Corporate Governance Policies
for
M&F BANCORP, INC.
and its
Subsidiary

Mission Statement

The primary goal of the M&F Bancorp, Inc. (the "Company") Board of Directors is to maximize shareholder value over the long term. This should be achieved by creating superior quality and value for the Company shareholders and its subsidiary's customers, employees, suppliers, and the communities in which its subsidiary operates or is located – by focusing on perpetuating a successful business and by optimizing financial returns. The Board is responsible for ensuring that management's processes, policies and decisions further this goal.

A strong Board of Directors that is able to exercise independent judgment

is the critical element of corporate accountability.

Article I
Board of Directors

1.1 General Guidelines for Board Members

- Every director owes a duty of loyalty to the Company and its subsidiary and is expected to act in the best interest of the Company's shareholders as a whole.
- Directors should determine policy and direct and oversee management's implementation of Board policies.
- Directors should not attempt to manage issues or problems that are the responsibility of the officers of the Company and its subsidiary.
- Directors should be prepared for meetings and management will deliver materials in advance of meetings.
- Directors are expected to assist the officers and management of the subsidiary in developing new business, but must be careful not to create undue pressure on the subsidiary's officers to accommodate any particular individual or business.
- Directors owe a duty of confidentiality to the Company to keep all board and committee information about the Company and its subsidiary, and the subsidiary's customers confidential at all times.

- Each director should use his/her best efforts to avoid conflicts of interest. When a director finds himself/ herself in a potential conflict of interest, his/her responsibility is to (1) formally inform the Board of the conflict and, (2) disqualify himself/herself from discussing or voting on that item.
- If a director is involved in situations that harm the reputation of the Company or its subsidiary, he/she should voluntarily resign from the Board. These situations include, but are not limited to, personal bankruptcy, public indictments, or unethical practices and/or behavior.
- Directors should not use the Company's or its subsidiary's name or logo on any correspondence unless such use has been expressly approved by the Chair of the Board of Directors or the President and CEO.
- Directors shall receive director education as outlined in the Company's Director Education Policy herein incorporated by reference.

1.2 Size of Board; Mix of Inside and Outside Directors

Subject to the Company's and the subsidiary's Articles of Incorporation and Bylaws, the Board will fix, from time to time, by resolution, the number of directors constituting the Board, guided by the recommendations of the Corporate Governance and Nominating Committee.

The Board believes that as a matter of policy there should be a majority of independent outside directors on the Board. The Board is willing to have members of management (officers of the Company or its subsidiary), in addition to the chief executive officer, as directors. However, Board membership is not necessary or a prerequisite to any higher management position in the Company or its subsidiary.

1.3 Nomination of Directors; Diversity

Nominees for director will be selected on the basis of outstanding achievement in their personal careers, integrity, relevant experience, understanding of the business environment generally and the banking and related businesses of the Company and its subsidiary specifically, and willingness to devote adequate time to Board duties. The Corporate Governance and Nominating Committee ("Committee") is committed to diversified membership. The Committee will not discriminate on the basis of race, color, national origin, gender, religion or disability in selecting nominees.

1.4 Independence of Outside Directors

An independent director is one who is free of any relationship (other than the ownership of the Company stock) that could interfere with or compromise the exercise of independent judgment in carrying out the responsibilities of a director. When determining the independence of outside directors the Corporate Governance and Nominating Committee shall consider the definition of "independence" for directors contained in the Sarbanes-Oxley Act of 2002, any rules or regulations promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002 and any applicable stock exchange/quotation system listing standards or corporate governance requirements. As a matter of policy, neither the Company nor its subsidiary will enter into significant commercial loan or lease relationships with directors or companies or other entities controlled by directors, where the independence of an outside director could be compromised.

In general, an “independent” director is one who:

- Has not received during the current year or any of the three preceding years, remuneration, other than de minimis remuneration, as a result of services as an advisor, consultant or legal counsel to the Company or its subsidiary or any member of senior management or was a significant customer or supplier of the Company or its subsidiary;
- Has no personal service contract with the Company or its subsidiary or a member of senior management;
- Is not employed by a company where an executive officer of the Company is a director;
- Has not had a business relationship required to be disclosed under Securities and Exchange Commission regulations other than for service as a director or for which no more than de minimis remuneration was received in any one year;
- Is not affiliated with a not-for-profit entity that receives significant contributions from the Company or its subsidiary;
- Has not had any of the relationships described above with an affiliate of the Company or its subsidiary;
- Is not a member of the immediate family of any person described above.

