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M&F Bancorp, Inc. Announces Fourth Quarter 2024 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 2024 and a quarterly cash common dividend of \$0.06 per share.

Fourth Quarter 2024 Highlights

- Net income available to common stockholders totaled \$841,000 and \$1.0 million for the three months ended December 31, 2024 and 2023, respectively, down 18.98%; net income available to common stockholders totaled \$3.6 million and \$5.5 million for the years ended December 31, 2024 and 2023, respectively, down 33.46%.
- Basic and diluted earnings per common share of \$0.42 for the three months ended December 31, 2024, down from \$0.52 for the same period in 2023; basic and diluted earnings per common share of \$1.83 and \$1.81, respectively, for the year ended December 31, 2024, down from \$2.75 and \$2.72, respectively, for the same period in 2023.
- Return on average common stockholders' equity of 10.57% for the three months ended December 31, 2024, compared with 17.23% for the same period in 2023.
- Period end loans of \$284.0 million, up 5.55% from December 31, 2023.
- Reversal of credit losses totaled \$26,000 and \$46,000 for the three months ended December 31, 2024 and 2023, respectively; provision for (reversal of) credit losses totaled \$(199,000) and \$98,000 for the years ended December 31, 2024 and 2023, respectively.
- Period end deposits of \$390.8 million, up 21.75% from December 31, 2023.
- Period end assets of \$525.0 million, up 15.83% from December 31, 2023.

James H. Sills III, President and CEO of the Company, commented, "I am pleased to report that our year end results achieved record total assets of \$525.0 million, which is the highest in the Company's history. We achieved a 15.83% growth rate in total assets from December 31, 2023. The asset growth was due to receiving significant deposits from corporate partners that support the mission of the Bank. The Company is in an enviable position in terms of having excess liquidity compared to peer banks. Going forward, our goal is to leverage these deposits to continue the mission of providing access to capital to small businesses and consumers in the form of loans. The earnings achieved were good; however, the net income available to common shareholders of \$3.6 million was down compared to \$5.5 million in 2024 as a result of higher cost of funds and payment of dividends on Emergency Capital Improvement Program capital during 2024. During the quarter, we achieved earnings available to stockholders of \$841,000 and return of assets of 0.64%. Finally, we remain focused on executing our strategic plan related to our investments in the SBA line of business, new technology and branch up-fits to increase market share and profitability."

The Board of Directors declared a quarterly cash dividend of \$0.06 per share of common stock payable on or about March 19, 2025 to stockholders of record as of the close of business on February 21, 2025. "We are pleased to increase our quarterly cash dividend as it reflects our Company's performance and commitment to enhance stockholder value," said James A. Stewart, Chairman of the Board of Directors. The Company's capital ratios remain strong and exceeded all regulatory requirements. As of December 31, 2024, the Company's stockholders' equity was 24.39% of total assets.

As previously announced, the Board of Directors authorized a \$2.6 million stock repurchase program during the fourth quarter of 2024. The timing and exact amount of common stock repurchased will depend on various factors, including market conditions, internal capital generation and capital consumption through loan growth or other uses. Repurchases may be executed through open market purchases, privately negotiated transactions, or by other means in accordance with federal securities laws, including utilizing a Rule 10b5-1 program, and may be suspended at any time without prior notice. As of December 31, 2024, no shares had been repurchased under the repurchase program, which is authorized through the end of 2025.

For the three months ended December 31, 2024, net interest income was \$5.1 million, which was a 6.82% increase from \$4.8 million during the same period in 2023. For the three months ended December 31, 2024, the net interest margin was 4.00% compared to 4.53% for the same period in 2023, a decrease of 53 basis points. The decrease was due to higher cost of interest-bearing deposits. For the year ended December 31, 2024, net interest income was \$19.7 million, which was a 3.07% increase from \$19.1 million during the same period in 2023. For the year ended December 31, 2024, the net interest margin was 4.18% compared to 4.56% for the same period in 2023, a decrease of 38 basis points. The decrease was due to higher cost of interest-bearing deposits.

The Company recorded a reversal of credit losses of \$26,000 and \$46,000 for the three months ended December 31, 2024 and 2023, respectively. The Company recorded a provision for (reversal of) credit losses of \$(199,000) and \$98,000 for the years ended December 31, 2024 and 2023, respectively. The Allowance for Credit Losses (“ACL”) as a percentage of total loans was 1.37% at December 31, 2024 compared to 1.48% at December 31, 2023. Nonperforming assets excluding performing loans modified to borrowers experiencing financial difficulties represented 0.42% and 0.20% of total assets as of December 31, 2024 and 2023, respectively.

