



CDCI ANNUAL USE OF CAPITAL SURVEY - 2015

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

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

Person to be contacted regarding this report:	Randall C. Hall	RSSD: (For Bank Holding Companies)	33224
UST Sequence Number:	1256	Holding Company 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:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	06-26-2009	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).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Although overall gross loans declined in 2015, CDCI funds enabled us to provide larger loans than we could otherwise to companies and organizations in our community. CDCI resources also provided capital we needed to restructured borrowers, who continued to suffer economic challenges.
<input checked="" type="checkbox"/>	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.).	M&F is a full service lender, but primarily provides commercial loans. These include loans to churches, charter schools, small, medium and large businesses.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The investment portfolio increased by \$10MM during 2015. The increase was primarily in MBS, US government agency and municipal bonds, which provide liquidity for future lending and minimal credit risk.

<input checked="" type="checkbox"/>	Make other investments	We invested \$1.2MM in certificates of deposit at minority credit unions. Each investment was under \$250K, which avoids credits risk. Funds were invested short-term , which provides liquidity for future lending.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	With lingering challenges from the recession, many of our borrowers continue to experience financial difficulties, and our reserve has remained high to support our best estimate of inherent losses. The CDCI funds have allowed us flexibility to work with these borrowers.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	In 2015, we incurred write-downs on the disposition and values of our OREO properties in certain markets. We also had to charge-off loans, and replenish our allowance for loan losses. CDCI funds provided essential capital support for these activities.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

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

Because of the 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.

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 (recorded investment troubled debt restructures decreased slightly from \$24.8 million at 12.31.14 to \$24.4 million at 12.31.15).

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