

M&F BANCORP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 1, 2021

TO OUR STOCKHOLDERS:

You are invited to attend the 2021 annual meeting of stockholders (the “Annual Meeting”) of M&F Bancorp, Inc. (the “Corporation”) to be held on **Tuesday, June 1, 2021 at 10:00 a.m. local time** at the Corporation’s headquarters at 2634 Durham Chapel Hill Boulevard, Suite 101, Durham, NC 27707.

In light of continuing public health and travel concerns relating to the coronavirus (COVID-19) and the protocols that federal, state, and local governments have imposed, stockholder participation will once again be virtual (online) only. Instructions on how to participate virtually will be provided on our website at www.mfbonline.com under the heading “About Us—Investor Relations” in advance of the Annual Meeting. As always, we encourage you to vote your shares prior to the Annual Meeting.

At the Annual Meeting, you will be asked to:

1. Elect six people to serve on the Board of Directors of the Corporation until the 2022 annual meeting of stockholders or until their successors are elected and qualified;
2. Approve the M&F Bancorp, Inc. Long-Term Stock Incentive Plan;
3. Ratify the appointment of Elliott Davis, PLLC as the independent auditor for the Corporation for the fiscal year ending December 31, 2021; and
4. Consider any other business that may properly be brought before the Annual Meeting or any adjournment thereof. The Board of Directors does not know of any other business to be considered at the Annual Meeting.

Stockholders of record at the close of business on April 1, 2021 are entitled to vote at the Annual Meeting or any adjournment thereof. In the event there are not sufficient shares present in person or by proxy to constitute a quorum or to approve or ratify any proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Corporation.

BY ORDER OF THE BOARD OF DIRECTORS



James H. Sills III
President and Chief Executive Officer

Durham, North Carolina
April 5, 2021

You may vote your shares at the Annual Meeting, via the internet, by telephone, by mail or in person (i.e. by participating virtually/online). You are urged, regardless of the number of shares you hold, to register your proxy promptly by following the instructions on the proxy card or the Notice of Internet Availability of Proxy Materials prior to the Annual Meeting.

M&F BANCORP, INC.
2634 Durham Chapel Hill Blvd., Suite 101
Durham, North Carolina 27707
(919) 687-7800

PROXY STATEMENT

This Proxy Statement is being furnished to stockholders of M&F Bancorp, Inc. (the “Corporation”) in connection with the solicitation by the Board of Directors of the Corporation (the “Board of Directors” or the “Board”) of proxies to be used at the 2021 annual meeting of stockholders (the “Annual Meeting”) and at any adjournments of the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON JUNE 1, 2021.

The Notice, Proxy Statement, Form of Electronic Proxy Card and the Annual Report for the fiscal year ended December 31, 2020 are also available at:
<https://www.mfbonline.com/investor-relations>

INFORMATION ABOUT THE ANNUAL MEETING

When and Where is the Annual Meeting?

The Annual Meeting will be held at **10:00 a.m. local time on June 1, 2021**. This year, stockholder participation in the Annual Meeting is being changed to a virtual (online) only meeting. We are doing this to protect the health and well-being of our stockholders, and accommodate travel and stay-at-home restrictions in place due to the COVID-19 pandemic. Directions for stockholders who wish to participate virtually in the Annual Meeting are available on the Corporation’s website at www.mfbonline.com, or by calling the Corporation’s toll-free number, 1-800-433-8283 Ext. 8616.

What Matters will be Voted on at the Annual Meeting?

At the Annual Meeting, you will be asked to:

- Elect six people to serve on the Board of Directors until the annual meeting of stockholders in 2022 or until their successors are elected and qualified;
- Approve the M&F Bancorp, Inc. Long-Term Stock Incentive Plan (the “Long-Term Stock Incentive Plan”);
- Ratify the appointment of Elliott Davis, PLLC (“Elliott Davis”) as the Corporation’s independent auditor for the fiscal year ending December 31, 2021; and
- Consider and vote upon any other business that may properly come before the Annual Meeting or any adjournment thereof.

Who is Entitled to Vote?

Only stockholders of record at the close of business on the record date, April 1, 2021 (the “Record Date”), are entitled to receive notice of and to vote at the Annual Meeting. On the Record Date there were 1,940,375 shares of

the Corporation's common stock outstanding and there were approximately 918 stockholders of record, not including stockholders whose stock is held in nominee or "street" name.

Is there Cumulative Voting?

Each share of the Corporation's common stock is entitled to one vote on each matter considered at the Annual Meeting, except that stockholders can cumulate their votes in the election of directors. Cumulative voting is a system of voting whereby each stockholder receives a number of votes equal to the number of shares of common stock that the stockholder holds as of the record date multiplied by the number of directors to be elected. Thus, for example, if you held 100 shares as of the record date, you would be entitled to cast 600 votes (100, the number of shares held, multiplied by six, the number of directors to be elected) for the election of directors. Cumulative voting can be used only for the election of directors and is not permitted for voting on any other proposal.

What Constitutes a Quorum?

The presence at the Annual Meeting, in person (i.e. by participating virtually/online) or by proxy, of a majority of the outstanding shares eligible to vote at the Annual Meeting is required for a quorum. Abstentions, broker non-votes and votes withheld from any director nominee count as "shares present" at the Annual Meeting for purposes of determining a quorum.

What Vote is Required to Approve Each Proposal?

Election of Directors. The six nominees for election as directors who receive the greatest number of votes will be elected directors. Votes may be cast in favor of some or all of the nominees or withheld as to some or all of the nominees.

Approval of the Long-Term Stock Incentive Plan. The proposal to approve the Long-Term Stock Incentive Plan will be approved by the affirmative vote of a majority of the shares entitled to vote at the Annual Meeting.

Ratification of Independent Auditor. The Audit and Risk Committee of the Board of Directors has appointed Elliott Davis as the Corporation's independent auditor for the year ending December 31, 2021. Ratification of this proposal will require the affirmative vote of the holders of a majority of the shares of common stock voted on the proposal.

Other Matters. Any other matters presented for consideration at the Annual Meeting or any adjournment thereof will require the affirmative vote of the holders of a majority of the shares of common stock voted on the matter. Management currently knows of no other matters to be presented at the Annual Meeting.

Abstentions and Broker Non-Votes. Abstentions and broker "non-votes" are not counted as votes cast. A broker "non-vote" occurs when a nominee or broker holding shares for a beneficial owner does not vote on a particular proposal because the nominee or broker has not received instructions from the beneficial owner and does not have discretionary voting power for that particular item. Accordingly, abstentions and broker "non-votes" will have the same effect as voting against the Long-Term Stock Incentive Plan; however, they will have no effect on either the proposal to elect directors or the proposal to ratify Elliott Davis as the Corporation's independent auditor.

Please note that whereas previously the uncontested election of directors was deemed a "routine" matter for which a nominee or broker could exercise discretionary voting power, the uncontested election of directors is now deemed "non-routine," and as such, most nominees or brokers may not exercise discretionary voting power. **You should therefore provide your nominee or broker with instructions as to how to vote your shares.**

How Do I Vote?

Stockholders are requested to submit their proxy by following the instructions on the proxy card or the Notice of Internet Availability of Proxy Materials. Stockholders may vote in person (i.e. by participating virtually/online), by mail via the proxy card, by telephone or via the internet. Any stockholder may vote for or withhold his or her vote as to some or all of the nominees in the election of directors; and may vote for, against or abstain with respect to any other matter to come before the Annual Meeting. **If the proxy is properly completed and voted via the internet, by telephone or in writing, and not revoked, it will be voted in accordance with the instructions given. If the proxy is returned with no instructions given, the proxy will be voted FOR all the proposals described in this Proxy Statement. If instructions are given for some but not all proposals, the instructions that are given will be followed and the proxy will be voted FOR the proposals on which no instructions are given.** If any other matters are properly presented at the Annual Meeting for consideration, the persons named in the proxy will have discretion to vote on those matters according to their best judgment. “Street name” stockholders who wish to vote in person (i.e. by participating virtually/online) at the Annual Meeting will need to obtain a proxy form from the institution that holds their shares.

Can I Change My Vote After I Submit My Proxy?

Yes. Even after you have submitted your proxy, your proxy can be withdrawn at any time before it is voted by:

- delivering written notice to the Corporate Secretary, M&F Bancorp, Inc., 2634 Durham Chapel Hill Boulevard, Suite 101, Durham North Carolina 27707, before the vote at the Annual Meeting, or
- completing and returning a later dated proxy card, or
- re-voting via telephone before the cut-off time indicated on the proxy card or the Notice of Internet Availability of Proxy Materials, or
- re-voting via the internet before the cut-off time indicated on the proxy card or the Notice of Internet Availability of Proxy Materials, or
- attending the Annual Meeting and voting in person (i.e. by participating virtually/online).

Who Pays the Cost of Soliciting Proxies?

The Corporation will pay the cost of preparing, printing and mailing materials in connection with this solicitation of proxies. In addition to solicitation by mail, our officers, directors (including those nominees for election as a director) and employees, as well as those of Mechanics and Farmers Bank (the “Bank”), may make solicitations personally, by telephone or otherwise without additional compensation for doing so. The Corporation has also made arrangements with D.F. King & Co., Inc. to assist it in soliciting proxies and has agreed to pay that firm a fee of \$7,500 plus expenses for these services. In addition, the Corporation will upon request, reimburse brokerage firms, banks and others for their reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation of proxies.

STOCK OWNERSHIP

Who are the Owners of the Greatest Percentage of the Corporation's Common Stock?

The following table shows all "persons" or "groups," as defined in the Securities Exchange Act of 1934, as amended, who are known to the Corporation to beneficially own more than 5% of the Corporation's common stock as of the Record Date:

<u>Name and Address of Beneficial Owner¹</u>	<u>Amount and Nature of Beneficial Ownership¹</u>	<u>Percent of Outstanding Common Stock²</u>
Ms. Julia W. Taylor, Trustee Julia W. Taylor Trust 3000 Galloway Ridge, Apt D 101 Pittsboro, NC 27312-3806	159,614	8.2%

¹ Unless otherwise noted, all shares are owned directly of record by the named persons, their spouses and minor children, or by other entities controlled by the named persons.

² Based upon a total of 1,940,375 shares of common stock outstanding as of the Record Date.

How Much Stock Do Directors, Nominees and Executive Officers of the Corporation and the Bank Own?

Set forth below is certain information, as of the Record Date, regarding shares of common stock owned beneficially by certain executive officers of the Corporation and the Bank (the "named executive officers"), the members of the Board and the board of directors of the Bank (the "Bank Board"), and the directors and named executive officers as a group.

<u>Name and Address of Beneficial Owner¹</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Outstanding Common Stock²</u>
Willie T. Closs, Jr. Director of the Corporation and the Bank 1014 Woodhall Lane Durham, NC 27712	2,100	*
Randall C. Hall Executive Vice President and Chief Financial Officer of the Corporation and the Bank 2634 Durham Chapel Hill Boulevard, Suite 101 Durham, NC 27707	---	*
Michael L. Lawrence Director of the Corporation and the Bank 128 W. Harden Street Graham, NC 27253	2,040	*
Dexter V. Perry Director of the Corporation and the Bank 1400 Crescent Green, Suite G-100 Cary, NC 27518	3,000	*

<u>Name and Address of Beneficial Owner¹</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Outstanding Common Stock²</u>
Cedric L. Russell Director of the Bank 1616 Eagle Crest Drive Pfafftown, NC 27040	1,500	*
James H. Sills III President, Chief Executive Officer and Director of the Corporation and the Bank 2634 Durham Chapel Hill Boulevard, Suite 101 Durham, NC 27707	11,500	*
James A. Stewart Director of the Corporation and the Bank 3604 Shannon Road, Suite 103 Durham NC 27707	64,527	3.3%
Connie J. White ³ Director of the Corporation and the Bank P.O. Box 555 Durham, NC 27702	10,183	*
Directors, Nominees and Executive Officers as a group (8 people)	94,850	4.9%

* Represents less than 1% of the Corporation's outstanding common stock.

¹ Unless otherwise noted, all shares of common stock are owned directly of record by the named individuals, their spouses and minor children, or by other entities controlled by the named individuals. None of the named individuals has pledged any shares of common stock as security.

² Based upon a total of 1,940,375 shares of common stock of the Corporation outstanding as of the Record Date.

³ Includes 24 shares of common stock held jointly with her brother.

PROPOSAL 1: ELECTION OF DIRECTORS

General

The Corporation's Articles of Incorporation authorize the Board to fix the number of directors from time to time within a range of no fewer than three or more than nine people. The Board has fixed the number of directors for the coming year at six.

Directors are nominated and elected for one-year terms. The individuals elected as directors at this Annual Meeting will hold office until the 2022 annual meeting of stockholders or until their successors are elected and qualified.

Each nominee for director has indicated that he or she is able and willing to serve on the Board. If any nominee becomes unable to serve, the common stock represented by all properly completed proxies will be voted for the election of a substitute nominee recommended by the Board. At this time, the Board knows of no reason why any nominee might be unavailable to serve or why a substitute nominee would be required.

Nominees for Election at the Annual Meeting

Each of the nominees for director bring special skills and attributes to the Board through a variety of levels of education, business experience, director experience, banking experience, philanthropic interests, and community involvement. Information about the nominees for election at the Annual Meeting is presented below, along with a

brief discussion of the specific experience, qualifications, attributes or skills that led the Corporate Governance and Nominating Committee to recommend and our Board to nominate these individuals for election at the Annual Meeting. The age of each director is given as of April 1, 2021.

Willie T. Closs, Jr., age 65, has served as a director of the Corporation since 2002, and of the Bank since 2005. He has served on a variety of committees of both the Corporation and the Bank, and presently serves as Chairman of the Audit and Risk Committee and the Compensation Committee. Mr. Closs is a certified public accountant, with over 35 years' experience in corporate accounting. Mr. Closs is a financial consultant and, until May 2016, was Chief Financial Officer of St. Augustine's University. Previously, Mr. Closs was Executive Vice President and Controller of North Carolina Mutual Life Insurance Company ("NC Mutual"), and prior to that, was an auditor with both Deloitte & Touche and Arthur Andersen, where he served as the first independent external auditor of the Bank. He is a graduate of the North Carolina Bank Directors' College ("Directors' College") and has attended courses at the Commissioner of Banks' Advanced Directors' College ("Advanced Directors' College"). Mr. Closs has attended the North Carolina Bankers Association Bank Directors' Assembly ("Directors' Assembly"). He earned a Bachelor of Arts degree in Accounting and Business from Morehouse College and a Master's degree in Business Administration from Duke University. Mr. Closs has over 25 years of banking experience.

