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M&F Bancorp, Inc. Announces First Quarter 2022 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 first quarter of 2022 and a quarterly cash common dividend of \$0.03 per share.

First Quarter 2022 Highlights

- Basic and diluted earnings per common share of \$0.40 for the three months ended March 31, 2022, up \$0.15 from \$0.25 for the same period in 2021
- Return on average common stockholders' equity of 12.60% for the three months ended March 31, 2022, compared to 8.30% for the same period in 2021
- Period end loans net of outstanding Small Business Administration ("SBA") Payroll Protection Program ("PPP") loans of \$210.0 million, up 2.01% from December 31, 2021
- Period end loans of \$228.4 million, down 1.51% from December 31, 2021
- At March 31, 2022, the Bank had 168 PPP loans totaling \$18.4 million, and unrecognized processing fees from the SBA of \$611,000; these fees will be recognized as interest income over the life of the PPP loans
- Loan loss reversal for the three months ended March 31, 2022 and 2021 was \$10,000 and \$78,000, respectively.
- Period end deposits of \$325.4 million, up 2.64% from December 31, 2021
- Period end noninterest-bearing deposits of \$116.5 million, up 9.21% from December 31, 2021
- Money service business income totaled \$537,000, up 10.27% from March 31, 2021 total of \$487,000

James H. Sills III, President and CEO of the Company, commented, "We are pleased with our first quarter results and continued improving metrics. We are closely watching the economic conditions related to inflation, rising interest rates and loan demand. We will not have the PPP lending program in 2022. We have made some strategic investments in technology to position us well to meet our customers' evolving needs. For example, we recently launched three new product offerings: Zelle network, new online deposit account opening tool, and our customers have access to 16,000 Chase Bank ATMs for free. These new capabilities will allow the Company to increase market share over time. Finally, I am pleased to report that we are in the planning stages to receive the U.S Treasury Emergency Capital Investment Program funding which will significantly help transform the Company."

The Board of Directors declared a quarterly cash dividend of \$0.03 per share of common stock payable on June 15, 2022 to stockholders of record as of the close of business on May 27, 2022. "We are pleased to continue 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 March 31, 2022, the Company's stockholders' equity was 10.72% of total assets.

For the three months ended March 31, 2022, net interest income was \$3.1 million, which was a 31.89% increase from \$2.4 million during the same period in 2021. For the three months ended March 31, 2022, the net interest margin was 3.65% compared to 3.27% for the same period in 2021, an increase of 38 basis points.

The Company recorded a reversal from loan losses of \$10,000 and \$78,000 for the three months ended March 31, 2022 and 2021, respectively. The allowance for loan losses as a percentage of total loans was 0.96% at March 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 1.04% and 1.10% at March 31, 2022 and December 31, 2021, respectively. Nonperforming assets represented 0.26% of total assets as of March 31, 2022 compared to 0.23% at December 31, 2021.

Noninterest income totaled \$1.1 million for the three months ended March 31, 2022, compared with \$958,000 for the same period in 2021, an increase of \$154,000 or 16.08%. The largest contributors to the increase were money service business income, which increased to \$537,000, up \$50,000 or 10.27% over prior year, and commissions from the sales of financial products, which totaled \$122,000 compared to \$6,000 during the prior year.

Noninterest expense totaled \$3.2 million in the three months ended March 31, 2022, an increase of \$400,000, or 14.39%, from the same period in 2021. The most significant increases occurred in salaries and employee benefits, which increased to \$1.8 million, an increase of \$294,000 or 19.80%, due to increased staffing, costs of providing benefits along with amortization of previously deferred salaries associated with PPP loan originations.

