



FOR IMMEDIATE RELEASE – February 7, 2024

Contact:

Randall C. Hall, EVP/CFO

919.313.3600

randall.hall@mfbonline.com

M&F Bancorp, Inc. Announces Record 2023 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 2023 and a quarterly cash common dividend of \$0.05 per share.

Fourth Quarter 2023 Highlights

- Net income available to common stockholders totaled \$1.0 million and \$1.6 million for the three months ended December 31, 2023 and 2022, respectively, down 36.20%; net income available to common stockholders totaled \$5.5 million and \$4.3 million for the years ended December 31, 2023 and 2022, respectively, up 25.92%.
- Basic and diluted earnings per common share of \$0.52 for the three months ended December 31, 2023, down from \$0.82 and \$0.81, respectively, for the same period in 2022; basic and diluted earnings per common share of \$2.75 and \$2.72, respectively, for the year ended December 31, 2023, up \$0.56 and \$0.54, respectively, from \$2.19 and \$2.18, respectively, for the same period in 2022
- Return on average common stockholders' equity of 17.23% for the three months ended December 31, 2023, compared with 33.84% for the same period in 2022
- Period end loans of \$269.1 million, up 8.98% from December 31, 2022
- Provision for credit losses totaled \$843,000 and \$215,000 for the three months ended December 31, 2023 and 2022, respectively; provision for credit losses totaled \$1.3 million and \$699,000 for the years ended December 31, 2023 and 2022, respectively.
- Period end deposits of \$320.9 million, down 1.97% from December 31, 2022

James H. Sills III, President and CEO of the Company, commented, "We are pleased with our annual results for 2024. We achieved record earnings available to stockholders of \$5.5 million and surpassed the \$4.3 million achieved in 2023. The \$5.5 million is the highest earnings total in the history of the Company. Our robust performance enabled strategic investments in our business, communities and associates. The year concluded with a historic high of \$269.1 million in outstanding loans, reflecting an impressive 8.98% growth over 2022 and positioning us favorably going into 2024. Furthermore, our commitment to community development was evident as we exceeded the annual Emergency Capital Investment Program lending requirement of \$31.0 million by originating \$49.9 million, a substantial 161% of goal. Finally, we express our gratitude to our management team, associates, and directors for their unwavering dedication in 2023."

The Board of Directors declared a quarterly cash dividend of \$0.05 per share of common stock payable on or about March 13, 2024 to stockholders of record as of the close of business on February 23, 2024. "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, 2023, the Company's stockholders' equity was 27.62% of total assets.

For the three months ended December 31, 2023, net interest income was \$4.8 million, which was a 1.25% increase from \$4.7 million during the same period in 2022. For the three months ended December 31, 2023, the net interest margin was 4.53% compared to 4.38% for the same period in 2022, an increase of 15 basis points. The increase was primarily attributable to increased rates on loans, taxable securities and overnight funds during 2023. For the year ended December 31, 2023, net interest income was \$19.1 million, which was a 28.40% increase from \$14.9 million during the same period in 2022. For the year ended December 31, 2023, the net interest margin was 4.56% compared to 3.85% for the same period in 2022, an increase of 71 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 \$843,000 and \$215,000 for the three months ended December 31, 2023 and 2022, respectively. The Company recorded a provision for credit losses of \$1.3 million and \$699,000 for the years December 31, 2023 and 2022, respectively. The Allowance for Credit Losses ("ACL") as a percentage of total loans was 1.48% at December 31, 2023 compared

to 1.16% at December 31, 2022. Approximately \$591,000 of the provision for credit losses during the fourth quarter and year-to-date periods was related to deterioration in credit to one borrower. Nonperforming assets excluding performing loans modified to borrowers in financial distress represented 0.20% of total assets as of December 31, 2023 and 2022.