Michael L. Lawrence, age 50, has served as a director of the Corporation since 2006, and of the Bank since 2005. He has served on a variety of committees of both the Corporation and the Bank, and presently serves as Vice-Chairman of the Audit and Risk Committee, and Chairman of the Information Technology Committee. Mr. Lawrence is a certified public accountant, with over 20 years' experience in accounting. He is the Chief Financial Officer and Treasurer at Alamance Farmers' Insurance Company. Mr. Lawrence served as the President and Chief Executive Officer of NC Mutual from 2016 to 2019, and as Chief Financial Officer of NC Mutual between 2012 and 2015. Between 2003 and 2011, Mr. Lawrence served as the Chief Financial Officer and Chief Operating Officer of NCM Capital Management Group, Inc. ("NCM Capital"). Between 1993 and 2003, Mr. Lawrence was an assurance and advisory Senior Manager with Deloitte & Touche serving the financial services industry. He is a graduate of the Directors' College, and has attended courses at the Advanced Directors' College. He earned a Bachelor of Arts degree in Accounting from North Carolina State University. He served on the North Carolina State University Investment Fund Board between 2010 and 2019. Mr. Lawrence has over 20 years of banking and financial services experience.

Dexter V. Perry, age 51, has served as a director of the Corporation since 2019, and of the Bank since 2018. He currently serves on the IT Committee, Audit and Risk Committee, and Asset Liability Committee. Mr. Perry is a Certified Financial Planner, having begun his career as a consumer bank manager and investment sales producer with First Union National Bank. After earning a Bachelor of Arts degree in Economics from Duke University in 1991, Mr. Perry served on the Board of Trustees of the N.C. Supplemental Retirement Plan, chairing the audit committee and the investment subcommittee, the latter of which was charged with overseeing and monitoring plan assets in excess of \$6 billion and reviewing the investment manager performance of over 25 individual mandates stipulated by the plan. Mr. Perry also served for three years on the board of directors for the John Rex Endowment, also serving as a member of its Finance Committee, which oversaw investment assets of over \$75 million. He also served on the credit committee for Generations Community Credit Union in Durham, NC until its merger with Self-Help Credit Union, in 2014.

James H. Sills III, age 62, has served as a director of the Corporation and the Bank since 2014. He has over 30 years of banking and technology management experience. His background includes a unique combination of executive experience within large-scale banking operations, community banks, and government organizations. In August of 2014, Mr. Sills was named President and Chief Executive Officer of the Corporation and the Bank. Prior to this position, Mr. Sills was appointed by Delaware Governor Jack Markell as the Cabinet Secretary and Chief Information Officer (CIO) for the State of Delaware, Department of Technology and Information in January 2009. Mr. Sills was instrumental in leading the State in the following areas: IT consolidation, cloud computing technology, cyber security and various cost saving programs. Mr. Sills was responsible for providing strategic direction and management for information and technology operations supporting over 34,000 end users. Previously, Mr. Sills served as Executive Vice President of MBNA America Bank (now Bank of America), the largest credit card institution in the world. In this capacity, he served as the Director of Corporate Technology Solutions for the \$80 billion US Card Division. Prior to relocating to Wilmington, Delaware in June of 2001, Mr. Sills served as the

President and Chief Executive Officer of MemphisFirst Community Bank (now Landmark Community Bank) in Memphis, TN. Mr. Sills received a Bachelor of Arts degree from Morehouse College and a Master's degree in Public Administration from the University of Pittsburgh. He is also a graduate of the University Of Wisconsin School Of Banking. Mr. Sills also serves on the following Boards: North Carolina State Chamber of Commerce, ICBA Minority Banking Council, North Carolina Bankers Association, Board of Visitors of North Carolina A&T State University, North Carolina Central University and Federal Reserve Board of Richmond.

James A. Stewart, age 72, has served as a director of the Corporation since 2008, and of the Bank since 2002. He is Chairman of the Board and the Bank Board. He has served on a variety of committees of both the Corporation and the Bank, and presently serves as Chairman of the Strategic Issues and Planning Committee and the Executive Committee. Mr. Stewart is a commercial real estate broker/consultant, and is associated with the following firms: Stewart Investment Properties, Inc. (Principal); Majaja, Inc. and Clearview Housing Corporation (President); Clearview Commercial Properties, LLC and Camellia Associates, LLC (Member/Manager); and the real estate firm of Stewart, Martin & McCoy, LLC. He previously was a real estate broker with Anthony & Company. Prior to entering the brokerage business, Mr. Stewart served in various positions in engineering and marketing with the IBM Corporation from which he retired in June 2000. He is a graduate of the Directors' College, and has attended courses at the Advanced Directors' College and the Barret School of Banking. He earned a Bachelor of Science degree in Mechanical Engineering and a Master's degree in Business Administration, both from North Carolina State University. Mr. Stewart has served on a number of local boards, and continues to serve on the boards of Clearview Housing Corporation and Majaja Inc. Mr. Stewart has a total of 18 years of banking experience.

Connie J. White, age 68, has served as a director of the Corporation since 2010, and of the Bank since 2002. She is Vice-Chair of the Board and the Bank Board and has served on a variety of committees of the Bank, and presently serves as Chair of the Asset Liability Committee and Chair of the Director's Loan Committee. Until her retirement in 2017, Ms. White worked as an independent management consultant. She also has over 25 years' experience working for Price Waterhouse, Burroughs Corporation and US WEST and its subsidiaries. She has held positions in Pension Investment and Cash Management, Strategic Planning and Marketing. She was Vice President of Marketing Operations for Genrobot Corp., before becoming Product Director for Small Business Telephony at AT&T Broadband in 2000. Her career experiences have included positions at the Corporate, Division and Operating Unit levels.

She is a graduate of the Directors' College and has attended courses at the Advanced Directors' College. She has received a Certificate of Education from the National Association of Corporate Directors. She earned a Bachelor of Science degree from Hampton University and a Master's degree in Business Administration from the University of Wisconsin-Madison. Ms. White has served on the board of the Durham County ABC, and on the North Carolina Legislative Black Caucus Foundation where she held the position of Treasurer. Ms. White has a total of 18 years of banking experience.

Independence

The Board has determined that each of the above named nominee directors, except for Mr. Sills, are "independent," as determined pursuant to the NASDAQ listing standards.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE SIX NOMINEES AS DIRECTORS OF THE CORPORATION FOR THE COMING YEAR.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

How Often Did the Board of Directors Meet During 2020?

During the year ended December 31, 2020 the Board of Directors held seven meetings. All of the continuing directors of the Corporation attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board on which they served during the year.

How Often Did the Bank Board Meet During 2020?

During the year ended December 31, 2020 the Bank Board held ten meetings. All of the continuing directors of the Bank attended at least 75% of the aggregate number of meetings of the Bank Board and Bank Board committees on which they served during the year.

What is the Corporation's Policy for Director Attendance at Annual Meetings?

Although it is customary for all members of the Board to attend, the Corporation has no formal policy in place with regard to Board members' attendance at its annual meetings of stockholders. All Board members attended the Corporation's 2020 annual meeting of stockholders, which was held on June 4, 2020.

How Can a Stockholder Communicate with the Board or its Members?

The Corporation does not have a formal procedure for stockholder communication with the Board. In general, the Board members and executive officers are easily accessible by telephone, postal mail or electronic mail. Any matter intended for the Board, or for any individual member or members of the Board, can be directed to James H. Sills III, the Corporation's President and Chief Executive Officer, or Valerie M. Quiett, the Corporation's Secretary at the following address with a request to forward the same to the intended recipient: M&F Bancorp, Inc., 2634 Durham Chapel Hill Boulevard, Suite 101, Durham, North Carolina 27707. Alternatively, stockholders may direct correspondence to the Board, or any of its members, care of the Corporation at the above address. In addition, stockholders may contact the Board via the Corporation's website at www.mfbonline.com or by telephone, using the Corporation's toll-free number, 1-800-433-8283. The Board has delegated to the Secretary, or her designee, responsibility for determining in her discretion whether the communication is appropriate for director, committee or Board consideration. According to the policy adopted by the Board, the Secretary is required to direct all communications regarding personal grievances, administrative matters, the conduct of the Bank's ordinary business operations, billing issues, product or service related inquires, order requests, and similar issues to the appropriate individual within the Corporation or the Bank. All other communications are to be submitted to the Board as a group, to the particular director or committee to whom it is directed or, if appropriate, to the director or committee the Corporate Secretary believes to be the most appropriate recipient, as the case may be.

What Board Committees Have Been Established?

The Board has four standing committees, the Audit and Risk Committee, Strategic Issues and Planning Committee, Corporate Governance and Nominating Committee, and the Compensation Committee.

Audit and Risk Committee. The Audit and Risk Committee reviews the engagement of the Corporation's independent auditor, reviews quarterly and annual consolidated financial statements, considers matters relating to accounting policy and internal controls, discusses significant accounting estimates with management and with the independent auditor, reviews whether non-audit services provided by the independent auditor affect the auditor's independence and reviews the scope of the annual audits in accordance with its written charter.

The Audit and Risk Committee consists of directors Willie T. Closs, Jr., Chairman, Michael L. Lawrence, Dexter V. Perry and Connie J. White. There were four meetings of the Audit and Risk Committee during the year ended December 31, 2020. The Board has determined that: (i) each Committee member satisfies the NASDAQ's independence standards and the independence standards established by the Securities and Exchange Commission

(the “SEC”); (ii) each Committee member is financially literate and has accounting or related financial management expertise, in each case as required by the NASDAQ’s corporate governance standards applicable to audit committee composition; and (iii) three of the Committee members have the requisite attributes of an “audit committee financial expert” as defined by regulations promulgated by the SEC and that such attributes were acquired through relevant education and/or experience.

The Audit and Risk Committee has adopted a written charter which is reviewed annually, and was reviewed and restated on December 14, 2020 and approved by the Board on January 26, 2021. A copy of the charter is available on the “Investor Relations – Governance Documents” page of the Corporation’s website at www.mfbonline.com.

Report of Audit and Risk Committee. The Audit and Risk Committee has reviewed and discussed with management the Corporation’s audited financial statements for the fiscal year ended December 31, 2020. The Committee has discussed with the Corporation’s independent auditor the matters required to be discussed by the Statement on Auditing Standards No. 114, The Auditor’s Communication with those Charged with Governance, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380). The Committee has received the written disclosures and the letter from the independent auditor required by applicable requirements of the AICPA regarding the independent auditor’s communications with the Committee concerning independence, and has discussed with the independent auditor the independent auditor’s independence. Based upon the Committee’s review and discussions with management and the independent auditor referenced above, the Committee recommended to the Board that the Corporation’s audited financial statements be included in the Corporation’s Annual Report. The Committee also reappointed Elliott Davis as the Corporation’s independent auditor for the fiscal year ending December 31, 2021 and the Board concurred in the appointment.

Members of the Audit and Risk Committee

Willie T. Closs, Jr., Chairman
Michael L. Lawrence, Vice Chairman
Dexter V. Perry
Connie J. White

Strategic Issues and Planning Committee. The Strategic Issues and Planning Committee assists in influencing the future direction of the Corporation. The Committee recommends planning issues and policies to the Board, monitors the planning activities of the Corporation’s officers, and makes recommendations as appropriate, to the officers and directors of the Corporation.

The Strategic Issues and Planning Committee consists of the entire Board, and is chaired by James A. Stewart. The Board regularly met during 2020 to consider strategic issues and the future direction of the Corporation.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee establishes corporate governance principles, evaluates qualifications and candidates for positions on the Board, nominates new and replacement members for the Board and recommends Board committee composition. In addition, the Committee facilitates an annual evaluation by Board members of the Board and individual director performance.

The Corporate Governance and Nominating Committee consists of directors James A. Stewart, Chairman, Willie T. Closs, Jr. and Michael L. Lawrence. The Committee met twice during the year ended December 31, 2020.

The Corporate Governance and Nominating Committee has adopted a written charter which is reviewed annually, and was reviewed on January 26, 2021. Additionally, the Corporation has established Corporate Governance Policies which are reviewed annually, and were reviewed on January 26, 2021. Copies of this charter and the Corporate Governance Policies are available on the “Investor Relations – Governance Documents” page of the Corporation’s website at www.mfbonline.com.

Process for Nominating Directors. The Corporate Governance and Nominating Committee reviews the qualifications of, and approves and recommends to the Board, those individuals to be nominated for positions on the

Board and submitted to stockholders for election at each annual meeting of stockholders. The Committee identifies director nominees from various sources such as officers, directors, and stockholders.

The Corporate Governance and Nominating Committee currently has no written policy with regard to the consideration of director candidates recommended by stockholders, however, as a matter of practice the Committee will consider and evaluate a director candidate recommended by a stockholder in the same manner as a Committee-recommended nominee. Any stockholder who wishes to recommend a candidate for consideration by the Committee should submit his or her recommendation in writing to the Corporation's Secretary and provide the Secretary with such information as the Committee may reasonably require to properly consider the candidate's suitability. The Committee assesses all director nominees taking into account several factors including, but not limited to, issues such as the current needs of the Board and the nominee's: (i) integrity, honesty and accountability; (ii) successful leadership experience and strong business acumen; (iii) forward-looking, strategic focus; (iv) collegiality; (v) independence and absence of conflicts of interests; (vi) ability to devote necessary time to meet director responsibilities; and (vii) ability to commit to Corporation stock ownership. Where appropriate, the Committee will ultimately recommend nominees whom it believes will enhance the Board's ability to oversee and direct, in an effective manner, the affairs and business of the Corporation. Additional factors the Committee may consider in evaluating candidates include: (i) relevant business experience; (ii) judgment, skill and reputation; (iii) number of other boards on which the candidate serves; (iv) other business and professional commitments; (v) lack of potential conflicts of interest with other pursuits; (vi) whether the candidate is a party to any action or arbitration adverse to the Corporation; (vii) financial and accounting background to enable the Committee to determine whether the candidate would be suitable for Audit and Risk Committee membership or qualify as an "audit committee financial expert;" (viii) executive compensation background, to enable the Committee to determine whether a candidate would be suitable for Compensation Committee membership; and (ix) the size and composition of the existing Board. In evaluating candidates, the Committee also seeks to achieve a balance of knowledge, experience and capability on the Board.

The Corporate Governance and Nominating Committee is committed to diversified membership, and the corporate governance policies expressly provide that the Committee may not discriminate on the basis of race, color, national origin, gender, religion or disability in selecting nominees. The Committee believes that diversity with respect to viewpoint, skills and experience is an important factor in the composition of the Board. The Committee ensures that diversity considerations are discussed in connection with each potential nominee, as well as on a periodic basis in connection with the composition of the Board as a whole. At least annually, the Committee is required to evaluate its own performance, and submit a written report to the Board, which report is to include analysis of whether the Committee met its goals, including its commitment to diversity.

Before nominating a current director for re-election at an annual meeting, the Committee considers the director's performance on the Board and whether the director's re-election will be consistent with the corporate governance policies of the Corporation. In 2020, the Committee did not retain the services of any third party consultants to assist in identifying and evaluating potential nominees.

