. The most significant increases occurred in professional fees, which increased to \$284,000, up \$131,000 or 85.62%, information technology, which increased to \$384,000, up \$41,000 or 11.95%, and other expenses, which increased to \$436,000, up \$287,000 or 192.62%. The increase was primarily attributable to actuarial adjustments in the Bank's defined benefits plan.

Noninterest expense totaled \$13.7 million in the year ended December 31, 2022, an increase of \$1.5 million, or 11.99%, from the same period in 2021. The most significant increases occurred in salaries and employee benefits, which increased to \$7.1 million, up \$235,000 or 3.42%, professional fees, which increased to \$967,000, up \$304,000 or 45.85%, information technology, which increased to \$1.5 million, up \$185,000 or 14.34%, and other expenses, which increased to \$975,000, up \$510,000 or 109.68%, which were largely due to actuarial adjustments in the Bank's defined benefits plan and increased employee travels related to business development and educational conferences.

As of December 31, 2022, accumulated other comprehensive loss totaled \$11.1 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. 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)*

	December 31, 2022 <i>(unaudited)</i>	December 31, 2021
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 12,667	\$ 16,799
Interest-bearing cash	76,800	24,499
Total cash and cash equivalents	<u>89,467</u>	<u>41,298</u>
Interest-bearing time deposits	3,701	3,201
Investment securities available-for-sale, at fair value	67,092	72,326
Investment securities held to maturity (fair value of \$24,740 in 2022 and \$0 in 2021)	25,141	-
Other invested assets	205	177
Loans, net of unearned income and deferred fees	246,909	231,908
Allowance for loan losses	<u>(2,863)</u>	<u>(2,272)</u>
Loans, net	<u>244,046</u>	<u>229,636</u>
Interest receivable	1,324	870
Bank premises and equipment, net	2,612	2,302
Cash surrender value of bank-owned life insurance	10,066	9,782
Deferred tax assets and taxes receivable, net	3,608	2,149
Operating lease right-of-use asset	1,444	946
Other assets	<u>2,291</u>	<u>2,376</u>
TOTAL ASSETS	<u><u>\$ 450,997</u></u>	<u><u>\$ 365,063</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 222,175	\$ 210,363
Noninterest-bearing deposits	<u>105,220</u>	<u>106,658</u>
Total deposits	327,395	317,021
Other borrowings	76	130
Operating lease liabilities	1,479	985
Other liabilities	<u>3,989</u>	<u>4,025</u>
Total liabilities	<u>332,939</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 December 31, 2022 and 2021, respectively; 17,302 shares issued and outstanding at December 31, 2022 and 2021, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at December and none at December 31, 2021, respectively; 80,000 shares issued and outstanding at December 31, 2022 and none at December 31, 2021, respectively	80,000	-
Common stock, no par value, 10,000,000 shares authorized at December 31, 2022 and 2021; issued and outstanding: 1,979,975 at December 31, 2022 and 2021, respectively	8,866	8,823
Retained earnings	23,005	18,910
Accumulated other comprehensive loss	<u>(11,115)</u>	<u>(2,133)</u>
Total stockholders' equity	<u>118,058</u>	<u>42,902</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 450,997</u></u>	<u><u>\$ 365,063</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,	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	
Interest income:				
Loans, including fees	\$ 3,398	\$ 2,996	\$ 11,959	\$ 10,748
Investment securities, including dividends				
Taxable	549	205	1,555	735
Tax-exempt	33	10	91	13
Interest-bearing time deposits	19	16	57	74
Other	848	11	1,604	47
Total interest income	4,847	3,238	15,266	11,617
Interest expense:				
Deposits	128	66	358	331
Borrowings	-	-	1	1
Total interest expense	128	66	359	332
Net interest income	4,719	3,172	14,907	11,285
Less provision for (reversal of) loan losses	215	(78)	699	(373)
Net interest income after provision for (reversal of) loan losses	4,504	3,250	14,208	11,658
Noninterest income:				
Service charges on deposit accounts	208	198	842	822
Other service charges, commissions and fees	156	174	637	642
Money service business income	473	542	2,189	2,072
Commissions from sales of financial products	264	85	848	240
Rental income	-	-	-	4
Cash surrender value of life insurance	72	70	284	274
Net realized loss on disposal of Bank premises and equipment	31	-	31	-
Gains on sales of repossessed assets	-	-	-	29
Other income	120	22	387	94
Total noninterest income	1,324	1,091	5,218	4,177
Noninterest expense:				
Salaries and employee benefits	1,807	1,832	7,098	6,863
Occupancy and equipment	322	346	1,360	1,427
Directors compensation	77	48	228	153
Money service business expenses	136	158	680	578
Marketing	112	111	331	264
Professional fees	284	153	967	663
Information technology	384	343	1,475	1,290
FDIC deposit insurance	35	18	107	82
Other real estate owned expenses, net	1	1	1	1
Delivery expenses	38	34	146	131
Interchange expenses	76	84	324	309
Other	436	149	975	465
Total noninterest expense	3,708	3,277	13,692	12,226
Income before income tax expense	2,120	1,064	5,734	3,609
Income tax expense	448	277	1,222	826
Net income	1,672	787	4,512	2,783
Preferred stock dividends	(45)	(30)	(180)	(90)
Net income available to common stockholders	\$ 1,627	\$ 757	\$ 4,332	\$ 2,693
Basic and diluted income per share of common stock:				
Basic	0.82	0.38	2.19	1.36
Diluted	0.81	0.38	2.18	1.36
Weighted average shares of common stock outstanding:				
Basic	1,979,975	1,979,975	1,979,975	1,975,418
Diluted	2,001,382	1,979,975	1,984,640	1,975,418

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	December 31,	September 30,	June 30,	March 31,	December 31,	September 30,
	2022	2022	2022	2022	2021	2021
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	1.44%	0.88%	0.98%	0.83%	0.82%	0.96%
Return on average common stockholders' equity (1)(3)	33.84%	18.47%	17.21%	12.60%	12.21%	14.30%
Tangible book value per share	\$ 10.48	\$ 9.31	\$ 10.53	\$ 11.29	\$ 12.93	\$ 12.40
Net interest margin (1)(4)	4.38%	3.62%	3.73%	3.62%	3.81%	3.91%
Net interest income to average assets (1)	4.17%	3.39%	3.44%	3.31%	3.44%	3.52%
Efficiency ratio (5)	61.27%	67.28%	70.80%	75.20%	76.82%	75.71%
Nonperforming assets to total assets	0.20%	0.20%	0.21%	0.26%	0.23%	0.22%

(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