



FOR IMMEDIATE RELEASE

First State Bank and Merchants & Farmers Bank Announce Strategic Merger

HOLLY SPRINGS, MISSISSIPPI – JANUARY 27, 2021 – First State Capital Corporation (“FSCC”), parent of First State Bank (“FSB”), and M&F Bancorp, Inc. (“MFB”), parent of Merchants & Farmers Bank (“M&F”), jointly announced today the execution of a definitive agreement under which FSCC will merge with MFB and M&F through an all-stock merger with FSCC and M&F as the surviving entities.

The merger will form a combined community banking franchise that has assets of approximately \$243 million, deposits of \$210 million, and loans of \$113 million and will provide enhanced products and services through 7 banking locations covering 2 Mississippi counties. Currently, First State Bank operates 3 offices in Holly Springs and Mt. Pleasant, Mississippi while Merchants & Farmers operates 4 offices in Holly Springs, Ashland, Hickory Flat, and Byhalia, Mississippi.

“We are incredibly excited about this partnership, which will combine two community banks with over 225 collective years serving northwest Mississippi while also expanding the footprint for the customers of each bank,” said Sam McClatchy, President & CEO of First State Bank. “We look forward to leveraging our greater scale to better serve our customers and communities while also delivering significant long-term value for our combined shareholders as a result of this transaction.”

Greg Taylor, M&F’s Chairman and CEO, said, “We are very excited about the opportunities that will be generated through this partnership between our two very customer-centric organizations. Our cultures, core values, and strategies align very well, and we are both extremely committed to the respective communities we serve.”

The transaction, which is expected to close in the second or third quarter of 2021, remains subject to customary approval by shareholders and applicable regulatory authorities as well as the satisfaction of other customary closing conditions provided in the merger agreement.

M&F Bancorp, Inc. was advised by Olsen Palmer LLC and the law firm of Adams and Reese LLP while Mercer Capital Corporation issued a fairness opinion. First State Capital Corporation was advised by Olsen Palmer LLC and the law firm of Jones Walker LLP while Southard Financial, LLC issued a fairness opinion.

About M&F Bancorp, Inc. and Merchants & Farmers Bank

Established in 1899, Merchants & Farmers Bank, the wholly-owned subsidiary of M&F Bancorp, Inc., has \$117 million in total assets and \$100 million in total deposits as of December 31, 2020. Merchants & Farmers Bank currently operates 4 full-service banking centers in Holly Springs, Ashland, Hickory Flat, and Byhalia, Mississippi. For more information, visit the company's website at www.mandfbank.com.

About First State Capital Corporation and First State Bank

Holly Springs, Mississippi-based First State Bank, the wholly-owned subsidiary of First State Capital Corporation, was founded in 1916 and has \$125 million in total assets and \$110 million in total deposits as of December 31, 2020. First State Bank currently operates 3 full-service banking centers in Holly Springs and Mt. Pleasant, Mississippi.