A director, who directly or indirectly represents, is affiliated with or is acting in concert with a person or entity seeking to acquire control of the Company and/or its subsidiary other than pursuant to a transaction approved by the Company’s Board shall not be deemed an independent director.

1.5 Retirement Age

The retirement age of all directors shall be 75.

1.6 Selection of Chairman and Vice Chairman of the Board

The Corporate Governance and Nominating Committee shall recommend to the full Board of Directors for annual election by the full Board, its nominees for a chairman and vice-chairman. Refer to Corporate Governance Policies Section 1.4 Independence of Outside Directors.

1.7 Board Access to Senior Management

While directors shall have unrestricted, full and complete access to senior management, it is expected that directors will use appropriate discretion to ensure that such contact is not distracting to the business operation of the Company and its subsidiary. The chairman and the chief executive officer will be made aware of the substance of relevant written correspondence between senior management and members of the Board, and copies of any relevant written correspondence between management and members of the Board will be provided to the chairman and the chief executive officer except with respect to Audit and Risk Committee communications.

Article II
Committees of the Board

2.1 Number of Committees

The Company's current standing committees are: Audit and Risk, Compensation, Corporate Governance and Nominating and Strategic Issues and Planning.

There will, from time to time, be occasions on which the Board may want to form a new committee or dissolve a current committee depending upon circumstances. Committee membership on the Audit and Risk, Compensation, and Corporate Governance and Nominating Committees of the Company must consist only of outside "independent" directors. The number of directors serving on each committee other than the Corporate Governance and Nominating Committee shall be at the discretion of the Board of the Company so as to be effective and efficient.

2.2 Audit and Risk Committee

Members. This committee is composed of not less than three members, appointed annually by the Board upon recommendation from the Corporate Governance and Nominating Committee, all of whom are independent directors. All members shall be able to read and understand fundamental financial statements, including the Company's and its subsidiary's balance sheet, income statement and cash flow statement, and, to the extent available, at least one member shall have accounting or related financial management expertise.

Functions.

- Appoint, compensate and provide oversight of the work of the Company's and its subsidiary's registered public accounting firm.
- Pre-approve all auditing services and permissible non-audit services.
- Meet at least semiannually with the Company's and its subsidiary's registered public accountants to review and discuss the scope and estimated cost of the annual audit program and the results of the auditors' work, including reports, management letters and the accountant's review of the Company's and its subsidiary's accounting procedures and internal controls.
- Serve as a channel of communication between the Boards and the registered public accountants and resolve disagreements between management and the accountants regarding financial reporting.
- Meet periodically with the chief executive officer and the chief financial officer to review internal audit organization, adequacy of resources committed to the function,

the adequacy of the system of internal control, procedures, programs and results of activities.

- Review as appropriate changes in accounting standards or rules; any unusual accrual or reserve having a material effect; adequacy of tax reserves; outstanding litigation and related reserves for exposure.
- Review on a continuing basis the administration of the Company's and its subsidiary's regulatory compliance program and the chief financial officer's code of ethics.
- Audit and Risk Committee or designee - Review expenses of Executive officers.
- Require the registered public accountants to provide a written statement of all relationships between the accountants and the Company and its subsidiary consistent with Independence Standards Board Standard No. 1.
- Review and reassess the adequacy of the Audit and Risk Committee Charter annually.
- Report the Charter, Charter amendments, and activities of the Audit and Risk Committee in the Company's proxy statement as appropriate and applicable.
- In addition to its specific audit functions, satisfy itself generally that the accounting practices and internal control systems throughout the Company and its subsidiary are adequate to assure reliable and informative financial reporting, to safeguard corporate assets, to assure compliance with the laws and regulations to which the Company and its subsidiary are subject and to ensure adherence to a high standard of business conduct.
- Discuss policies with respect to risk assessment and risk management. Such discussions should include the Company's major financial and accounting risk exposures and the steps management has undertaken to control them.
- Discuss the Bank's enterprise risk management program, including the development of effective policies, processes and procedures. Ensure that the Bank's processes relate to identifying, measuring, and reporting of risks faced by the Bank on an enterprise-wide basis.