Noninterest income totaled \$1.3 million in the three months ended December 31, 2024, compared with \$1.9 million for the same period in 2023, a decrease of \$644,000 or 33.56%. During the quarter ended December 31, 2024, the Company recognized grant revenue in the amount of \$514,000 compared to \$842,000 during the comparable period of the prior year. The grant revenue came from U.S. Treasury Community Development Financial Institution Fund’s Equitable Recovery Program (“ERP”) during 2024 and 2023. This program is designed to 1) provide funding to Community Development Financial Institutions (“CDFI”) to expand lending, grant making and investment activities in low- or moderate-income communities and to borrowers that have significant unmet capital and financial services needs and have experienced disproportionate economic impacts from the COVID-19 pandemic and 2) enable CDFIs to build organization capacity and acquire technology, staff and other tools necessary to accomplish the activities under a CDFI ERP award. Excluding grant revenue, noninterest income decreased \$316,000 or 29.34%. The largest contributor to the decrease was money services business income, which totaled none during the quarter ended December 31, 2024 compared with \$287,000 during same period of the prior year. Management discontinued the money services business at the end of 2023 due to inflation, rise in value of the Mexican Peso against the U.S. Dollar and state legislature changes in Florida, which negatively impacted the product. During 2024, the Bank began originating Small Business Administration (“SBA”) loans with the intent to sell the guaranteed portion of certain loans. Gains on sales of SBA loans generated \$146,000 during the quarter ended December 31, 2024 compared to none during the same period of the prior year. Noninterest income totaled \$4.4 million in the year ended December 31, 2024, compared with \$5.9 million for the same period in 2023, a decrease of \$1.4 million or 24.25%. The Company recognized grant revenue in the amount of \$1.7 million and \$1.3 million during the years ended December 31, 2024 and 2023, respectively. The majority of the grant revenue came from U.S. Treasury Community Development Financial Institution Fund’s ERP during 2024 and 2023. Excluding grant revenue, noninterest income decreased \$1.9 million or 40.48%. The largest contributor to the decrease was the money services business, which totaled none in the year ended December 31, 2024 compared to \$1.4 million during the same period of the prior year. Gains on sales of SBA loans generated \$146,000 during the year ended December 31, 2024 compared to none during the prior year.

Noninterest expense totaled \$4.5 million in the three months ended December 31, 2024, an increase of \$19,000 or 0.43%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$76,000 or 3.35%, professional fees, which increased \$86,000 or 32.58%, information technology, which increased \$62,000 or 11.61% and other expenses, which increased \$90,000 or 25.71%. Noninterest expense totaled \$17.6 million in the year ended December 31, 2024, an increase of \$1.2 million or 7.06%, from the same period in 2023. The most significant increases occurred in salaries and employee benefits, which increased \$836,000 or 9.65%, professional fees, which increased \$400,000 or 43.57% primarily related to a project, which has now been completed, and information technology, which increased \$299,000 or 15.15%.

As of December 31, 2024, accumulated other comprehensive loss totaled \$9.6 million compared to \$9.0 million at December 31, 2023. The accumulated other comprehensive loss was primarily due to fluctuation in 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, 2024	December 31, 2023
	<i>Unaudited</i>	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 2,681	\$ 4,444
Interest-bearing cash	33,688	41,243
Total cash and cash equivalents	36,369	45,687
Interest-bearing time deposits	2,962	3,455
Investment securities available-for-sale, at fair value	166,093	89,774
Investment securities held-to-maturity (fair value of \$14,243 in 2024 and \$26,749 in 2023)	14,430	26,960
Other invested assets	324	324
Loans, net of unearned income and deferred fees	284,027	269,082
ACL	(3,902)	(3,987)
Loans, net	280,125	265,095
Interest receivable	2,146	1,538
Bank premises and equipment, net	3,712	2,964
Cash surrender value of bank-owned life insurance	10,699	10,370
Other real estate owned ("OREO")	99	-
Deferred tax assets and taxes receivable, net	3,313	3,248
Operating lease right-of-use asset	1,071	1,243
Other assets	3,663	2,600
TOTAL ASSETS	\$ 525,006	\$ 453,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 295,778	\$ 220,221
Noninterest-bearing deposits	94,986	100,723
Total deposits	390,764	320,944
Other borrowings	24	30
Operating lease liabilities	1,132	1,293
Other liabilities	5,013	5,789
Total liabilities	396,933	328,056
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, 2024 and 2023, respectively; 17,302 shares issued and outstanding at December 31, 2024 and 2023, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at December 31, 2024 and 2023, respectively; 80,000 shares issued and outstanding at December 31, 2024 and 2023, respectively	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at December 31, 2024 and 2023, respectively; issued and outstanding: 1,983,018 and 1,981,996 at December 31, 2024 and 2023, respectively	9,194	9,000
Retained earnings	31,164	27,907
Accumulated other comprehensive loss	(9,587)	(9,007)
Total stockholders' equity	128,073	125,202
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 525,006	\$ 453,258