Compensation Committee. The Compensation Committee determines the compensation of the Bank's President and Chief Executive Officer, and in conjunction with the Bank's Compensation Committee, oversees personnel and compensation policies and procedures generally. The salary of the President and Chief Executive Officer is determined based upon his or her contributions to the overall profitability of the Corporation and the Bank, maintenance of regulatory compliance standards, professional leadership, and management effectiveness in meeting the needs of day-to-day operations. The Compensation Committee also compares his or her compensation with compensation paid to executives of comparable financial institutions in North Carolina and executives of other businesses in the Bank's market areas. The President and the Chief Executive Officer sets the compensation to be paid to other executive officers in accordance with the Bank's personnel and compensation policies and procedures. Any aggregate increase in compensation to the executive officers must be approved in advance by the Compensation Committee. This process is designed to ensure consistency throughout the executive compensation program.

The Compensation Committee is also responsible for determining the compensation of members of the Board and the Bank Board. The Compensation Committee seeks to reward directors based on their respective contributions to the Corporation and the Bank, based upon their participation in meetings of the Board, Bank Board and committees.

From time to time, the Compensation Committee compares the compensation of members of the Board and the Bank Board with compensation paid to directors of comparable financial institutions in North Carolina and directors of other businesses in the Bank's market areas.

The Compensation Committee's charter allows the Compensation Committee to delegate such of its duties and responsibilities as it deems appropriate and advisable to a subcommittee of not less than two members. The Compensation Committee consists of directors Willie T. Closs, Jr., Chairman, James A. Stewart and Michael Lawrence. A copy of the Compensation Committee's charter is available on the "Investor Relations – Governance Documents" page of the Corporation's website at www.mfbonline.com. The Compensation Committee met jointly with the Bank's Compensation Committee five times during the year ended December 31, 2020.

What Bank Board Committees Have Been Established?

The Bank Board has several standing committees, including the Executive Committee and the Compensation Committee.

Executive Committee. The Executive Committee of the Bank may act, between meetings of the Bank Board, with all the authority of the full Bank Board. The members of the Executive Committee are James A. Stewart, Chairman, Willie T. Closs, Jr., Michael L. Lawrence, James H. Sills III and Connie J. White. The Executive Committee met four times during the year ended December 31, 2020.

Compensation Committee. The Compensation Committee reviews and recommends to the Compensation Committee of the Board compensation arrangements for the Bank's President and Chief Executive Officer, and policies and procedures for personnel and compensation matters. The members of this Committee are Willie T. Closs, Jr., Chairman, James A. Stewart and Michael L. Lawrence. The Committee met jointly with the Corporation's Compensation Committee five times during the year ended December 31, 2020.

Board Leadership Structure and Risk Oversight

The Board is led by James A. Stewart, who has served as Chairman of the Corporation since 2008 and Chairman of the Bank since 2006. In the absence of Mr. Stewart, the Board is led by the Vice-Chairman, Connie J. White.

The ultimate authority to oversee the business of the Corporation rests with the Board, which appoints the Chairman. The role of the Board is to effectively govern the affairs of the Corporation for the benefit of its stockholders and, to the extent appropriate under North Carolina corporate law, other constituencies including employees, customers, suppliers and the communities in which it does business. The Board appoints the Corporation's officers, who have responsibility for management of the Corporation's operations. The Bank's officers are appointed by the Bank Board, upon the recommendation of the President/Chief Executive Officer of the Bank. It is the Chairman's responsibility to lead the Board. The President/Chief Executive Officer is responsible for leading the Corporation's management team and the Corporation's employees, and operating the Corporation.

While the Corporation's Bylaws permit the Board to appoint the Corporation's President/Chief Executive Officer as Chairman, we believe it is beneficial to have an independent Chairman whose sole responsibility is Board leadership. By having an independent director serve as Chairman of the Board, our President/Chief Executive Officer is able to focus all of his energy on managing the operations of the Corporation. By clearly delineating the role of the office of the Chairman, we believe we have ensured no duplication of effort between the President/Chief Executive Officer and the Chairman. We believe this governance structure results in strong, independent leadership of our Board, while positioning our President/Chief Executive Officer as the leader of the Corporation in the eyes of our customers, employees and stockholders.

The Board currently consists of five independent members and one non-independent member, our President/Chief Executive Officer, Mr. Sills. A number of our independent directors are currently serving or have served as members of senior management of other companies and have served as directors of other companies. We have three Board committees comprised solely of independent directors, each with an independent director serving as chair of

the committee. We believe that the number of independent, experienced directors that make up our Board, along with the independent leadership of the Board by the non-executive Chairman, benefits our Corporation and our stockholders.

The Board oversees the Corporation's general risk management strategy and ensures that risks undertaken are consistent with the Board's established risk tolerance. Management is responsible for the day-to-day risk management processes. Risk assessment reports are provided to the Board by management on a regular and timely basis.

Board committees share risk monitoring responsibilities and capabilities. The Committees include: Audit and Risk, Corporate Governance and Nominating, and Compensation. The Audit and Risk Committee, charged by the Board with the primary oversight responsibility for risk management, also oversees the integrity of financial reporting, compliance with laws and regulations, and the structure of internal control. The Compensation Committee provides oversight for executive compensation as well as other compensation programs for associates and Bank officers. The Corporate Governance and Nominating Committee establishes corporate governance principles, and provides leadership over corporate governance matters. In addition, the Executive Committee may exercise, during intervals between meetings of the Board, all the powers and authority of the Board in directing the management of the business and affairs of the Corporation, except as otherwise provided in the Bylaws of the Corporation or as limited by North Carolina law. Also, the Bank Board has established the Asset Liability Committee. The Asset Liability Committee, made up of members of management and the Bank Board, monitors loan, investment, and liability portfolios to ensure comprehensive management of liquidity, interest rate risk and capital adequacy, and reports under guidelines established by management, the Bank Board and regulators. Additionally, the Information Technology Committee monitors risks associated with the Bank's information systems, and the Directors Loan Committee is responsible for ensuring compliance with banking regulations concerning loans to insiders.

The Corporation's Director Code of Business Conduct and Ethics, Code of Ethics for Principal Executive and Senior Financial Professionals, and Corporate Governance Policies (together the "Governance Policies") outline appropriate behavior for all directors and senior employees. In addition, in 2009 the Corporation adopted an Excessive and Luxury Expenditures Policy (the "Luxury Policy") setting forth the Corporation's policy that directors and employees of the Corporation and the Bank utilize corporate assets in a prudent manner and do not engage in excessive or luxury expenditures. Copies of the Governance Policies and the Luxury Policy are available on the "Investor Relations – Governance Documents" page of the Corporation's website at www.mfbonline.com.

In the day-to-day management of risk, management has established and implemented appropriate policies, procedures and risk assessment tools, and a defined organization and reporting structure. With respect to the organization and reporting structure, a hierarchy has been created which divides responsibilities efficiently and effectively into specific processes. The structure is further enhanced by providing the Internal Audit and Loan Review functions independent functional reporting responsibilities to their respective Board committees. Risk assessments have been created to properly identify and monitor risk for the Corporation either at an entity level or within specific lines of business as appropriate.

The Board believes that the foundation for risk management is well-established and understood throughout the Corporation from the Board level down throughout the organization.

EXECUTIVE AND DIRECTOR COMPENSATION

Named Executive Officers

The following table provides information about our named executive officers.

<u>Name</u>	<u>Age¹</u>	<u>Positions Held During Past Five Years</u>	<u>Has Served the Corporation or the Bank Since</u>
James H. Sills III	62	President/Chief Executive Officer of the Corporation and the Bank since 2014. Previously, Cabinet Secretary and Chief Information Officer for the State of Delaware, Department of Technology and Information, since 2009.	2014
Randall C. Hall	55	Chief Financial Officer of the Corporation and the Bank since 2013. Previously, Executive Vice President of the Corporation and the Bank. Between 1997 and 2011, he served Bank of Asheville in various capacities, including Executive Vice President, Chief Financial Officer, and later President and Chief Executive Officer. During 2011, Mr. Hall was Senior Vice President and Chief Financial Officer of Clayton Bank and Trust, and later served as a consultant to troubled banks and bank holding companies.	2012

¹ Ages are given as of April 1, 2021.

Summary Compensation Table. The following table shows, for the years indicated, the cash compensation earned by, as well as certain other compensation paid or accrued, for our named executive officers. Cash compensation is paid by the Bank, not the Corporation.

Name and Principal Position	Year	Salary	Bonus	All Other Compensation¹	Total
James H. Sills III President/Chief Executive Officer of the Corporation and the Bank	2020	\$294,144	---	\$22,257	\$316,401
	2019	\$283,250	\$5,000	\$20,549	\$308,799
Randall C. Hall Executive Vice President/Chief Financial Officer of the Corporation and the Bank	2020	\$202,185	---	\$20,011	\$222,196
	2019	\$188,798	\$9,117	\$19,550	\$217,465

¹ In 2020, for Mr. Sills this represents 401(k) employer matching contributions of \$16,916 and group life and disability insurance premiums of \$5,341; and for Mr. Hall this represents 401(k) employer matching contributions of \$12,227 and group life, disability and medical insurance premiums of \$7,784. In 2019, for Mr. Sills this represents 401(k) employer matching contributions of \$15,232 and group life, disability and medical insurance premiums of \$5,317; and for Mr. Hall this represents 401(k) employer matching contributions of \$11,871 and group life, disability and medical insurance premiums of \$7,679.

Risk Framework

The Corporation has established a low risk tolerance in connection with the operation of its business, including its compensation policies and practices. Adherence to a low risk tolerance is ensured by the Corporation's system of

internal control processes and validated by independent groups, including Corporate Audit Services, Asset Liability Management, Credit Administration and to some extent, the Corporation's independent auditor.

Employment Agreements

In August 2014, the Corporation and the Bank (together the "Employer") entered into an employment agreement with Mr. Sills in connection with his appointment as President and Chief Executive Officer of the Corporation and the Bank. This agreement provides for an initial term of employment of two years, beginning September 1, 2014. At the end of the initial term, and annually thereafter, the term of employment is automatically extended for an additional term of one year (each an "Additional Term"), unless a notice of termination is given by the Employer to Mr. Sills not less than 120 days prior to the end of the initial term, or the Additional Term, as applicable.

Mr. Sills' employment agreement provides for an initial annual base salary of \$275,000, with increases at the discretion of the Employer's Boards. The employment agreement also provides that Mr. Sills shall be eligible to receive an annual bonus, to be determined by the Employer's Boards. The agreement also provides for reimbursement of all reasonable business expenses and participation in all retirement, welfare, health and other benefit plans or programs currently offered by the Employer to other executive officers or which may be later offered to other executive officers. Further, Mr. Sills is entitled to receive all other fringe benefits, which are now or may be provided to the Employer's executive officers.

Mr. Sills' employment agreement provides that he may be terminated by the Employer for "cause," as defined in the employment agreement, in which event he shall only be entitled to receive payment of sums due him as base salary and/or reimbursement of expenses incurred through the date of termination. If Mr. Sills is terminated without cause, or is terminated as the result of a change of control of either the Bank or the Corporation, he will be entitled to receive payment of severance compensation equal to 100% of his then monthly base salary for 12 months following the date of termination. Also, Mr. Sills may choose to terminate his employment upon giving the Employer not less than 60 days' notice.

In the event of Mr. Sills' "disability," as defined in the employment agreement, for a period of 180 days, the Employer may terminate the agreement at its option. The agreement provides that in such an event, the Employer shall pay Mr. Sills an amount equal to his then-existing base salary, less any benefits received from any disability benefit or pension plan, until he becomes eligible for benefits under any long-term disability plan or disability insurance program provided by the Corporation. In addition, the employment agreement provides that Mr. Sills shall receive any bonus earned or accrued through the date of termination. In the event of Mr. Sills' death during his employment, the agreement provides that his estate will be entitled to all sums due him as base salary and/or reimbursement of expenses through the end of the month during which his death occurred, plus any bonus earned or accrued through the date of death.

Mr. Hall does not have a written employment agreement with either the Corporation or the Bank.

Bank-Owned Life Insurance ("BOLI")

The Bank owns single premium, variable-rate life insurance policies, covering the lives of certain current and former employees, and certain members of the Bank Board. The purpose of this type of investment is to increase after-tax earnings on the invested funds as a means to offset costs associated with employee benefit plans or provide additional benefits for employees and to compensate members of the Bank Board for their services. Certain of these policies have an associated split dollar death benefit. Upon the insured's death, the net split dollar death benefit is divided between the insured's named beneficiary and the Bank. The aggregate death benefit for former and current officers of the Bank as of December 31, 2020 is approximately \$17.8 million, and the split dollar benefit payable to those individuals' beneficiaries is approximately \$189,000.

401(k) Plan

The Bank has established a contributory savings plan (the “401(k) Plan”) for its employees, which meets the requirements of Section 401(k) of the Internal Revenue Code of 1986, as amended (the “Code”). All employees who have completed 90 days of service and who are at least 21 years of age may elect to contribute up to 80% of their compensation to the 401(k) Plan each year, subject to certain maximums imposed by federal law. The Bank is obligated under the terms of the 401(k) Plan to match 100% of each eligible employee’s pre-tax contributions (excluding the employee’s pre-tax contributions in excess of 6% of compensation). Participants are immediately fully vested in amounts that they contribute to the 401(k) Plan.

Benefits under the 401(k) Plan are payable in the event of the participant’s retirement, death, disability or termination of employment. Normal retirement age under the 401(k) Plan is 65 years of age. The named executive officers are entitled to participate in the 401(k) Plan on the same basis as all other eligible employees of the Bank. The named executive officers both participated in the 401(k) Plan during 2020.

Director Compensation

How are Directors Compensated?

Directors who are officers or employees of the Corporation or the Bank receive no additional compensation for service on the Board, the Bank Board or their committees. In addition to the annual retainers and meeting fees, discussed below, directors are also reimbursed for reasonable travel expenses incurred to attend meetings.

Board. During 2020, the Corporation’s non-employee directors each received an annual retainer of \$2,000; meeting fees of \$600 for each Board meeting attended in person, and \$300 for each Board meeting attended via conference call; \$500 for each Audit and Risk Committee meeting attended; and \$450 for each other committee meeting attended in person, and \$200 for each other committee meeting attended via conference call. Directors did not receive any payment for attending a meeting of the Board if a Bank Board meeting was held on the same day as the Board meeting. In addition, non-employee committee chairmen received a \$1,500 annual retainer for each committee chaired, and the Chairman of the Board received a \$5,000 annual retainer.

Bank Board. During 2020, the Bank paid its non-employee chairman an annual retainer of \$5,000, its other non-employee directors an annual retainer of \$2,500, and all non-employee directors \$600 for each Bank Board meeting attended in person and \$300 for each Bank Board meeting attended via conference call. Non-employee directors received \$600 for each Executive Committee meeting attended in person, \$450 for each other committee meeting attended in person, and \$200 for each committee meeting attended via conference call. In addition, non-employee committee chairmen received an annual retainer of \$1,500.

Director Compensation Table. The following table shows, for the fiscal year ended December 31, 2020 the cash compensation paid by the Corporation and the Bank, as well as certain other compensation paid or accrued for that year, to the members of the Board of Directors.