2.3 Compensation Committee

Members. This Committee will consist of three or more members, each of whom will satisfy, as determined by the Board of Directors, Securities and Exchange Commission rules, and NASDAQ Marketplace Rules, including those with respect to independence. The Committee members will be appointed by the Board of Directors upon the recommendation of the Nominating and Governance Committee each year, and the Chairman of the Committee will be designated by the Board.

The following principles govern all compensation paid by the Company and/or its subsidiary to directors, officers and employees:

- Compensation arrangements shall emphasize pay for performance and encourage retention of those employees who enhance the Company's and its subsidiary's performance;

- Compensation arrangements shall promote ownership of the Company's stock to align the interests of management and stockholders;
- Compensation arrangements shall maintain an appropriate balance between base salary and long-term and annual incentive compensation;
- In approving compensation, the recent compensation history of the senior officers, including special or unusual compensation payments, shall be taken into consideration;
- Any cash incentive compensation plans for senior officers which may be adopted by the Board shall link pay to achievement of financial goals set in advance by the Compensation Committee;
- The Compensation Committee shall recommend to the Board annual and long-term performance goals for the chief executive officer and evaluate such officer's performance against such goals and the performance of the Company's peer companies; and
- The Compensation Committee shall meet at least once a year in executive session, without the chief executive officer.
- The Compensation Committee shall report periodically to the Boards on the status of compensation of the Company's and it's subsidiary's directors in relation to other comparable community banks and holding companies. Changes in compensation and benefits, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.
- The Compensation Committee shall annually confer with the chief executive officer to develop and review a plan for management succession and development, including plans for interim succession in the event of an emergency.
- The Compensation Committee shall annually review non-employee director compensation and benefits and make recommendations to the Board on appropriate compensation.

2.4 Corporate Governance and Nominating Committee

Members. The Company's Corporate Governance and Nominating Committee shall be appointed by the Board of Directors and shall qualify as independent directors.

Functions.

- In consultation with the chairman of the Board and chief executive officer, the Corporate Governance and Nominating Committee will make recommendations to the Board concerning the size and needs of the Boards.
- In consultation with the chairman of the Board and chief executive officer, the Committee will consider candidates to nominate to fill vacant Board positions. Candidates will be selected for their outstanding achievement in their personal careers, integrity, relevant experience, understanding of the business environment generally and the banking and related businesses of the Company and its subsidiary specifically, and willingness to devote adequate time to Board duties. Final approval shall be determined by the full Board.

- The invitation to a potential new director to stand for election to either the Company or its subsidiary Board should be extended by the respective chairman of the Board, the respective chief executive officer and the chairman of the Corporate Governance and Nominating Committee on behalf of the entire Board of Directors.
- In consultation with the chairman of the Board and chief executive officer, the Committee will be responsible for the periodic review and interpretation of the corporate governance policies and guidelines, as well as consideration of other corporate governance issues that, from time to time, merit consideration by the entire Board.
- After consultation with the chairman, chief executive officer, and with consideration of the desires of individual Board members, the Committee shall recommend assignments to the various standing committees to the full Board for its appointment. The Committee will consider rotating committee appointments periodically in order to give directors broad exposure to various aspects of the business of the Company and its subsidiary. The Committee will consider policies relating to the Board and directors, including committee structure and size, share ownership and retirement and resignation.
- The Committee will nominate annually a slate of senior officers for Board consideration and approval.
- The Corporate Governance and Nominating Committee is responsible for reviewing with the Boards on an annual basis the appropriate skills and characteristics required of Board members in the context of the current make-up of each Board. This assessment should include review of achievement in their personal careers, integrity, relevant experience, understanding of the business environment generally and the banking and related businesses of the Company and its subsidiary specifically, and willingness to devote adequate time to Board duties. In addition, consideration should be given to issues of diversity, age, and skills (such as understanding of and experience with manufacturing technologies, real estate, financial analysis, human resources, and international background, etc.), all in the context of an assessment of perceived needs of each Board at that point in time.
- Annually, the Corporate Governance and Nominating Committee shall conduct an assessment of each Board's performance. Such assessment shall include an evaluation by each director of the Board's performance, effectiveness and personal dynamics. In addition, each director shall self-evaluate his or her individual performance and effectiveness as a Board member and will personally review such evaluation with the chairman.

