

M & F BANCORP, INC.
EXCESSIVE AND LUXURY EXPENDITURE POLICY

I. General Policy

It is the policy of the Corporation that directors and employees of the Corporation, and all of its subsidiaries, utilize corporate assets in a prudent manner and as such are hereby precluded from engaging in excessive or luxury expenditures. The following are the Corporation's minimum standards. Directors and employees are encouraged to impose more strict standards upon themselves when they deem the relevant circumstances require such standards.

II. Types of Excessive or Luxury Expenditures

Excessive or luxury expenditures can occur in the following areas:

- travel;
- events;
- office and facility improvements and/or renovations;
- entertainment; and
- other activities or events that involve expenditures which are not for staff development, performance incentives or other similar matters conducted in the ordinary course of business and which are not reasonable in amount.

III. Travel Expenses

A. Procedure for Reimbursement. All travel related expenses incurred by a director in the ordinary course of business shall be submitted to the Corporate Secretary or designee on a personal expense voucher. The Corporate Secretary or designee will be responsible for making sure all documentation is appropriately completed and will submit all approved expenses to the Finance Department for reimbursement.

All travel related expenses incurred by an employee in the ordinary course of business shall be submitted by the employee on a personal expense voucher and approved by such employee's supervisor before being submitted to the Finance Department for reimbursement. Reimbursement requests by the Chief Executive Officer ("CEO") must be made to the Chair of the Board of Directors (the "Board") or designee.

Any travel expenditures that are not covered by the foregoing provisions must be approved in writing by the Chair of the Board (if requested by a director or the CEO) or the employee's supervisor (if requested by an employee) prior to being incurred.

B. Automobile and Mileage Related Expense. The standard rate for mileage reimbursement for directors and employees using their personal vehicles for business purposes is the IRS guideline in effect at the time of travel. Mileage should be tracked from the beginning point of travel (home or office) to the point of destination for business of the Corporation. Directors and employees will be reimbursed for parking and tolls when these expenses are required in the course of business related travel.

C. Lodging. Employees and directors are encouraged to avoid overnight stays when one-way travel time for a one day meeting is two hours or less. Exceptions are conferences, group meetings, etc. that have been previously approved by the employee's supervisor or the CEO. When possible, all lodging should be booked through the appropriate personnel with knowledge of any corporate rates or discounts the Corporation has negotiated with selected hotels (Hampton Inn/Holiday Express style hotel or equivalent should be used whenever possible). Expenses such as spas, fitness facilities, in-room movies, laundry and dry cleaning services, etc., must be paid personally by the employee or director and will not be reimbursed by the Corporation.

D. Meals. The Corporation will reimburse directors and employees for reasonable meal expenses that are incurred during business related travel. The maximum reimbursement for meals is \$50 per day when incurred during out-of-town business travel that includes overnight lodging. The maximum reimbursement for meals per day when an overnight stay does not occur is \$50. Exceptions to the meal expenses must be approved by the CEO and CEO meal expenses exceeding \$50 must be approved by the Chairman of the Board or designee. Receipts will be required on meals of \$25 or more. The cost of alcoholic drinks will not be reimbursed.

E. Commercial Airlines. Use of commercial airlines must be approved by the Chair of the Board, the CEO or the employee's supervisor, as applicable. All plane fares and reservations should be booked through the appropriate personnel in order to obtain the lowest reasonable rate.

F. Rental Cars. The use of rental cars for business purposes may be necessary under certain circumstances. Reservations for car rentals should be made through the appropriate personnel who have knowledge of any corporate rates or discounts that have been negotiated with car rental agencies.

G. Taxi. Taxi fares will be reimbursed if incurred during the ordinary course of business. Receipts should be submitted on a personal expense voucher.

H. Charter Aircraft. No aircraft may be chartered by an employee or director without the prior express consent of the Chair of the Board.

I. Spouse/Travel Expenses. The Corporation does not pay the expenses of a spouse, a guest or a family member accompanying a director or employee who is attending Corporation related functions unless the attendance is required or expected (this would normally include only conventions and other major social events.) Reimbursement of these expenses must be requested and approved prior to the function by the Chair of the Board, the CEO or the employee's supervisor, as applicable.

IV. Office and Facility Improvements and Renovations

All proposed office and facility improvements and/or renovations with a cost exceeding \$5,000 must be approved in writing by the CEO prior to the commencement of any such activities. Any other proposed office or facility improvements and/or renovations (i.e., with a cost of \$1,000 or less) must be (i) approved by the head of the department for which the specified improvements and/or renovations

will be provided, and (ii) within the allocated budget for the fiscal year for such improvements and/or renovations. Such proposed expenditures by the CEO must be approved by the Chair of the Board or designee.

V. Events

All proposed meetings and events organized by the Corporation must serve one or more legitimate business purposes. Each proposed meeting or event with a cost exceeding \$2,500 must be supported by a written business case identifying the specific business purpose and approved by the CEO (if an employee or senior executive officer meeting or event) or the Chair of the Board (if a director or CEO meeting or event).

VI. Entertainment

The CEO may establish reasonable entertainment allowances for employees, and the Board may establish such an allowance for the CEO. In the absence of such an allowance, all reimbursements for employee entertainment expenses exceeding \$100 must be approved by the CEO, and CEO entertainment expenses exceeding \$1000 must be approved by the Chair of the Board. The Board may establish a reasonable entertainment allowance for directors. Director expenditures exceeding the director's allowance must be approved by the Chair of the Board.

If a guest or customer is being entertained, the individual's name, affiliation, place of meeting or entertainment, and business reason for the entertainment must be included on the personal expense voucher that is submitted for reimbursement.

VII. Other Activities

All other activities or events that are not reasonable expenditures for staff development, performance incentives in accordance with written plans and policies or other similar expenditures incurred in the ordinary course of business must be approved by the CEO or the Chair of the Board.

VIII. Reporting of Violations

Any individual who violates this Policy, or knows of any such violation by any other individual, must report the violation immediately to such individual's supervisor who shall then report the violation to the CEO or to the Chair of the Board (if an alleged CEO violation). Any employee or director who engages in extravagant spending shall be subject to discipline up to and including termination of employment or removal from or omission of re-nomination to the Board.

IX. Exceptions

Exceptions to this Policy may be approved by the CEO and any exceptions relating to the CEO's compliance with this Policy must be approved by the Chairman of the Board.

X. Certification

The CEO and the Chief Financial Officer of the Corporation shall certify to the Board at least annually that the provisions of this Policy are being enforced and are sufficient to provide reasonable assurance that the Corporation's expenditures for such purposes are not excessive.

XI. Amendments and Modifications

This Policy shall be subject to modification only with the approval of the Board stating the specific business rationale for the change in policy.