<u>Name</u>	<u>Fees Earned or Paid in Cash¹</u>	<u>Stock Awards</u>	<u>Option Awards</u>	<u>Non-Equity Incentive Plan Compensation</u>	<u>Nonqualified Deferred Compensation Earnings</u>	<u>All Other Compensation</u>	<u>Total</u>
Willie T. Closs, Jr.	\$26,800	---	---	---	---	---	\$26,800
Michael L. Lawrence	\$22,000	---	---	---	---	---	\$22,000
Dexter V. Perry	\$18,700	---	---	---	---	---	\$18,700
James H. Sills III ²	\$0	---	---	---	---	---	\$0

<u>Name</u>	Fees Earned or Paid in Cash¹	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
James A. Stewart	\$31,300	---	---	---	---	---	\$31,300
Connie J. White	\$26,350	---	---	---	---	---	\$26,350

¹ Unless otherwise indicated, this category sets forth the directors' fees related to the directors' service on the Board, the Bank Board and their committees.

² Mr. Sills did not receive any additional compensation for serving as director and attending Board, Bank Board and committee meetings. For details of compensation earned or paid to Mr. Sills in 2020 and 2019, see the Summary Compensation Table, above.

Indebtedness of and Transactions with Related Persons

The Bank provides loans and other credit facilities in the ordinary course of its business to certain persons who beneficially own more than 5% of the Corporation's common stock, Corporation and Bank directors, director-nominees and employees, including executive officers, and businesses in which the foregoing have direct or indirect interests, as well as the immediate family of the foregoing (together, "Related Persons"). In accordance with Federal Reserve Regulation O, the Bank has adopted a policy which sets forth the requirements applicable to such loans and other credit facilities. These loans and other credit facilities are made using the same credit and underwriting standards as are applicable to the general public, and such loans and other credit facilities do not involve more than the normal risk of collectability or present other unfavorable features. Pursuant to this policy, loans and other credit facilities to Related Persons are made on the same terms, including interest rates and collateral, as those prevailing for comparable transactions with nonaffiliated persons.

The Audit and Risk Committee is charged with reviewing and approving all transactions of the Corporation or the Bank with Related Persons other than transactions subject to Regulation O, discussed above. All material facts of each transaction and the Related Person's interest are discussed by all disinterested directors and a decision made about whether the transaction is fair to the Corporation and the Bank. A majority vote of all disinterested directors is required to approve such a transaction.

PROPOSAL 2

APPROVAL OF THE LONG-TERM STOCK INCENTIVE PLAN

General

In 2019, the Board adopted the Long-Term Stock Incentive Plan (referred to in this section as the "Plan"). The Plan was included in our 2019 and 2020 proxy statements, and while an overwhelming majority of shares voted at each of these meetings were voted to approve the Plan (72% in 2019 and 68% in 2020), the Plan was not approved by an absolute majority of all the shares entitled to vote. After careful consideration and discussing the Plan with key stockholders, the Board strongly believes that the Plan is in the best long-term interests of the Corporation and its stockholders and determined to re-submit the Plan for approval at this year's meeting.

The Plan, which is an equity compensation plan, will not become effective unless approved by the Corporation's stockholders. The purpose of the Plan is to further and promote the interests of the Corporation and its stockholders by enabling the Corporation, its subsidiaries and related entities, including the Bank, to attract, retain and motivate key employees and directors, and to align their interests with those of the Corporation's stockholders. Additionally, the Plan's objectives are to provide a competitive reward for achieving longer-term goals, provide balance to short-term incentive awards, and reinforce a unified perspective among participants serving the Corporation in differing capacities and areas of focus. To do so, the Plan offers a variety of equity-based incentive awards and opportunities to provide key employees and certain non-employees with relationships with the Corporation or a subsidiary (such as non-employee directors), with a proprietary interest in maximizing the growth, profitability and overall success of

the Corporation. Grants or awards of equity-based compensation under the Plan are sometimes referred to herein as “Awards”.

The Board wants to have available the means to attract new talent and retain current personnel as the Corporation and the Bank continue to grow. Key employees who are officers or managers of the Corporation, its subsidiaries and/or its related entities who are responsible for the management, growth and protection of the business of the Corporation, its subsidiaries and/or its related entities and whose performance or contribution, in the sole discretion of the Compensation Committee, benefits or will benefit the Corporation in a significant manner will be eligible for Awards. Non-employees (e.g., those with third party relationships such as non-employee directors of the Corporation and/or its subsidiaries) will also be eligible for Awards under the Plan.

It is anticipated that approximately 25 employees and seven directors will be eligible to participate in the Plan. The Compensation Committee plans to make Awards after receipt of stockholder approval; however, the value of the benefits or amounts that will be received by or allocated to the participants under the Plan are not determinable. Nor is it determinable what benefits or amounts would have been received by or allocated to participants during the fiscal year ended December 31, 2020 had the Plan then been in effect.

The Plan will be administered by the Compensation Committee, which is comprised of not less than three directors who are considered both “non-employee directors” for purposes of Rule 16b-3 under the Exchange Act, and “outside directors” pursuant to Section 162(m) of the Code, and “independent” as that term is defined by the relevant stock exchange on which the Corporation’s common stock is then listed, or, if the common stock is not listed, as such term is defined by NASDAQ. Subject to the terms of the Plan and applicable law, the Compensation Committee (or its delegate) and/or the Board will have full power and authority to (i) designate participants; (ii) determine the type or types of Awards to be granted to each participant; (iii) determine the number of shares of the Corporation’s common stock to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, shares of the Corporation’s common stock owned by a participant, delivery by a participant of a personal recourse promissory note bearing interest payable not less than annually at a market rate that is no less than 100% of the lowest applicable federal rate (as defined in Section 1274(d) of the Code), other Awards, other property, net settlement, or any combination thereof, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent and under what circumstances cash, shares of the Corporation’s common stock, other Awards, other property and other amounts payable with respect to an Award will be deferred either automatically or at the election of the holder thereof or of the Compensation Committee; (vii) amend terms or conditions of any outstanding Awards, including without limitation, to accelerate the time or times at which the Award becomes vested, unrestricted or may be exercised, provided, however, that except as provided in the Plan, the Committee may not accelerate the vesting of an Award to a date which is less than one year following the grant date of such Award; (viii) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award, in the manner and to the extent it deems desirable to carry the Plan into effect; (ix) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents, trustees, brokers, depositories and advisors and determine such terms of their engagement as it deems appropriate for the proper administration of the Plan and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations; and (xi) make any other determination and take any other action that the Compensation Committee deems necessary or desirable for the administration of the Plan and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

Each grant of an Award will be evidenced by a written agreement and/or other instrument in such form and containing such terms and conditions consistent with the Plan as the Compensation Committee may determine (“Award Agreement”).

The following description of the Plan is a summary of its terms and is qualified in its entirety by reference to the Plan, a copy of which is attached hereto as Appendix A.

Awards That May Be Granted

Eligible employees will be eligible for Awards of non-qualified stock options (“NSOs”), incentive stock options (“ISOs”), rights to receive shares of common stock at a future date or dates (“Restricted Stock Units”), restricted shares of the Corporation’s common stock (“Restricted Stock”), and/or performance units having a designated value (“Performance Units”). Non-employees (including non-employee directors of the Corporation) will be eligible for Awards of NSOs, Restricted Stock Units and/or Restricted Stock. If this Proposal 2 is approved by our stockholders, subject to appropriate recapitalization adjustments, a total of 162,500 shares of common stock will be available under the Plan for making Awards. Except with respect to Awards then outstanding, unless sooner terminated, all Awards must be granted or awarded on or before the 10th anniversary of the date on which the Plan is approved by our stockholders and becomes effective by its terms.

Options. Options granted under the Plan may be either ISOs (for eligible employees) or NSOs (for eligible employees and non-employees). No ISO may be awarded under the Plan to any employee who owns more than 10% of the combined total voting power of the Corporation or any subsidiary, unless the requirements of Section 422(c)(6) of the Code are satisfied. The exercise price of any ISO or NSO (each, an “Option”) may not be less than 100% of the “fair market value” of a share of common stock on the date of grant, as determined in accordance with the Plan. For any participant who owns 10% or more of the combined total voting power of the Corporation or any subsidiary, the exercise price of an ISO will not be less than 110% of the “fair market value” of a share of common stock on the date of grant.

Until an Option is exercised, the participant will not have any right to vote, to receive dividends, or to have or exercise any other rights as a stockholder. In addition, upon exercising an Option, the participant will not be entitled to any dividends declared and paid on the underlying shares between the date of grant and the date of exercise.

The Compensation Committee will determine the expiration date of each Option granted; provided, however, that the term of any ISO will not exceed ten years. For any participant who owns 10% or more of the combined total voting power of the Corporation or any subsidiary, the term of each ISO will not exceed five years. In the Compensation Committee’s discretion, it may specify the period or periods of time within which each Option will vest and first become exercisable; provided, however, that except as provided in the Plan, an Option may not vest less than one year from its grant date.

Each Option granted under the Plan will terminate upon the expiration date established by the Compensation Committee in the applicable Award Agreement. Otherwise, subject to the terms of the applicable Award Agreement:

- Upon termination of a participant’s employment, or termination of the term of a non-employee director, non-vested Options will be forfeited unless the termination is due to disability, retirement or death. In the event of disability, retirement or death, the Compensation Committee may, in its discretion and in compliance with applicable law, decide to vest some or all of the non-vested Options.
- Upon a non-employee director ceasing to be a director other than by reason of disability, retirement or death, vested NSOs may continue to be exercisable for up to 90 days if the Compensation Committee, in its discretion, so decides.
- Upon termination of a participant’s employment, other than by reason of disability, retirement or death, vested ISOs may continue to be exercisable for up to 30 days if the Compensation Committee, in its discretion, so decides.
- Upon termination of a participant’s employment by reason of disability, vested ISOs will continue to be exercisable until the earlier of one year and the term of the Option.
- Upon termination of a participant’s employment by reason of retirement, vested ISOs will continue to be exercisable for three months.
- Upon the death of a participant, vested Options will continue to be exercisable for one year following such participant’s death (but in no event will vested ISOs be exercisable more than one year from the date of such participant’s termination of employment due to disability or three

months from the date of such participant's termination of employment due to retirement, as applicable).

- Upon a non-employee director ceasing to be a director or an employee being terminated, in each case by reason of disability or retirement, vested NSOs will continue to be exercisable for the unexpired term of the NSO.

Restricted Stock and Restricted Stock Units. The Compensation Committee may award Restricted Stock and/or Restricted Stock Units ("Restricted Awards") to eligible employees and non-employees (including non-employee directors). Restricted Awards will vest in the participant in accordance with a vesting schedule established by the Compensation Committee and set forth in the relevant Award Agreement (the "Restriction Period"); provided, however, that except as provided in the Plan, a Restricted Award may not vest less than one year from its grant date. Until the expiration of the Restriction Period, and satisfaction of any other applicable restrictions, terms and conditions established by the Compensation Committee, the Restricted Award will be unvested and the participant may not sell, assign, transfer, pledge, encumber or otherwise dispose of or hypothecate the Restricted Award (the "Transfer Restrictions").

Except with respect to performance-based restrictions, the Award Agreement may provide that some or all of the shares of common stock subject to the Restricted Award will become free of restrictions and/or may be issued, as applicable, in the event of a participant's disability, retirement or death during the Restriction Period. Otherwise, upon termination of employment during the applicable Restriction Period, all outstanding Restricted Awards will be forfeited.

Performance Units. The Compensation Committee may award Performance Units to eligible employees under the Plan. If the applicable performance goals established by the Compensation Committee and set forth in the relevant Award Agreement are satisfied, a participant will be entitled to receive payment of the Performance Units in an amount equal to the designated value of each Performance Unit awarded, times the number of such Performance Units so earned. Payment in settlement of earned Performance Units will be made in cash. Upon termination of employment, all outstanding Performance Units will be forfeited unless the Award Agreement specifically provides otherwise.

Performance Based Compensation Awards

Awards (other than Options) to certain senior executives will, if the Compensation Committee intends any such Award to qualify as 'qualified performance based compensation' under Section 162(m) of the Code, become earned and payable only if pre-established targets relating to one or more performance measures are achieved during a performance period or periods. Such targets may relate to the performance of the Corporation as a whole, or to one or more business units of the Corporation, and may be measured over such periods as the Compensation Committee establishes in the applicable Award Agreement. The Compensation Committee may utilize a number of performance measures as set forth in Section 10(b) of the Plan attached hereto as Appendix A, such measures include, but are not limited to, return, revenue, income/earnings, expense, balance sheet/risk management, cash flow, share price strategic objectives, and other measures such as financial ratios, cost of capital or assets under management, and financing and other capital raising transactions. No more than 5,000 shares of common stock may be earned pursuant to any single performance award.

Changes in Control/Related Entity Dispositions

Subject to certain limited exceptions, in the event of a Change in Control, all outstanding Awards will become fully vested and exercisable and be released from any restrictions on transfer (other than transfer restrictions applicable to ISOs) and repurchase or forfeiture rights, except to the extent that such acceleration of exercisability would result in an "excess parachute payment" within the meaning of Code Section 280G.

Subject to certain limited exceptions, in the event of a Related Entity Disposition, all outstanding Awards issued to participants who are engaged primarily in service to the related entity will become fully vested and exercisable and

be released from any restrictions on transfer (other than transfer restrictions applicable to ISOs) and repurchase and forfeiture rights.

A “Change in Control” occurs when there has been (i) a Change of Ownership; (ii) a Change in Effective Control; or (iii) a Change of Asset Ownership, each within the meaning of Section 409A of the Code. A Change of Ownership occurs on the date one person (or group) acquires ownership of stock of the Corporation that, together with stock previously held, constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation, provided that such person (or group) did not previously own 50% or more of the value or voting power of the stock of the Corporation. A Change in Effective Control occurs on the date either (i) one person (or group) acquires (or has acquired during the preceding 12 months) ownership of stock of the Corporation possessing 30% or more of the total voting power of the Corporation’s stock; or (ii) a majority of the Board is replaced during any 12 month period by directors whose election is not endorsed by a majority of the members of the Board prior to such election. A Change of Asset Ownership occurs on the date one person (or group) acquires (or has acquired during the preceding 12 months) assets from the Corporation that have a total gross fair market value that is equal to or exceeds 40% of the total gross fair market value of all the Corporation’s assets immediately prior to such acquisition.

A “Related Entity Disposition” means the sale, distribution, or other disposition by the Corporation or a subsidiary of all or substantially all of the interests of the Corporation or a subsidiary in any related entity effected by a sale, merger or other transaction involving that related entity, or the sale of all or substantially all of the assets of that related entity, other than any Related Entity Disposition to the Corporation or a subsidiary.