2.5 Frequency and Length of Committee Meetings

Chairpersons of each committee, in consultation with committee members and appropriate members of senior management, will determine the frequency and length of meetings.

2.6 Committee Agenda

The chairperson of each committee, in consultation with the appropriate members of management, will prepare the committee's agenda for each meeting.

Article III
Board of Directors' Meetings

3.1 Selection of Agenda Items for Board Meetings

The chairman of the Board and/or the chief executive officer will establish the agenda for each meeting of the Board of Directors. Board members are expected to recommend agenda items as they deem necessary and appropriate.

3.2 Executive Sessions

As necessary, each Board, at its discretion, will call executive sessions which only "outside" directors will attend. Generally, a specific topic that is the responsibility of one of the Board committees would be the reason for such a session, and in such circumstance, the chairperson of that committee will chair such an executive session.

Formal deliberations and/or votes concerning the business and affairs the Company and/or its subsidiary, including without limitation the election of officers, will occur only during regular or special meetings of the Board, and not at executive sessions.

3.3 Board Materials Distributed in Advance

Information, documentation and data that are important to the Board's understanding of the business to be conducted should be distributed in writing within 5 business days before the Board meetings. Management will endeavor to provide on a timely basis material that is concise, informative and clear. Handouts that are material to the meeting may be provided on the day of the meeting. However, distribution of handouts at the meeting should be kept to a minimum.

3.4 Presentations

Background materials for presentations on specific subjects should be sent to the directors sufficiently in advance so that directors have the opportunity to review the materials. Discussion time during the meetings shall be focused on questions or issues that the directors have about the material. Each director is charged with coming to meetings sufficiently prepared to discuss agenda items in an efficient manner. On those occasions, when the subject matter is too sensitive to provide in writing prior to the meeting, the presentation will be openly discussed at the Board meeting. When there is no prior distribution of a presentation on a sensitive subject, the chairman may elect to contact each director by telephone in advance of the meeting to give notice of the subject and the principal issue the Board needs to consider.

3.6 Regular Attendance of Non-Directors at Board Meetings; Meeting of Outside Directors

Non-directors who are executive officers of the Company and its subsidiary and general counsel or special legal counsel may attend Board meetings as necessary and appropriate upon invitation of the chairman and/or the chief executive officer.

Should the chairman and/or the chief executive officer desire others to attend Board meetings on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence. Each director's attendance at Board meetings and appropriate respective committee meetings is expected and required except for valid excuses. Directors of the Company and its subsidiary missing more than 25% of the scheduled board and/or committee meetings during a year will submit a personal plan to the chairman of the Board and Corporate Governance and Nominating Committee chairman to resolve the attendance problem. The M&F Bancorp Board of Directors Meeting Attendance Policy is incorporated herein by reference.

Article IV
Board of Directors and Committees' Policies

4.1 Succession Planning

The chief executive officer shall annually report to the Board of Directors after first conferring with the Compensation Committee on succession planning. The information will be forwarded to the Chairman of the Board. The Chairman of the Board will advise the Board of Directors as to who should assume the chief executive officer's role in the event the chief executive officer becomes unable to perform his or her duties.

4.2 Management and Board Development

The chief executive officer shall annually report to the Board of Directors, after first conferring with the Compensation Committee, on management development. The chairpersons of the Audit and Risk Committee, Compensation Committee and the Corporate Governance and Nominating Committee will develop a report on board development.

4.3 Board Interaction with Institutional Investors, the Press, Customers and Other Third Parties

The Board believes that the chief executive officer speaks for the Company and its subsidiary. Individual directors may, from time to time, communicate with the Company's and its subsidiary's constituencies. However, it is expected that directors would do this with the knowledge of, and in most instances, at the request of the chief executive officer. Generally, directors should refer investors, market professionals and the media to the chief executive officer or another individual designated by the Company or its subsidiary.

4.4 Equity Ownership by Directors

Each member of the Board of Directors is expected to own shares of the Company stock consistent with regulatory requirements.

4.5 Whistleblower Protection

The Board will ensure that the Company and its subsidiary have in place (i) procedures to enable employees confidentially to provide information to supervisors, the U.S. government or Congress regarding conduct the employee reasonably believes violates the U.S. securities or anti-fraud laws and (ii) adequate personnel policies to protect employees against retaliatory discharge or other adverse employment action for providing such information.