4080540

M&F Bancorp, Inc.

2634 Durham Chapel Hill Boulevard
Durham, North Carolina 27707
919-687-7800 / 800-433-8283

November 4, 2016

Dear Fellow Shareholders:

We continue to make progress to improve M&F Bank's asset quality to be more in line with our peer banks in North Carolina. Over the past two years or since September 30, 2014, we have reduced our delinquency ratio from over 8.0% for our entire loan portfolio to 2.75% as of September 30, 2016. The improvement in this metric has been profound with a reduction of over 65% for this very important ratio. In addition, it is important to note that the Company remains well-capitalized with over $32.8M in stockholders' equity.

The Company recorded a quarterly net loss for the third quarter of $3.7 million. The net loss was attributable to the sale of a loan portfolio and the significant write-down of a large adversely classified loan. This reflects the execution of management's plan to take remedial action to address high levels of nonperforming assets, which have remained elevated following the Great Recession. Given this direction, the third quarter was the right time for us to sell $10.5 million in loans, which were not originated by the Company, but assumed during a 2008 Bank acquisition. The high operating costs of servicing those loans, and the delinquency rates associated with them, have had a negative impact on our overall performance. The immediate impact of this loan sale contributed to an earnings loss; however, the long-term result is that our balance sheet is cleaner. M&F Bank anticipates additional sales of nonperforming loans and OREO before year-end.

We are currently undergoing a transformation to be a more effective sales organization to attract new small and medium size business customers to the Bank. During the quarter, we closed over $13.4M in new loans and we continued to see a surge in new deposit account activity. We recently hired a new chief sales officer to help us aggressively pursue the small and medium sized businesses in our market areas. Further, we are now a SBA 7a lender which will allow us to assist many more potential borrowers.

We believe that the Company is sound, healthy and continues to be well-capitalized. Additionally, we view the actions taken during this quarter as a positive step to further improve the overall condition of the Company. Now, with the changes implemented during the previous and most recent quarters, we should be in a better position for long-term growth in loan volume, earnings, and operating efficiencies.

Thank you for your continued support.

Sincerely,

James H. Sills, III
President and CEO