Recapitalization Adjustments

Subject to any required action by the Corporation’s stockholders, the number of shares of common stock covered by each outstanding Award, the number of shares authorized for issuance under the Plan but as to which no Awards have been granted or that have been returned to the Plan, and the exercise or purchase price of each such outstanding Award, as well as any other terms that the Compensation Committee require adjustment, may be proportionately adjusted for (i) any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, stock dividend, combination, or reclassification of the Corporation’s common stock, or similar event affecting the Corporation’s common stock; (ii) any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by the Corporation; or (iii) as the Compensation Committee determines in its exclusive discretion, any other transaction with respect to Corporation’s common stock to which Code Section 424(a) applies or any similar transaction.

Termination and Amendment

Unless sooner terminated, the Plan will continue in effect for a period of ten years from the date the Plan is approved by the Corporation’s stockholders and becomes effective by its terms. After such date no further Awards may be granted under the Plan; however the termination of the Plan will not affect any previously granted Awards. The Board may at any time suspend, terminate, amend or alter the Plan, subject to any applicable regulatory requirements and any required stockholder approval or any stockholder approval which the Board may deem advisable for any reason, such as for the purpose of obtaining or retaining any statutory or regulatory benefits under tax, securities or other laws or satisfying applicable stock exchange or quotation system listing requirements. Subject to certain limited exceptions, the Board may not make any such amendment, alteration, suspension or termination which would materially adversely affect the vested rights of any participant under any outstanding Award without the consent of such participant. The Compensation Committee has broad authority to amend or modify any outstanding Award and Award Agreement; however, subject to certain limited exceptions, it may not make any such amendments or modifications that materially adversely affect the rights of any participant without the consent of such participant.

Federal Income Tax Consequences

The following discussion is a brief summary of the principal United States Federal income tax consequences under current Federal income tax laws relating to Awards under the Plan. This summary is not intended to be exhaustive and, among other things, does not describe state, local or foreign income and other tax consequences.

NSOs. An optionee will not recognize any taxable income upon the grant of an NSO and the Corporation will not be entitled to a tax deduction with respect to the grant of an NSO. Upon exercise of an NSO, the excess of the fair market value of the underlying shares of common stock on the exercise date over the option exercise price will be taxable as compensation income to the optionee and will be subject to applicable withholding taxes. The Corporation will generally be entitled to a tax deduction at such time in the amount of such compensation income. The optionee's tax basis for the shares received pursuant to the exercise of an NSO will equal the sum of the compensation income recognized and the exercise price.

In the event of a sale of shares of common stock received upon the exercise of an NSO, any appreciation or depreciation after the exercise date generally will be taxed as capital gain or loss and will be long-term capital gain or loss if the holding period for such shares is more than one year.

ISOs. An optionee will not recognize any taxable income at the time of grant or exercise of an ISO while an employee (or within three months after termination of employment, or one year if termination is by reason of death or disability), and the Corporation will not be entitled to a tax deduction with respect to such grant or exercise. Exercise of an ISO may, however, give rise to taxable compensation income subject to applicable withholding taxes, and a tax deduction to the Corporation, if the ISO is not exercised while the optionee is employed by the Corporation or within 90 days after termination of employment (or one year if termination is by reason of death or disability), or if the optionee subsequently engages in a 'disqualifying disposition,' as described below. Also, the excess of the fair market value of the underlying shares on the date of exercise over the exercise price will be an item of income for purposes of the optionee's alternative minimum tax.

A sale or exchange by an optionee of shares acquired upon the exercise of an ISO more than one year after the transfer of the shares to such optionee and more than two years after the date of grant of the ISO will result in any difference between the net sale proceeds and the exercise price being treated as long-term capital gain (or loss) to the optionee. If such sale or exchange takes place within two years after the date of grant of the ISO or within one year from the date of transfer of the ISO shares to the optionee, such sale or exchange will generally constitute a 'disqualifying disposition' of such shares that will have the following results: any excess of (i) the lesser of (a) the fair market value of the shares at the time of exercise of the ISO and (b) the amount realized on such disqualifying disposition of the shares over (ii) the option exercise price of such shares, will be ordinary income to the optionee, subject to applicable withholding taxes, and the Corporation will be entitled to a tax deduction in the amount of such income. Any further gain or loss after the date of exercise generally will qualify as capital gain or loss and will not result in any deduction by the Corporation.

Restricted Stock Units and Performance Units. The grant of an award of Restricted Stock Units or Performance Units will not result in income for the participant or in a tax deduction for the Corporation. Upon the settlement of such an Award, the participant will recognize ordinary income equal to the aggregate value of the payment received, and the Corporation generally will be entitled to a tax deduction in the same amount. Generally, upon a sale or other disposition of Restricted Stock with respect to which the participant has recognized ordinary income (i.e., a Section 83(b) election was previously made or the restrictions were previously removed), the participant will recognize capital gain or loss in an amount equal to the difference between the amount realized on such sale or other disposition and the participant's basis in such shares. Such gain or loss will be long-term capital gain or loss if the holding period for such shares is more than one year.

Performance Units. The grant of an award of Performance Units will not result in income for the participant or in a tax deduction for the Corporation. Upon the settlement of such an Award, the participant will recognize ordinary income equal to the aggregate value of the payment received, and the Corporation generally will be entitled to a tax deduction in the same amount.

The above and other descriptions of Federal income tax consequences are necessarily general in nature and do not purport to be complete. Moreover, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. Such descriptions may not be used to avoid any Federal tax penalty, and are provided on the basis and with the intent that such descriptions may not be used to avoid any federal tax penalty. Such descriptions are written to support this Proxy Statement. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Finally, the consequences under applicable state and local income tax laws may not be the same as under the Federal income tax laws.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL
OF THE LONG-TERM STOCK INCENTIVE PLAN**

**PROPOSAL 3: RATIFICATION OF APPOINTMENT
OF INDEPENDENT AUDITOR**

Ratification of Appointment of Independent Auditor

A proposal to ratify the appointment of Elliott Davis is being submitted to the stockholders. Representatives of Elliott Davis are expected to attend the Annual Meeting and will be available to respond to appropriate questions and will have the opportunity to make a statement.

Pre-Approval of Audit and Permissible Non-Audit Services

The Audit and Risk Committee's charter provides for pre-approval of all audit and non-audit services to be provided by the Corporation's independent auditor. The Charter authorizes the Committee to delegate to one or more of its members pre-approval authority with respect to permitted services, provided that any approvals using this procedure are presented to the Committee at its next scheduled meeting.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE
APPOINTMENT OF ELLIOTT DAVIS AS INDEPENDENT AUDITOR FOR THE CORPORATION FOR
THE FISCAL YEAR ENDING DECEMBER 31, 2021.**

STOCKHOLDER NOMINATIONS

According to the Corporation's Bylaws, any stockholder nomination of candidates for election to the Board at an annual meeting of stockholders must be made in writing to the Corporation's Secretary not fewer than 30 days nor more than 50 days prior to the date of the meeting at which such nominations will be made; provided, however, if less than 21 days' notice of the meeting is given to stockholders, such nominations must be delivered to the Secretary not later than the close of business on the seventh day following the day on which the notice of meeting was mailed.

Stockholder nominations must contain the following information, if known to the nominating stockholder:

- The name and address of each proposed nominee;
- The principal occupation of each proposed nominee;
- The total number of shares of common stock of the Corporation that will be voted for each proposed nominee;
- The name and address of the nominating stockholder; and
- The number of shares of common stock owned by the nominating stockholder.

The Board may disregard any nominations that do not comply with these requirements. Upon the instruction of the Board, the inspector of voting for the annual meeting of stockholders may disregard all votes cast for a nominee if the nomination does not comply with these requirements.

OTHER MATTERS

Proxyholders named on the proxy card and the Notice of Internet Availability of Proxy Materials will vote the shares represented thereby on any matters properly coming before the Annual Meeting, according to their best judgment, pursuant to the discretionary authority granted therein. As of the date of this mailing, management knows of no other matters to be presented for consideration at the Annual Meeting or any adjournments thereof.

MISCELLANEOUS

We are delivering proxy materials primarily through the internet. In addition to reducing the amount of paper used in producing these materials, this method lowers the costs associated with mailing the proxy materials to stockholders. Stockholders who own shares directly in the Corporation and not through a bank, broker or other intermediary, will have proxy materials or the Notice of Internet Availability of Proxy Materials delivered directly to their mailing address or electronically if they have previously consented to that delivery method. Stockholders whose shares are held for them by banks, brokerages or other intermediaries, will have the proxy materials or the Notice forwarded to them by the intermediary that holds their shares.

If you received only a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request a copy by following the instructions on the Notice. The Notice also contains instructions for accessing and reviewing the proxy materials over the internet and provides directions for submitting your vote over the internet.

Any stockholder may obtain a copy of the Corporation's Annual Report for the fiscal year ended December 31, 2020 (including the financial statements and financial statement schedules), without charge by calling 1-800-433-8283 Ext. 8616 or writing to the Corporation. Please make your written request to the Secretary, M&F Bancorp, Inc., 2634 Durham Chapel Hill Blvd., Suite 101, Durham, North Carolina 27707.

BY ORDER OF THE BOARD OF DIRECTORS



James H. Sills III
President and Chief Executive Officer

Durham, North Carolina
April 5, 2021

Appendix A

M&F BANCORP, INC.

Long-Term Stock Incentive Plan

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Long-Term Stock Incentive Plan

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M&F BANCORP, INC.

LONG-TERM STOCK INCENTIVE PLAN

1. **Purpose.** The purpose of this Plan is to further and promote the interests of M&F Bancorp, Inc. (the “Company”) and its shareholders by enabling the Company and its Subsidiaries and Related Entities, including M&F Bank, to attract, retain and motivate key employees and certain non-employees with relationships with the Company or a Subsidiary or Related Entity (such as Non-Employee Directors), and to align the interests of such persons and the interests of others with those of the Company’s shareholders. Additionally, this Plan’s objectives are to provide a competitive reward for achieving longer-term goals, provide balance to short-term incentive awards, and reinforce one unified perspective among Participants serving the Company in differing capacities and areas of focus. To do so, this Plan offers a variety of equity-based incentive awards and opportunities to provide such key employees and non-employees described above with a proprietary interest in maximizing the growth, profitability and overall success of the Company.

2. **Definitions.** For purposes of this Plan, the following terms shall have the meanings set forth below:

2.1 **“Award”** means an award, grant or issuance of an Option, Restricted Stock, Restricted Stock Units, and/or Performance Unit made to a Participant under Sections 6, 7, and/or 8.

2.2 **“Award Agreement”** means the agreement pursuant to which an Award is granted, which may, but need not, be executed by the Participant. Such Award Agreement shall be in the form of a written agreement evidencing the terms and conditions of an individual Award granted under the Plan which may, in the discretion of the Company, be transmitted electronically to any Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

2.3 **“Board”** means the Board of Directors of the Company, as constituted from time to time.

2.4 **“Change in Control”** means a “change in control” as defined by Section 409A. Section 409A provides that a “change in control” means (i) a Change of Ownership, (ii) a Change in Effective Control, or (iii) a Change of Asset Ownership, in each case, as defined herein.

2.4.1 **“Change of Ownership”** shall be deemed to have occurred on the date one person (or group) acquires ownership of stock of the Company that, together with stock previously held, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, provided that such person (or group) did not previously own 50% or more of the value or voting power of the stock of the Company.

2.4.2 **“Change in Effective Control”** shall be deemed to have occurred on the date either (A) one person (or group) acquires (or has acquired during the preceding 12 months) ownership of stock of the Company possessing 40% or more of the total voting

power of the Company's stock or (B) a majority of the Company's Board of Directors is replaced during any 12 month period by directors whose election is not endorsed by a majority of the members of the Company's Board of Directors prior to such election.

2.4.3 "Change of Asset Ownership" shall be deemed to have occurred on the date one person (or group) acquires (or has acquired during the preceding 12 months) assets from the Company that have a total gross fair market value that is equal to or exceeds 40% of the total gross fair market value of all the Company's assets immediately prior to such acquisition.

2.5 "Code" means the Internal Revenue Code of 1986, as in effect and as amended from time to time, or any successor statute thereto, together with any rules, regulations and interpretations promulgated thereunder or with respect thereto.

2.6 "Committee" means the Compensation Committee of the Board, as constituted in accordance with Section 3.

2.7 "Common Stock" means the common stock of the Company.

2.8 "Company" means M&F Bancorp, Inc., a North Carolina corporation, and any successor thereto.

2.9 "Covered Employee" means an individual who is, for a given fiscal year of the Company, (i) a "covered employee" within the meaning of Section 162(m) of the Code or (ii) designated by the Committee but not later than 90 days following the start of such year (or such other time as may be required or permitted by Section 162(m) of the Code) as an individual whose compensation for such fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

2.10 "Death" means the date and time of death of a Participant who has received an Award, as established by the relevant death certificate.

2.11 "Director" means a member of the Company's Board and, for eligibility purposes, a director of any Subsidiary or Related Entity.

2.12 "Disability" means the date on which a Participant who has received an Award becomes totally and permanently disabled (as defined herein). A Participant shall be considered totally and permanently disabled if he or she (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for at least three (3) months under an accident and health plan covering employees of the Participant's employer. If a Participant is determined to be totally disabled by the Social Security Administration, he or she shall also be considered totally and permanently disabled for purposes of the Plan.

2.13 “Exchange Act” means the Securities Exchange Act of 1934, as in effect and as amended from time to time, or any successor statute thereto, together with any rules, regulations and interpretations promulgated thereunder or with respect thereto.

2.14 “Fair Market Value” means the market price per share of Common Stock, determined by the Committee in accordance with the requirements of Sections 409A and 422 of the Code, as of the date specified in the context within which such term is used:

2.14.1 If the Company’s Common Stock is (a) listed on any established securities exchange (such as the New York Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market), (b) listed on any national market system or (c) listed, quoted or traded on any automated quotation system, its Fair Market Value shall be the closing sales price for a share of the Company’s Common Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of the Company’s Common Stock on the date in question, the closing sales price for a share of Company’s Common Stock on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

2.14.2 If the Company’s Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Company’s Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of the Company’s Common Stock on such date, the high bid and low asked prices for a share of the Company’s Common Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

2.14.3 If the Company’s Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be the fair market value of the Company’s Common Stock established by the Committee in good faith.

2.14.4 The Committee shall maintain a written record of its method of determining Fair Market Value.

2.15 “Incentive Stock Option” means any stock option granted pursuant to the provisions of Section 6 that is intended to be (and is specifically designated as) an “incentive stock option” within the meaning of Section 422 of the Code.

2.16 “Non-Employee Director” means a Director who is not an employee of the Company, any Subsidiary or any Related Entity.

2.17 “Non-Qualified Stock Option” means any stock option awarded pursuant to the provisions of Section 6 of the Plan that is not an Incentive Stock Option.

2.18 “Parent” means a corporation, other than the Company, in an unbroken chain of corporations ending with the Company, if on the date of grant of an Award each corporation, other than the Company, owns stock possessing at least 50% of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2.19 “Participant” means a key employee or non-employee who is selected by the Committee under Section 5 to receive an Award.

2.20 “Performance Award” means an Award designated as such pursuant to Section 10.

