

CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

M&F Bancorp, Inc. and Mechanics and Farmers Bank

Point of Contact:	Lyn Hittle	RSSD: (For Bank Holding Companies)	332224
UST Sequence Number:	1256	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	11,735,000	FDIC Certificate Number: (For Depository Institutions)	12266
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	June 26, 2009	City:	Durham
Date Repaid ¹ :	N/A	State:	North Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

M&F initially increased lending in 2009. Since 2010, total loans outstanding have steadily decreased, from a combination of lack of qualified borrowers, increased competition for qualified borrowers from regional and national banks, and our focus on reducing problem assets.

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To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Our niche has been faith-based non-profit, which is a continued specialty. We have joined two consortiums to fund a portion of large credit facilities to Duke Power and Belk, and continue to expand our focus on small businesses and colleges.

Increase securities purchased (ABS, MBS, etc.).

With the downward pressure on loans, we have expanded our investment portfolio, mainly with GNMA ARMs to minimize our interest rate risk.

Make other investments.

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Increase reserves for non-performing assets.

With the continued challenges from the recession and unemployment, many of our borrowers are experiencing financial difficulties, and our reserve has been increased to support our best estimate of inherent losses. The CPP funds have allowed us flexibility to work with these borrowers.

Reduce borrowings.

In early 2010, we repaid all but one small fixed rate long term loan that carries a significant prepayment penalty. In 2011, we entered capital leases for new ATMs throughout our system.

Increase charge-offs.

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Purchase another financial institution or purchase assets from another financial institution.

Empty response area for the first question.

Held as non-leveraged increase to total capital.

Empty response area for the second question.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We have been able to maintain strong capital ratios, in a financial environment in which raising capital is prohibitively expensive, if possible at all, for small community banks. This strength helps sustain the Bank's safety and soundness in this rough and unstable economic environment.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

M&F was able to continue to offer loans to qualified borrowers, build on-balance sheet liquidity, and proactively work with borrowers experiencing financial difficulties, maintain a strong balance sheet with strong capital ratios, and continue to generate net income.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

This area is a large, empty rectangular box intended for the respondent to provide a detailed description of any other actions undertaken with the capital infusion of CPP/CDCI funds.