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	
Interest income:				
Loans, including fees	\$ 4,513	\$ 4,043	\$ 17,460	\$ 15,080
Investment securities, including dividends				
Taxable	1,652	770	5,325	2,585
Tax-exempt	40	40	159	153
Interest-bearing time deposits	35	19	128	71
Other	470	610	1,821	2,907
Total interest income	6,710	5,482	24,893	20,796
Interest expense:				
Deposits	1,606	704	5,165	1,656
Total interest expense	1,606	704	5,165	1,656
Net interest income	5,104	4,778	19,728	19,140
Provision for credit losses:				
Provision for credit losses on loans	350	889	797	1,171
Provision for (reversal of) credit losses on unfunded commitments	(26)	(46)	(199)	98
Total provision for credit losses	324	843	598	1,269
Net interest income after provision for credit losses	4,780	3,935	19,130	17,871
Noninterest income:				
Service charges on deposit accounts	192	198	768	820
Other service charges, commissions and fees	134	134	538	575
Money services business income	-	287	-	1,375
Commissions from sales of financial products	137	239	610	1,006
Cash surrender value of life insurance	84	79	329	304
SBA loan sale gains	146	-	146	-
Net realized gain (loss) on disposal of Bank premises and equipment	4	-	4	(26)
Grant revenue	514	842	1,703	1,265
Other income	64	140	337	536
Total noninterest income	1,275	1,919	4,435	5,855
Noninterest expense:				
Salaries and employee benefits	2,347	2,271	9,501	8,665
Occupancy and equipment	415	378	1,546	1,493
Directors compensation	89	88	365	283
Money service business expenses	-	320	-	753
Marketing	73	61	332	337
Professional fees	350	264	1,318	918
Information technology	596	534	2,273	1,974
FDIC deposit insurance	53	42	197	179
OREO (income) expenses, net	(50)	1	(50)	1
Delivery expenses	44	44	187	171
Interchange expenses	103	88	372	338
Other	440	350	1,554	1,322
Total noninterest expense	4,460	4,441	17,595	16,434
Income before income tax expense	1,595	1,413	5,970	7,292
Income tax expense				
Income tax expense related to ordinary operations	244	315	1,165	1,597
Income tax expense related to change in tax rate	35	-	35	-
Income tax expense	279	315	1,200	1,597
Net income	1,316	1,098	4,770	5,695
Preferred stock dividends	(475)	(60)	(1,140)	(240)
Net income available to common stockholders	\$ 841	\$ 1,038	\$ 3,630	\$ 5,455
Basic and diluted income per share of common stock:				
Basic	0.42	0.52	1.83	2.75
Diluted	0.42	0.52	1.81	2.72
Weighted average shares of common stock outstanding:				
Basic	1,982,869	1,981,953	1,982,511	1,981,392
Diluted	2,004,183	1,997,594	2,000,027	2,003,591

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.64%	0.75%	0.90%	0.72%	0.95%	1.27%
Return on average common stockholders' equity (1)(3)	10.57%	12.14%	15.20%	11.62%	17.23%	22.40%
Tangible book value per share	\$ 15.50	\$ 16.68	\$ 14.68	\$ 14.15	\$ 14.08	\$ 11.79
Net interest margin (1)(4)	4.00%	4.18%	3.83%	4.36%	4.53%	4.69%
Net interest income to average assets (1)	3.88%	4.05%	3.74%	4.25%	4.37%	4.49%
Efficiency ratio (5)	69.80%	70.92%	73.56%	76.92%	66.20%	65.85%
Nonperforming assets to total assets	1.56%	1.58%	1.53%	1.53%	1.57%	1.60%
Nonperforming assets excluding performing loans modified to borrowers in financial distress to total assets	0.42%	0.40%	0.23%	0.16%	0.20%	0.18%

(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