2.21 “Performance Period” means the period established by the Committee at the time any Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are measured.

2.22 “Performance Units” means the units of monetary value granted under Section 8.

2.23 “Plan” means this M&F Bancorp, Inc. Long-Term Stock Incentive Plan, as in effect and as amended from time to time (together with any rules and regulations promulgated by the Committee with respect thereto).

2.24 “Registration” means the registration by the Company under the Securities Act and applicable state securities and “blue sky” laws of this Plan, of the Offering of Awards under this Plan and/or Common Stock acquirable under this Plan.

2.25 “Related Entity” means a corporation or other entity, other than the Company, to which the Participant primarily provides services on the date of grant of an Award, and any corporation or other entity, other than the Company, in an unbroken chain of corporations or other entities beginning with the Company in which each corporation or other entity has a controlling interest in another corporation or other entity in the chain, ending with the corporation or other entity that has a controlling interest in the corporation or other entity to which the Participant primarily provides services on the date of grant of an Award. For a corporation, a controlling interest means ownership of stock possessing at least 50% of total combined voting power of all classes of stock, or at least 50% of the total value of all classes of stock. For a partnership or limited liability company, a controlling interest means ownership of at least 50% of the profits interest or capital interest of the entity. In determining ownership, the provisions set forth in Treasury Regulation §§1.414(c)-3 and 1.414(c)-4 apply.

2.26 “Related Entity Disposition” means the sale, distribution, or other disposition by the Company or a Subsidiary of all or substantially all of the interests of the Company or a Subsidiary in any Related Entity effected by a sale, merger or other transaction involving that Related Entity, or the sale of all or substantially all of the assets of that Related Entity, other than any Related Entity Disposition to the Company or a Subsidiary. To the extent Section 409A applies to an Award, a Related Entity Disposition means a Change in Control of the Related Entity under Section 409A.

2.27 “Restricted Award” means an Award of Restricted Stock or an Award of Restricted Stock Units pursuant to the provisions of Section 7.

2.28 “Restricted Stock” means the restricted Shares granted pursuant to the provisions of Section 7 with the restriction that the holder may not sell, transfer, pledge, or assign such Restricted Stock and such other restrictions (which other restrictions may expire separately or in combination, at one time, from time to time or in installments), as determined by the Committee in accordance with and as set forth in this Plan and/or the applicable Award Agreement.

2.29 “Restricted Stock Unit” means a contractual right granted under Section 7 that is denominated in Shares. Each Restricted Stock Unit represents a right to receive the value of one Share upon the terms and conditions set forth in this Plan and the applicable Award Agreement. Awards of Restricted Stock Units may include, without limitation, the right to receive dividend equivalents.

2.30 “Retirement” means (i) as to officers and employees, retirement from active employment with the Company and its Subsidiaries in accordance with the Company’s then existing retirement policies, and (ii) as to Non-Employee Directors, the same as “Retirement” under the retirement policy then in effect for the applicable Board upon the date of the receipt of an Award; provided, however, that in the case of any Award granted under the Plan to which Section 409A applies, the Participant must have a Separation from Service in order to obtain payment of the Award due to Retirement.

2.31 “Section 162(m) Compensation” means “qualified performance-based compensation” under Section 162(m) of the Code.

2.32 “Section 409A” means Section 409A of the Code, as amended, including regulations and guidance issued thereunder from time to time.

2.33 “Section 424 Corporate Transaction” means the occurrence, in a single transaction or a series of related transactions, of any one or more of the following: (i) a sale or disposition of all or substantially all of the assets of the Company and its Subsidiaries; (ii) a sale or other disposition of more than 50% of the outstanding stock of the Company; (iii) the consummation of a merger or similar transaction after which the Company is not the surviving corporation; (iv) the consummation of a merger, consolidation, or similar transaction after which the Company is the surviving corporation but the shares outstanding immediately preceding the merger, consolidation, or similar transaction are converted or exchanged by reason of the transaction into other stock, property, or cash; or (v) a distribution by the Company (excluding an ordinary dividend or a stock split or stock dividend described in Treasury Regulation §1.424-1(e)(4)(v)).

2.34 “Securities Act” means the Securities Act of 1933, as in effect and amended from time to time, or any successor statute thereto, together with any rules, regulations and interpretations promulgated thereunder or with respect thereto.

2.35 “SEC” means the Securities and Exchange Commission and any successor thereto.

2.36 “Separation from Service” means an employee, director, or other person providing services to the Company, a Subsidiary or a Related Entity has experienced a “separation from service” within the meaning of Section 409A, including when the Participant dies, retires or has a termination of service as explained in the following provisions:

2.36.1 The employment relationship is treated as continuing intact while the Participant is on military leave, sick leave, or other *bona fide* leave of absence, if the period of leave does not exceed six (6) months or, if longer, as long as the Participant’s right to reemployment with the Company, a Subsidiary or a Related Entity is provided by statute or contract. A leave of absence is *bona fide* only if there is a reasonable expectation that the employee will return to perform services for the Company, a Subsidiary or a Related Entity. If the period of leave exceeds six (6) months and the Participant’s right to reemployment is not provided by statute or contract, the employment relationship shall be deemed to terminate on the first day immediately following the six (6) month period;

2.36.2 A director has a separation from service upon the expiration of the contract, and if there is more than one contract, all contracts, under which the director performs services as long as the expiration is a good faith and complete termination of the contractual relationship; and

2.36.3 If a Participant performs services in more than one capacity, the Participant must separate from service in all capacities as an employee and director. Notwithstanding the foregoing, if a Participant provides services both as an employee and a director, the services provided as a director are not taken into account in determining whether the Participant has a separation from service as an employee under a nonqualified deferred compensation plan in which the Participant participates as an employee and that is not aggregated under Section 409A with any plan in which the Participant participates as a director. In addition, if a Participant provides services both as an employee and a director, the services provided as an employee are not taken into account in determining whether the Participant has a separation from service as a director under a nonqualified deferred compensation plan in which the Participant participates as a director and that is not aggregated under Section 409A with any plan in which the Participant participates as an employee.

2.37 “Shares” shall mean shares of the Company’s Common Stock or the shares of any class of stock into which such Common Stock are converted.

2.38 “Specified Employee” means “specified employee” as defined by Section 409A.

2.39 “Stock Options” means Incentive Stock Options and Non-Qualified Stock Options.

2.40 “Subsidiary(ies)” means a subsidiary corporation, whether now or hereafter existing, under Code Section 424(f).

3. Administration.

3.1 The Committee. This Plan shall be administered by the Committee. The Committee shall be comprised of not less than three (3) of the then members of the Board who are “non-employee directors” within the meaning of SEC Regulation §240.16b-3, or any successor thereto, promulgated under the Exchange Act, who are “outside directors” pursuant to Section 162(m) of the Code, and who are “independent” as that term is defined by the relevant stock exchange on which the Common Stock is then listed or, if the Common Stock is not listed, as such term is defined by Nasdaq, Inc. Members of the Committee shall serve at the pleasure of the Chair of the Board, and the Chair of the Board may at any time and from time to time remove members from the Committee, or, subject to the immediately preceding sentence, add members to the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. Any act or acts approved in writing by all of the members of the Committee then serving shall be the act or acts of the Committee (as if taken by unanimous vote at a meeting of the Committee duly called and held).

3.2 Plan Administration and Plan Rules. Subject to the terms of the Plan and applicable law, including but not limited to Section 15 hereof, the Committee (or its delegate) shall have full power and authority to: (a) designate Participants; (b) determine the type or types of Awards to be granted to each Participant under the Plan; (c) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Awards; (d) determine the terms and conditions of any Award; (e) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, shares of Common Stock owned by Participant, delivery by Participant of a personal recourse promissory note bearing interest payable not less than annually at a market rate that is no less than 100% of the lowest applicable federal rate (as defined in Section 1274(d) of the Code), Shares, other Awards, other property, net settlement, or any combination thereof, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (f) determine whether, to what extent and under what circumstances cash, Shares, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (g) amend terms or conditions of any outstanding Awards, including without limitation, to accelerate the time or times at which the Award becomes vested, unrestricted or may be exercised; provided, however, that except as provided herein, in no event shall the Committee have the discretion to accelerate the vesting of an Award to a date which is less than one year following the date of such Award’s grant; (h) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award, in the manner and to the extent it shall deem desirable to carry the Plan into effect; (i) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (j) establish, amend, suspend or waive such rules and regulations and appoint such agents, trustees, brokers, depositories and advisors and determine such terms of their engagement as it shall deem appropriate for the proper administration of the Plan and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations; and (k) make any other determination and take any other action that the

Committee deems necessary or desirable for the administration of the Plan and due compliance with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards or administer the Plan. In any such case, the Board shall have all of the authority and responsibility granted to the Committee herein.

3.3 Section 409A Matters. It is intended that the Plan and the Awards issued hereunder fall within available exemptions from the application of Section 409A (for example, the incentive stock option exemption, the exemption for certain nonqualified stock options and stock appreciation rights issued at Fair Market Value, the restricted property exemption, and/or the short-term deferral exemption) and are therefore not required to comply with Section 409A requirements. The Plan and the Awards will be administered and interpreted in a manner consistent with the intent set forth herein. Notwithstanding anything to the contrary in this Plan or in any Award Agreement, (a) this Plan and each Award Agreement may be amended from time to time as the Committee may determine to be necessary or appropriate in order to avoid this Plan, any grant of any Awards, or any Award Agreement from resulting in the inclusion of any compensation in the gross income of any Participant under Section 409A, and (b) if any provision of this Plan or of any Award Agreement would otherwise result in the inclusion of any compensation in the gross income of any Participant under Section 409A, then such provision shall not apply as to such Participant and the Committee, in its discretion, may apply in lieu thereof another provision that (in the judgment of the Committee) accomplishes the intent of this Plan or such Award Agreement without resulting in such inclusion so long as such action by the Committee does not violate Section 409A. The Company makes no representation or warranty regarding the treatment of this Plan or the benefits payable under this Plan or any Award Agreement under federal, state or local income tax laws, including Section 409A.

3.4 Liability Limitation. Neither the Board nor the Committee, nor any member of either, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any Award Agreement), and the members of the Board and the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by the Articles of Incorporation and/or Bylaws of the Company as then in effect and to the fullest extent under any directors and officers liability insurance coverage which may be in effect from time to time.

4. Term of Plan/Shares Subject to Plan.

4.1 Term. This Plan shall terminate on the tenth (10th) anniversary of the date of its approval by the shareholders of the Company, except with respect to Awards then outstanding. After such date no further Awards shall be granted under this Plan.

4.2 Shares Subject to Plan.

4.2.1 Shares. The Board shall reserve for Awards under this Plan 162,500 shares of the authorized and unissued Shares. In the event of a change in the Common Stock of the Company that is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof or from no par value to par

value, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be the Shares for purposes of this Plan. Shares which may be issued under this Plan shall be authorized and unissued shares of Common Stock. No fractional portion of a Share shall be issued under this Plan.

4.2.2 Maximum Number of Shares. The maximum number of Shares for which Awards may be granted to any Participant in any one (1) calendar year is 5,000 Shares.

4.2.3 Available Shares. Subject to Section 4.3, the maximum number of Shares authorized for issuance under this Plan shall be 162,500.

4.3 Computation of Available Shares. Subject to the provisions of the following sentence, for the purpose of computing the total number of Shares available for Awards, there shall be counted against the limitations set forth in Section 4.2 the maximum number of Shares potentially subject to issuance upon exercise or settlement of Awards granted under this Plan, in each case determined as of the date on which such Awards are granted. If any Awards expire unexercised or are forfeited, surrendered, canceled, terminated or settled in cash in lieu of Shares, the Shares which were theretofore subject (or potentially subject) to such Awards shall again be available for Awards under this Plan to the extent of such expiration, forfeiture, surrender, cancellation, termination or settlement of such Awards; provided, however, that forfeited Awards shall not again be available for Awards under this Plan if the applicable Participant received, directly or indirectly, any of the benefits of ownership of the securities of the Company underlying such Award, including, without limitation, the benefits described in Section 7.1.

5. Eligibility. Employees eligible for Awards under the Plan shall consist of key employees who are officers of the Company, its Subsidiaries and/or its Related Entities who are responsible for the management, growth and protection of the business of the Company, its Subsidiaries and/or its Related Entities and whose performance or contribution, in the sole discretion of the Committee, benefits or will benefit the Company in a significant manner. Non-employees (e.g., those with third party relationships such as Non-Employee Directors of the Company and/or a Subsidiary) shall be eligible for Awards of Non-Qualified Stock Options, Restricted Stock Units, and/or Restricted Stock at the sole discretion of the Committee.

6. Stock Options.

6.1 Terms and Conditions. Stock Options awarded under this Plan may be in the form of Incentive Stock Options or Non-Qualified Stock Options. Such Stock Options shall be subject to the terms and conditions of this Plan and any additional terms and conditions, not inconsistent with the express terms and conditions of this Plan, as the Committee shall set forth in the applicable Award Agreement.

6.2 Grant. Stock Options may be granted under this Plan in such form as the Committee may from time to time approve. Stock Options may be granted alone or in addition to other Awards. Notwithstanding the above, no Incentive Stock Options shall be granted to any

employee who owns more than ten percent (10%) of the combined total voting power of the Company or any Subsidiary, unless the requirements of Section 422(c)(6) of the Code are satisfied.

6.3 Exercise Price. The exercise price per Share subject to a Stock Option shall be determined by the Committee at the time of Award; provided, however, that the exercise price of any Stock Option shall not be less than 100% of the Fair Market Value of the Share on the date of the Award of such Stock Option. For any Participant who owns ten percent (10%) or more of the combined total voting power of the Company or any Subsidiary, the exercise price of an Incentive Stock Option shall not be less than 110% of such Fair Market Value.

6.4 Requirements for Non-Qualified Stock Options. All Non-Qualified Stock Options shall be issued at no less than 100% of Fair Market Value as provided for in Section 6.3. The number of shares subject to each Non-Qualified Stock Option will be fixed in the applicable Award Agreement. When the Non-Qualified Stock Options are transferred or exercised, the transfer or exercise shall be subject to taxation under Code Section 83 and Treasury Regulation §1.83-7. No Non-Qualified Stock Option awarded hereunder shall contain any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of the option under Treasury Regulation §1.83-7 or the time the Shares acquired pursuant to the exercise of the Non-Qualified Stock Option first becomes substantially vested as defined in Treasury Regulation §1.83-3(b). Further, each Non-Qualified Stock Option will comply with any other Section 409A requirement in order to maintain the status of the Non-Qualified Stock Option as exempt from the requirements of Section 409A.