Noninterest income totaled \$1.9 million in the three months ended December 31, 2023, compared with \$1.3 million for the same period in 2022, an increase of \$595,000 or 44.94%. During the quarter, the Company recognized grant revenue in the amount of \$842,000 from U.S. Treasury Community Development Financial Institution Fund's Equitable Recovery Program ("ERP"). This program is designed to 1) provide funding to Community Development Financial Institutions ("CDFI") to expanding 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 ERP, noninterest income decreased \$247,000 or 18.66%. The largest contributor to the decrease was money service business income, which totaled \$287,000 compared with \$473,000 during same period of the prior year. Inflation, rise in value of the Mexican Peso against the U.S. Dollar and state legislature changes in Florida contributed to the decrease. As a result, management has elected to discontinue the product offering after December 31, 2023. Noninterest income totaled \$5.9 million and \$5.2 million in the years ended December 31, 2023 and 2022, respectively, an increase of \$637,000 or 12.21%. During the years ended December 31, 2023 and 2022, the Company recognized ERP grant revenue in the amount of \$842,000 and none, respectively, and Bank Enterprise Award ("BEA") in the amount of \$423,000 and \$171,000, respectively. The BEA, awarded by the U.S. Treasury, reflects M&F Bank's commitment to low- or moderate-income areas within its footprint. Excluding grant revenue, noninterest income decreased \$457,000 or 9.05%. The largest contributor to the decrease was money service business income, which totaled \$1.4 million compared with \$2.2 million during same period of the prior year. Inflation, rise in value of the Mexican Peso against the U.S. Dollar and state legislature changes in Florida contributed to the decrease.

Noninterest expense totaled \$4.4 million in the three months ended December 31, 2023, an increase of \$733,000 or 19.77%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$464,000 or 25.68%, money service business expenses, which increased \$184,000 or 135.29% and information technology, which increased \$150,000 or 39.06%. Noninterest expense totaled \$16.4 million in the year ended December 31, 2023, an increase of \$2.7 million or 20.03%, from the same period in 2022. The most significant increases occurred in salaries and employee benefits, which increased \$1.6 million or 22.08%, information technology, which increased \$518,000 or 35.12%, and other expenses, which increased \$347,000 or 35.59%. The increase in other expenses was primarily attributable to increases in franchise taxes and other miscellaneous categories of expenses.

As of December 31, 2023, accumulated other comprehensive loss totaled \$9.0 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)

	December 31, 2023 (unaudited)	December 31, 2022
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 4,444	\$ 12,667
Interest-bearing cash	41,243	76,800
Total cash and cash equivalents	45,687	89,467
Interest-bearing time deposits	3,455	3,701
Investment securities available-for-sale, at fair value	89,774	67,092
Investment securities held-to-maturity (fair value of \$26,749 in 2023 and \$24,740 in 2022)	26,960	25,141
Other invested assets	324	205
Loans, net of unearned income and deferred fees	269,082	246,909
ACL	(3,987)	(2,863)
Loans, net	265,095	244,046
Interest receivable	1,538	1,324
Bank premises and equipment, net	2,964	2,612
Cash surrender value of bank-owned life insurance	10,370	10,066
Deferred tax assets and taxes receivable, net	3,248	3,608
Operating lease right-of-use asset	1,243	1,444
Other assets	2,600	2,291
TOTAL ASSETS	\$ 453,258	\$ 450,997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 220,221	\$ 222,175
Noninterest-bearing deposits	100,723	105,220
Total deposits	320,944	327,395
Other borrowings	30	76
Operating lease liabilities	1,293	1,479
Other liabilities	5,789	3,989
Total liabilities	328,056	332,939
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, 2023 and 2022, respectively; 17,302 shares issued and outstanding at December 31, 2023 and 2022, respectively	17,302	17,302
Series E Noncumulative Perpetual Preferred Stock- \$0.01 par value, 80,000 authorized at December 31, 2023 and 2022, respectively; 80,000 shares issued and outstanding at December 31, 2023 and 2022, respectively	80,000	80,000
Common stock, no par value, 10,000,000 shares authorized at December 31, 2023 and 2022, respectively; issued and outstanding: 1,981,996 and 1,979,975 at December 31, 2023 and 2022, respectively	9,000	8,866
Retained earnings	27,907	23,005
Accumulated other comprehensive loss	(9,007)	(11,115)
Total stockholders' equity	125,202	118,058
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 453,258	\$ 450,997