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. Effects of COVID-19 may negatively impact significant estimates and exacerbate a vulnerability due of certain concentrations (e.g., business concentration in a market or geographical area severely affected by effects of COVID-19). 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)

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 13,674	\$ 16,799
Interest-bearing cash	33,111	24,499
Total cash and cash equivalents	46,785	41,298
Interest-bearing time deposits	3,201	3,201
Investment securities available-for-sale, at fair value	74,235	72,326
Other invested assets	205	177
Loans, net of unearned income and deferred fees	228,401	231,908
Allowance for loan losses	(2,194)	(2,272)
Loans, net	226,207	229,636
Interest receivable	916	870
Bank premises and equipment, net	2,250	2,302
Cash surrender value of bank-owned life insurance	9,851	9,782
Deferred tax assets and taxes receivable, net	3,110	2,149
Operating lease right-of-use asset	890	946
Other assets	2,353	2,376
TOTAL ASSETS	\$ 370,003	\$ 365,063
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing deposits	\$ 208,921	\$ 210,363
Noninterest-bearing deposits	116,485	106,658
Total deposits	325,406	317,021
Other borrowings	113	130
Operating lease liabilities	930	985
Other liabilities	3,903	4,025
Total liabilities	330,352	322,161
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 March 31, 2022 and December 31, 2021, respectively; 17,302 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	17,302	17,302
Common stock, no par value, 10,000,000 shares authorized at March 31, 2022 and December 31, 2021; issued and outstanding: 1,979,975 at March 31, 2022 and December 31, 2021	8,834	8,823
Retained earnings	19,633	18,910
Accumulated other comprehensive loss	(6,118)	(2,133)
Total stockholders' equity	39,651	42,902
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 370,003	\$ 365,063

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended March 31,	
	2022	2021
Interest income:		
Loans, including fees	\$ 2,861	\$ 2,265
Investment securities available-for-sale, including dividends		
Taxable	278	158
Tax-exempt	12	-
Interest-bearing time deposits	12	22
Other	18	10
Total interest income	3,181	2,455
Interest expense:		
Deposits	67	94
Total interest expense	67	94
Net interest income	3,114	2,361
Less reversal of loan losses	(10)	(78)
Net interest income after reversal of loan losses	3,124	2,439
Noninterest income:		
Service charges on deposit accounts	210	208
Other service charges, commissions and fees	155	134
Money service business income	537	487
Commissions from sales of financial products	122	6
Rental income	-	2
Cash surrender value of life insurance	69	67
Gains on sales of repossessed assets	-	29
Other income	19	25
Total noninterest income	1,112	958
Noninterest expense:		
Salaries and employee benefits	1,779	1,485
Occupancy and equipment	356	343
Directors' fees	47	37
Money service business expenses	164	135
Marketing	47	43
Professional fees	145	179
Information technology	349	320
FDIC deposit insurance	23	38
Delivery expenses	34	31
Interchange expenses	81	63
Other	155	106
Total noninterest expense	3,180	2,780
Income before income tax expense	1,056	617
Income tax expense	228	127
Net income	828	490
Preferred stock dividends	(45)	-
Net income available to common stockholders	\$ 783	\$ 490
Basic and diluted income per share of common stock:		
Basic and Diluted	\$ 0.40	\$ 0.25
Weighted average shares of common stock outstanding:		
Basic and Diluted	1,979,975	1,961,495

SELECTED QUARTERLY FINANCIAL RATIOS*(Unaudited)*

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Selected Quarterly Financial Ratios						
Return on average assets (1) (2)	0.83%	0.82%	0.96%	0.64%	0.61%	1.00%
Return on average common stockholders' equity (1)(3)	12.60%	12.21%	14.30%	9.71%	8.30%	12.78%
Tangible book value per share	\$ 11.29	\$ 12.93	\$ 12.40	\$ 12.10	\$ 11.60	\$ 12.09
Net interest margin (1)	3.65%	3.82%	3.91%	3.21%	3.27%	3.47%
Net interest income to average assets (1)	3.31%	3.44%	3.52%	2.88%	2.94%	3.12%
Efficiency ratio (4)	75.20%	76.82%	75.71%	81.36%	83.76%	78.67%
Nonperforming assets to total assets	0.26%	0.23%	0.22%	0.23%	0.25%	0.28%

(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) 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.