6.5 Limitation on Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code. Incentive Stock Options may be granted only to employees of the Company or a subsidiary corporation (as defined in Section 422(a) of the Code). Notwithstanding any designation as an Incentive Stock Option, to the extent that the aggregate Fair Market Value of Shares subject to a Participant's Incentive Stock Options that become exercisable for the first time during any calendar year exceeds \$100,000, such excess Options shall be treated as Non-Qualified Stock Options. For purposes of the foregoing, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

6.6 Term. The term of each Stock Option shall be such period of time as is fixed by the Committee at the time of grant; provided, however, that the term of any Incentive Stock Option shall not exceed ten (10) years after the date the Incentive Stock Option is awarded. For any Participant who owns ten percent (10%) or more of the combined total voting power of the Company or any Subsidiary, the term of each Incentive Stock Option shall not exceed five (5) years.

6.7 Method of Exercise. A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Chief Financial Officer of the Company, or such other officer of the Company as the Committee shall designate, specifying the number of Shares to be purchased. Such notice shall be accompanied by payment in full of the exercise price in cash, by certified check, bank draft or money order payable to the order of the Company or, if permitted by the terms of the relevant Award Agreement or by the Committee and applicable law, by delivery of,

alone or in conjunction with a partial cash or instrument payment, (a) a fully-secured, recourse promissory note, or (b) shares of Common Stock already owned by the Participant or to be received upon exercise of the Stock Option in a “cashless exercise.” The Committee may also permit a Participant (either on a selective or group basis) to simultaneously exercise Stock Options and sell the shares of Common Stock thereby acquired, and use the proceeds from such sale as payment of the exercise price of such Stock Options. Payment instruments shall be received by the Company subject to collection. The proceeds received by the Company upon exercise of any Stock Option may be used by the Company for general corporate purposes.

6.8 Date of Exercise. Vesting dates of Stock Options awarded to a Participant will be determined by the Committee in its discretion and specified in the applicable Award Agreement, provided however that except as provided herein, in no event shall the vesting period of an Option be less than one year from its date of grant. Stock Options that meet the vesting requirements may be exercised in whole or in part at any time and from time to time during their specified terms.

6.9 Shareholder Rights. Until Stock Options are exercised, a Participant shall not have any right to vote, to receive dividends, or to have or exercise any other rights as a shareholder. In addition, upon exercise of a Stock Option, the Participant shall not be entitled to any dividends declared and paid on the underlying shares between the date of grant and the date of exercise.

7. Restricted Awards.

7.1 Terms and Conditions. Restricted Awards shall be in the form of grants of Restricted Stock and/or Restricted Stock Units. Restricted Awards shall be subject to the terms and conditions set forth in this Section 7, if applicable, Section 10, and any additional terms and conditions, not inconsistent with the express terms and provisions of this Plan, as the Committee shall set forth in the applicable Award Agreement. The Award Agreement shall specify the vesting schedule and whether the Restricted Stock and/or Restricted Stock Unit, as applicable, is entitled to voting rights, dividend rights or any other rights; provided, however, that except as otherwise provided herein, such Restricted Stock or Restricted Stock Unit shall not vest any sooner than the one year anniversary of its date of grant. The Committee may specify in the applicable Award Agreement that any or all dividends, dividend equivalents or other distributions, as applicable, paid on Restricted Stock and/or the Share(s) underlying a Restricted Stock Unit, as applicable, prior to vesting or settlement, as applicable, be paid either in cash or in additional Shares and either on a current or deferred basis and that such dividends, dividend equivalents or other distributions may be reinvested in additional Shares, which may be subject to the same restrictions as the underlying Awards; provided, however, that dividends, dividend equivalents or other distributions, as applicable, on Restricted Stock and/or Restricted Stock Units, as applicable, with restrictions that lapse as a result of the achievement of performance conditions shall be deferred until and paid contingent upon the achievement of the applicable performance conditions.

7.2 Restricted Awards. An Award of Restricted Stock is an Award of Shares and an Award of Restricted Stock Units is an Award of a contractual right to receive Shares, in each case, subject to such restrictions, terms and conditions as the Committee deems appropriate,

including, without limitation, restrictions on the sale, assignment, transfer, pledge, hypothecation or other disposition of such Shares or contractual right, as applicable, and the requirements that such Shares or contractual right, as applicable, be forfeitable as set forth in the applicable Award Agreement.

7.3 Grants of Awards.

7.3.1 Restricted Awards may be granted alone or in addition to any other Awards. Subject to the terms of this Plan, the Committee shall determine the number of Restricted Awards to be granted to a Participant and the Committee may impose different terms and conditions on any particular Restricted Award made to any Participant.

7.3.2 Shares of Restricted Stock and Shares issuable pursuant to a Restricted Award shall be issued in an uncertificated form and registered in the name of the Participant. The stock transfer books of the Company's designated Stock Transfer Agent shall be noted with the following notation with reference to the Shares made subject to an Award of Restricted Stock:

“These shares are subject to the terms and restrictions of the M&F Bancorp, Inc. Long-Term Stock Incentive Plan and the applicable Award Agreement thereunder; such shares are subject to forfeiture or cancellation under the terms of said Plan; and such shares shall not be sold, transferred, assigned, pledged, encumbered, or otherwise alienated or hypothecated except pursuant to the provisions of said Plan, a copy of which Plan is available from the Corporate Secretary of M&F Bancorp, Inc. upon request.”

7.4 Restriction Period. In accordance with Sections 7.1 and 7.2, Restricted Awards shall only become unrestricted and vest in the Participant in accordance with such vesting schedule relating to any service period restriction applicable to such Restricted Award as set forth in the relevant Award Agreement (the “Restriction Period”); provided that except as provided herein, such Restriction Period shall be no less than one year from date of grant. During the Restriction Period applicable to an Award of Restricted Stock, such Shares of Restricted Stock shall be unvested and a Participant may not sell, assign, transfer, pledge, encumber or otherwise dispose of or hypothecate such Shares. Upon expiration of the Restriction Period, and satisfaction of any other applicable restrictions, terms and conditions, the Participant shall be entitled to receive payment of the Award of Restricted Stock or the Restricted Stock Units, or a portion thereof as the case may be, as provided in Section 7.5.

7.5 Distribution of Shares. After expiration of the Restriction Period and the satisfaction and/or lapse of the restrictions, terms and conditions set by the Committee in respect of an Award of Restricted Stock, the number of Shares vested in the Participant shall remain in uncertificated form but the notation set forth in Section 7.3.2 shall be removed on or before the 30th day following the satisfaction and/or lapse of the restrictions, terms and conditions. The remaining Shares, if any, issued in respect of such Restricted Award shall either be forfeited and canceled, or shall continue to be subject to the restrictions, terms and conditions set by the Committee, as the case may be. After expiration of the Restriction Period and the satisfaction and/or lapse of the

restrictions, terms and conditions set by the Committee in respect of an Award of Restricted Stock Units, the number of Shares vested in the Participant shall be issued to the Participant in uncertificated form no later than the 15th day of the third month following the end of the Participant's taxable year in which the Participant vests in the Award. The remaining Shares, if any, issued in respect of such Restricted Award shall either be forfeited and canceled, or shall continue to be subject to the restrictions, terms and conditions set by the Committee, as the case may be.

If, and to the extent the Committee intends that a Restricted Award granted under this Section 7 shall constitute or give rise to Section 162(m) Compensation, such Restricted Award shall be structured in accordance with the requirements of Section 10, including the performance criteria set forth therein, and any such Restricted Award shall be considered a Performance Award for purposes of this Plan.

8. Performance Units.

8.1 Terms and Conditions. Awards of Performance Units shall be subject to the terms and conditions set forth in this Section 8, if applicable, Section 10, and any additional terms and conditions, not inconsistent with the express provisions of this Plan, as the Committee shall set forth in the applicable Award Agreement.

8.2 Performance Unit Grants. A Performance Unit is an Award of units (with each unit representing such monetary amount as is designated by the Committee in the Award Agreement) granted to a Participant, subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit such units (or a portion thereof) in the event certain performance criteria are not met within a designated period of time.

8.3 Grants. Performance Units may be awarded alone or in addition to any other Awards. Subject to the terms of this Plan, the Committee shall determine the number of Performance Units to be awarded to a Participant and the Committee may impose different terms and conditions on any particular Performance Units awarded to any Participant.

8.4 Performance Goals and Performance Periods. Participants receiving Awards of Performance Units shall only earn and be entitled to payment in respect of such Awards if the Company, a Subsidiary and/or another Related Entity specified by the Committee and/or the Participant satisfy certain performance goals during and in respect of one of more designated performance period(s) of at least 12 consecutive months as determined by the Committee. Such goals and periods shall be established by the Committee in its sole discretion and shall be set forth in writing in the Award Agreement. Performance periods may overlap each other from time to time, and the Committee may set different performance periods for different performance goals. The Committee shall also establish in the Award Agreement a written schedule or schedules for such Performance Units setting forth the portion of the Award which will be earned or forfeited based on the degree of achievement, or lack thereof, of the performance goals at the end of the relevant performance period(s).

8.5 Payment of Units. With respect to each Performance Unit, the Participant shall, if the applicable performance goals have been satisfied by the Company, a Subsidiary and/or a Related Entity and/or the Participant, as applicable, during the relevant performance period(s), be entitled to receive payment in an amount equal to the designated value of each Performance Unit awarded times the number of such Performance Units so earned. Payment in settlement of earned Performance Units shall be made on or before the 75th day following the conclusion of the applicable performance period(s) in cash as provided in the relevant Award Agreement, but no later than the 15th day of the third month following the end of the Participant's taxable year that includes or coincides with the end of the performance period.

If, and to the extent the Committee intends that an Award granted under this Section 8 shall constitute or give rise to Section 162(m) Compensation, such Award shall be structured in accordance with the requirements of Section 10, including the performance criteria set forth therein, and any such Award shall be considered a Performance Award for purposes of the Plan.

9. Deferral Elections. Subject to the following provisions and to the extent permitted by applicable law, including Section 409A, the Committee may permit a Participant to elect to defer receipt of any payment of cash or any delivery of Shares that would otherwise be due to such Participant by virtue of the exercise, earn out or settlement of any Award made under the Plan other than an Award of Stock Options.

9.1 Stock Options awarded under Section 6 shall not be deferred under this Section 9.

9.2 If so provided in the Award Agreement, and permitted by applicable law, payment of Restricted Stock and payment of Shares under a Restricted Stock Unit, may be deferred by the Participant if the following conditions are met: (i) the Participant makes his or her deferral election on or before the 30th day following the grant of the Award, (ii) at the time of the deferral election, the Participant must continue to provide services to the Company (or a Subsidiary or Related Entity) for at least 12 months in order to obtain the right to payment of the Restricted Stock, and (iii) the applicable Restriction Period will not end for at least 12 months following the date of the deferral election.

9.3 If so provided in the Award Agreement and permitted by applicable law, payment of Performance Units in cash may be deferred by the Participant if the following conditions are met: (i) the Participant continues to provide services to the Company (or a Subsidiary or Related Entity) continuously from the date the performance goals are established through the date of the deferral election, and (ii) the Participant makes his or her deferral election at least six (6) months prior to the end of the last performance period giving rise to the Participant's right to payment of Performance Units; provided, however, that in no event will an election to defer be made after the payment of the Performance Units has become both substantially certain and readily ascertainable.

If a deferral election is permitted under this Section 9, the Committee shall establish rules and procedures for such deferrals, including, without limitation, the payment or crediting of reasonable interest on such deferred amounts credited in cash or the crediting of dividend equivalents in respect of deferred Awards credited in Shares.

10. Performance Awards. Awards made to Covered Employees may be designated by the Committee as Performance Awards and constituting Section 162(m) Compensation. Performance Awards shall comply with the following terms and conditions and with such additional terms and conditions as the Committee shall determine, in either case not inconsistent with the provisions of the Plan:

(a) A Performance Award shall condition the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction or such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. Subject to the terms of the Plan, the performance goals to be achieved during any Performance Period, the length of any Performance Period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee.

(b) Each such Performance Award shall include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement during a Performance Period or Performance Periods, as determined by the Committee, of a level or levels of, or increases or decreases of, in each case as determined by the Committee, one or more of the following performance measures or any other performance measure reasonably determined by the Committee, with respect to the Company, a Subsidiary and/or a Related Entity:

(i) return measures (including, but not limited to, total shareholder return, return on equity, return on tangible common equity, return on tier 1 common equity, return on assets or net assets, return on risk-weighted assets, and return on capital (including return on total capital or return on invested capital));

(ii) revenues (including, but not limited to, total revenue, gross revenue, net revenue, revenue growth, and net sales);

(iii) income/earnings measures (including, but not limited to, earnings per share, earnings or loss (including earnings before or after interest, taxes, depreciation and amortization), gross income, net income after cost of capital, net interest income, non-interest income, fee income, net interest margin, operating income (before or after taxes), pre- or after-tax income or loss, pre- or after-tax operating income, net earnings, net income or loss, operating margin, gross margin, and adjusted net income);

(iv) expense measures (including, but not limited to, expenses, operating efficiencies, non-interest expense and operating/efficiency ratios or percentages, and improvement in or attainment of expense levels or working capital levels (including cash and accounts receivable));

(v) balance sheet/risk management measures (including, but not limited to, loans, deposits, assets, tangible equity, charge-offs, net charge-offs, non-performing assets or loans, risk-weighted assets, classified assets, criticized assets, allowance for loans and lease losses, loan loss reserves, asset quality levels, year-end cash, investments, interest-sensitivity gap levels, regulatory

compliance, satisfactory internal or external audits, financial ratings, shareholders' equity, tier 1 capital, and liquidity);

(vi) cash flow measures (including, but not limited to, cash flow or cash flow per Share (before or after dividends), and cash flow return on investment);

(vii) Share price measures (including, but not limited to, Share price, appreciation in and/or maintenance of Share price, and market capitalization);

(viii) strategic objectives (including, but not limited to, market share, debt reduction, operating efficiencies, customer satisfaction, customer or customer household growth, employee satisfaction, research and development achievements, branding, mergers and acquisitions, merger integration, succession management, human resources development, management retention, expense reduction initiatives, reductions in costs, risk management, regulatory compliance and achievements, and recruiting and maintaining personnel); and

(ix) other measures (including, but not limited to, financial ratios (including those measuring liquidity, activity, profitability or leverage), cost of capital or assets under management, and financing and other capital raising transactions.

Performance criteria may be measured on an absolute or relative basis, may be established on a corporate-wide basis or with respect to one or more business units, may be based on a ratio or separate calculation of any performance criteria and may be made relative to an index or one or more of the performance goals themselves. Relative performance may be measured against a group of peer companies, a financial market index or other acceptable objective and quantifiable indices. Performance measures may vary from Performance Award to Performance Award and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative. The Committee shall have the power to impose such other restrictions on Awards subject to this Section 10 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Section 162(m) Compensation or requirements of any applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations. Notwithstanding any provision of this Plan to the contrary, the Committee shall not be authorized to increase (but may decrease) the amount payable under any Performance Award upon attainment of such pre-established formula.

(c) Performance Awards shall be settled only after the end of the relevant Performance Period. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with a Performance Award but, to the extent required by Section 162(m) of the Code, may not exercise discretion to increase any amount payable to a Covered Employee in respect of a Performance Award intended to qualify as Section 162(m) Compensation. Any settlement that changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award does not, solely for that reason, fail to qualify as Section 162(m) Compensation.