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 Ended December 31,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	
Interest income:				
Loans, including fees	\$ 4,043	\$ 3,398	\$ 15,080	\$ 11,959
Investment securities, including dividends				
Taxable	770	549	2,585	1,555
Tax-exempt	40	33	153	91
Interest-bearing time deposits	19	19	71	57
Other	610	848	2,907	1,604
Total interest income	5,482	4,847	20,796	15,266
Interest expense:				
Deposits	704	128	1,656	358
Borrowings	-	-	-	1
Total interest expense	704	128	1,656	359
Net interest income	4,778	4,719	19,140	14,907
Provision for credit losses:				
Provision for credit losses on loans	889	215	1,171	699
Provision for (reversal of) credit losses on unfunded commitments	(46)	-	98	-
Total provision for credit losses	843	215	1,269	699
Net interest income after reversal of credit losses	3,935	4,504	17,871	14,208
Noninterest income:				
Service charges on deposit accounts	198	208	820	842
Other service charges, commissions and fees	134	156	575	637
Money service business income	287	473	1,375	2,189
Commissions from sales of financial products	239	264	1,006	848
Cash surrender value of life insurance	79	72	304	284
Net realized gain (loss) on disposal of Bank premises and equipment	-	31	(26)	31
Grant revenue	842	-	1,265	171
Other income	140	120	536	216
Total noninterest income	1,919	1,324	5,855	5,218
Noninterest expense:				
Salaries and employee benefits	2,271	1,807	8,665	7,098
Occupancy and equipment	378	322	1,474	1,360
Directors compensation	88	77	283	228
Money service business expenses	320	136	753	680
Marketing	61	112	337	331
Professional fees	264	284	918	967
Information technology	534	384	1,993	1,475
FDIC deposit insurance	42	35	179	107
Other real estate owned expenses, net	1	1	1	1
Delivery expenses	44	38	171	146
Interchange expenses	88	76	338	324
Other	350	436	1,322	975
Total noninterest expense	4,441	3,708	16,434	13,692
Income before income tax expense	1,413	2,120	7,292	5,734
Income tax expense	315	448	1,597	1,222
Net income	1,098	1,672	5,695	4,512
Preferred stock dividends	(60)	(45)	(240)	(180)
Net income available to common stockholders	\$ 1,038	\$ 1,627	\$ 5,455	\$ 4,332
Basic and diluted income per share of common stock:				
Basic	0.52	0.82	2.75	2.19
Diluted	0.52	0.81	2.72	2.18
Weighted average shares of common stock outstanding:				
Basic	1,981,953	1,979,975	1,981,392	1,979,975
Diluted	1,997,594	2,001,382	2,003,591	1,984,640

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.95%	1.27%	1.17%	1.55%	1.44%	0.88%
Return on average common stockholders' equity (1)(3)	17.23%	22.40%	21.64%	32.32%	33.84%	18.47%
Tangible book value per share	\$ 14.08	\$ 11.79	\$ 12.12	\$ 11.73	\$ 10.48	\$ 9.31
Net interest margin (1)(4)	4.53%	4.69%	4.62%	4.38%	4.38%	3.62%
Net interest income to average assets (1)	4.37%	4.49%	4.41%	4.17%	4.17%	3.39%
Efficiency ratio (5)	66.20%	65.85%	67.77%	62.63%	61.27%	67.28%
Nonperforming assets to total assets	1.57%	1.60%	1.64%	1.63%	1.63%	1.66%
Nonperforming assets excluding performing loans modified to borrowers in financial distress to total assets	0.20%	0.18%	0.21%	0.19%	0.20%	0.20%

(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