(d) For a Performance Award subject to any pre-established formula, no more than 5,000 Shares can be paid in satisfaction of such Award to any Participant, subject to adjustment as provided in Section 13.

11. Termination of Employment or Service.

11.1 General. Subject to the terms and conditions of Section 14, if, and to the extent the terms and conditions under which an Award may be exercised, earned out or settled after a Participant's termination of employment (or other engagement) or a Non-Employee Director ceases to be a director, for any particular reason shall not have been set forth in the relevant Award Agreement, by and as determined by the Committee in its sole discretion and in accordance with Section 409A to the extent Section 409A applies to the Award, the following terms and conditions shall apply as appropriate and as not inconsistent with the terms and conditions, if any, of such Award Agreement:

11.1.1 Except as otherwise provided in this Section 11.1.1 or Section 14:

(a) If the employment by the Company or any of its Subsidiaries or Related Entities of a Participant who is an employee or the term of a Participant who is a Non-Employee Director is terminated for any reason (other than Disability, Retirement or Death) while Stock Options granted to such Participant are non-vested, such Participant's rights, if any, to exercise any non-vested Stock Options, if any, shall immediately terminate and the Participant (and such Participant's estate, designated beneficiary or other legal representative) shall forfeit any rights or interest in or with respect to any such Stock Options. In the event of Disability, Retirement or Death while a Participant's Stock Options are non-vested, such non-vested Stock Options shall become vested to the extent determined by the Committee in compliance with applicable law.

(b) The Committee, in its sole discretion, may determine that vested Incentive Stock Options, if any, of a Participant whose employment terminates other than by reason of Disability, Retirement or Death, to the extent exercisable immediately prior to such termination of employment or service as a director, may remain exercisable for a specified time period not to exceed 30 days after such termination (subject to the applicable terms and provisions of this Plan).

(c) If a Participant's termination of employment is due to Disability, the Participant shall have the right, subject to the applicable terms and provisions of this Plan and the relevant Award Agreement, to exercise Incentive Stock Options, if any, at any time within the period ending on the earlier of the end of the term of such Incentive Stock Options and the first anniversary of the date of termination due to Disability (to the extent such Participant was entitled to exercise any such Incentive Stock Options immediately prior to such termination).

(d) If a Participant's termination of employment is due to Retirement, the Participant shall have the right, subject to the applicable terms and provisions of this Plan and the relevant Award Agreement, to exercise Incentive Stock Options, if any, at any time

within three (3) months following such termination due to Retirement (to the extent such Participant was entitled to exercise any such Incentive Stock Options immediately prior to such termination).

(e) If any Participant dies while entitled to exercise a Stock Option, if any, such Participant's estate, designated beneficiary or other legal representative, as the case may be, shall have the right, subject to the applicable provisions of the Plan (and any rules or procedures hereunder) and the relevant Award Agreement, to exercise such Stock Options, if any, at any time within one (1) year from the date of such Participant's Death (but in no event more than one (1) year from the date of such Participant's termination of employment due to Disability or three (3) months from the date of such Participant's termination of employment due to Retirement, as applicable).

(f) If vested Stock Options held by a Participant who is an employee and whose employment is terminated by reason of Disability or Retirement are Non-Qualified Stock Options, the Participant shall have the right, subject to the applicable terms and provisions of this Plan and the relevant Award Agreement, to exercise such Non-Qualified Stock Options at any time following the Participant's termination of employment (to the extent the Participant was entitled to exercise such Non-Qualified Stock Options immediately prior to such termination) and prior to the expiration date of such Non-Qualified Stock Options as fixed by the Committee and set forth in the Award Agreement related thereto.

(g) In the event of the Disability, Retirement or Death of a Non-Employee Director while the Non-Employee Director's Non-Qualified Stock Options are non-vested, such non-vested, Non-Qualified Stock Options shall become vested to the extent determined by the Committee. The Committee, in its sole discretion, may determine that vested Non-Qualified Stock Options, if any, of a Non-Employee Director who ceases to be a director other than by reason of Disability, Retirement or Death, to the extent exercisable immediately prior to such cessation, may remain exercisable for a specified time period not to exceed 90 days after such cessation (subject to the applicable terms and provisions of this Plan and the relevant Award Agreement). If the cessation of a Non-Employee Director's status as a director is due to Retirement or Disability, the Non-Employee Director shall have the right, subject to the applicable terms and provisions of this Plan and the relevant Award Agreement, to exercise such vested Non-Qualified Stock Options, if any, at any time within the period following such cessation due to Retirement or Disability (to the extent such Non-Employee Director was entitled to exercise any such Non-Qualified Stock Options immediately prior to such cessation) and prior to the expiration date of such Non-Qualified Stock Options as fixed by the Committee and as set forth in the Award Agreement related thereto. If any Non-Employee Director dies while entitled to exercise Non-Qualified Stock Options, such Non-Employee Director's estate, designated beneficiary or other legal representative, as the case may be, shall have the right, subject to the applicable provisions of this Plan and the relevant Award Agreement, to exercise such Non-Qualified Stock Options, if any, at any time within one (1) year from the date of such Non-Employee Director's Death.

11.1.2 Unless otherwise provided in the Award Agreement, if a Participant's employment with the Company or any of its Subsidiaries is terminated for any reason (other than Disability, Retirement or Death) prior to the satisfaction and/or lapse of the restrictions, terms and conditions applicable to Restricted Award(s), such Restricted Award or Awards shall be forfeited. Except with respect to restrictions which are performance-based, if the Committee so determines in its discretion, the Award Agreement may provide that some or all of the Shares subject to an Award of Restricted Stock shall become free of restrictions, or the Shares underlying Restricted Stock Units may be issued, in the event of a Participant's Disability, Retirement or Death during the Restriction Period.

11.1.3 Unless otherwise provided in the Award Agreement, if a Participant's employment with the Company or any of its Subsidiaries or Related Entities is terminated for any reason prior to the completion of any Performance Period, all of such Participant's Performance Units earnable in relation to such Performance Period shall be forfeited. If the Committee so determines in its discretion, the Award Agreement may provide that some or all of such Participant's Performance Units will be paid if the Participant's termination of employment is due to Disability, Retirement or Death during the Performance Period.

12. Non-Transferability of Awards.

12.1 Except as otherwise provided in Section 12.2, no Award under this Plan or any Award Agreement, and no rights or interests therein, shall or may be assigned, transferred, sold, exchanged, pledged, disposed of or otherwise hypothecated or encumbered by a Participant or any beneficiary thereof, except by testamentary disposition or the laws of descent and distribution. No such right or interest shall be subject to seizure for the payment of the Participant's (or any beneficiary's) debts, judgments, alimony, or separation maintenance or be transferable by operation of law in the event of the Participant's (or any beneficiary's) bankruptcy or insolvency. Except as otherwise provided in Section 12.2, during the lifetime of a Participant, Stock Options are exercisable only by the Participant.

12.2 A Participant who holds Non-Qualified Stock Options (whether such Stock Options were Non-Qualified Stock Options when awarded or subsequent to the Award thereof became Non-Qualified Stock Options pursuant to applicable law or any provision of this Plan) may assign those Non-Qualified Stock Options to a Permitted Assignee (as defined below) at any time after the Award is made, but prior to the expiration date, of such Non-Qualified Stock Options if as of the time of such transfer (i) a registration statement on Form S-8 (or any successor form) filed by the Company under the Securities Act, with respect to this Plan (and the Awards granted and Shares issuable hereunder) and (ii) a registration statement on Form S-3 (or any successor form) filed by the Company under the Securities Act with respect to Shares issuable to Permitted Assignees have been declared effective by the SEC and all applicable state securities and blue sky authorities, and remain in effect. Each such transferred Non-Qualified Stock Option shall continue to be governed by the applicable terms and provisions of this Plan (and any rules or procedures hereunder) and the applicable Award Agreement with the transferor Participant, and the Permitted Assignee shall be entitled to the same rights and subject to the same obligations, restrictions, limitations and prohibitions under this Plan and such Award Agreement as the transferor Participant, as if such assignment had not taken place; provided, however, that no Non-Qualified Stock Option assigned to

a Permitted Assignee may be assigned by that Permitted Assignee. The term “Permitted Assignee” shall mean such persons and entities as are permitted assignees of Non-Qualified Stock Options under the SEC’s regulations, rules and interpretations existing at the time of the proposed transfer.

13. Changes in Capitalization and Other Matters.

13.1 No Corporate Action Restriction. The existence of this Plan, Award Agreements and/or the Awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Board or the shareholders of the Company to make or authorize (a) any adjustment, recapitalization, reorganization or other change in the Company’s, any Subsidiary’s or any Related Entity’s capital structure or its business, (b) any merger, share exchange or change in the ownership of the Company, any Subsidiary or any Related Entity, (c) any issuance of bonds, debentures, capital, preferred or prior preference stocks ahead of or affecting the Company’s, any Subsidiary’s or any Related Entity’s capital stock or the rights thereof, (d) any dissolution or liquidation of the Company, any Subsidiary or any Related Entity, (e) any sale or transfer of all or any part of the Company’s, any Subsidiary’s or any Related Entity’s assets or business, or (f) any other corporate act or proceeding by the Company, any Subsidiary or any Related Entity. No Participant, Permitted Assignee, beneficiary or any other person shall have any claim against any member of the Board, the Committee, the Company, any Subsidiary or any Related Entity as a result of any such action.

13.2 Recapitalization Adjustments. Subject to any required action by the Company’s shareholders, the number of Shares covered by each outstanding Award, and the number of Shares that have been authorized for issuance under the Plan but as to which no Awards have yet been granted or that have been returned to the Plan, the exercise or purchase price of each such outstanding Award, as well as any other terms that the Committee determines in its exclusive discretion require adjustment, shall be proportionately adjusted for (a) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination, or reclassification of the Shares, or similar event affecting the Shares; (b) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; or (c) as the Committee determines in its exclusive discretion, any other transaction with respect to Shares to which Code Section 424(a) applies or any similar transaction; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment, if any, shall be made by the Committee in its exclusive discretion, and its determination shall be final, binding and conclusive. Except as the Committee determines in its exclusive discretion, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

14. Changes in Control/Related Entity Dispositions.

14.1 Acceleration of Awards Vesting. Except as otherwise provided in Section 14.2, the following provisions apply as applicable:

14.1.1 Change in Control. On the specified effective date of a Change in

Control, each Award that is at the time outstanding automatically shall become fully vested and exercisable and be released from any restrictions on transfer (other than transfer restrictions applicable to Incentive Stock Options) and repurchase or forfeiture rights, immediately prior to the specified effective date of such Change in Control, for all the Shares at the time represented by such Award (except to the extent that such acceleration of exercisability would result in an “excess parachute payment” within the meaning of Code Section 280G). Notwithstanding the foregoing provisions, the Committee may, in its exclusive discretion, provide as part of a Section 424 Corporate Transaction that any one or more of the foregoing provisions shall not apply.

14.1.2 Related Entity Disposition. On the specified effective date of a Related Entity Disposition, for each Participant who on such specified effective date is engaged primarily in service to the Related Entity that is the subject of the Related Entity Disposition, each Award that is at the time outstanding automatically shall become fully vested and exercisable and be released from any restrictions on transfer (other than transfer restrictions applicable to Incentive Stock Options) and repurchase and forfeiture rights, immediately prior to the specified effective date of such Related Entity Disposition, for all the Shares at the time represented by such Award. Notwithstanding the foregoing provisions, the Committee may, in its exclusive discretion, provide as part of a Section 424 Corporate Transaction that any one or more of the foregoing provisions shall not apply.

14.1.3 Code Section 424 Matters. The Committee may provide in any Award, Award Agreement, or as part of a Section 424 Corporate Transaction, that if the requirements of Treas. Reg. §1.424-1 (without regard to the requirement described in Treas. Reg. §1.424-1(a)(2) that an eligible corporation be the employer of the Participant) would be met if the stock right were an Incentive Stock Option, the substitution of a new stock right pursuant to a Section 424 Corporate Transaction for an outstanding stock right or the assumption of an outstanding stock right pursuant to a Section 424 Corporate Transaction shall not be treated as the grant of a new stock right or a change in the form of payment. The requirement of Treas. Reg. §1.424-1(a)(5)(iii) is deemed satisfied if the ratio of the exercise price to the Fair Market Value of the Shares immediately after the substitution or assumption is not greater than the ratio of the exercise price to the Fair Market Value of the Shares immediately before the substitution or assumption. In the case of a transaction described in Code Section 355 in which the stock of the distributing corporation and the stock distributed in the transaction are both readily tradable on an established securities market immediately after the transaction, the requirements of Treas. Reg. §1.424-1(a)(5) may be satisfied by:

- (1) using the last sale before or the first sale after the specified date as of which such valuation is being made, the closing price on the last trading day before or the trading day of a specified date, the arithmetic mean of the high and low prices on the last trading day before or the trading day of such specified date, or any other reasonable method using actual transactions in such stock as reported by such market on a specified date, for the stock of the distributing corporation and the stock distributed in the transaction, provided the specified date is designated before such specified date, and such specified date is not more than 60 days after the transaction;

- (2) using the arithmetic mean of such market price on trading days during a specified period designated before the beginning of such specified period, when such specified period is no longer than 30 days and ends no later than 60 days after the transaction; or
- (3) using an average of such prices during such pre-specified period weighted based on the volume of trading of such stock on each trading day during such pre-specified period.

14.2 Six-Month Rule. The provisions of Section 14.1 shall not apply to any Award that has been granted and outstanding for less than six (6) months as of the date of the Change in Control or Related Entity Disposition.

14.3 Payment. On or before the 60th day after a Change in Control or Related Entity Disposition occurs, (a) the holder of an Award of Restricted Stock shall receive shall be entitled to have the notation set forth in Section 7.3.2 removed from the Company's stock transfer books reflecting the Participant's ownership of such Shares, (b) the holder of Restricted Stock Units shall be entitled to have issued to the Participant the Shares underlying the Participant's Restricted Stock Units, and (c) the holder of an Award of Performance Units shall receive payment of the value of such Award in cash. Notwithstanding the foregoing, to the extent Section 409A applies to an Award, payment of the Award shall be made no later than the 15th day of the third month following the Participant's taxable year in which the Change in Control or Related Entity Disposition occurred (or is deemed to have occurred pursuant to Section 14.4).

14.4 Termination as a Result of a Potential Change in Control. In determining the applicability of Section 14.1.1 as it relates to a Change in Control, if (a) a Participant's employment is terminated by the Company, any Subsidiary or any Related Entity (and the termination constitutes a Separation from Service) prior to a Change in Control without Cause (as defined in Section 14.5) at the request of a Person (as defined in Section 14.5) who has entered into an agreement with the Company the consummation of which will constitute a Change in Control, or (b) the Participant terminates the Participant's employment with the Company, any Subsidiary or any Related Entity for Good Reason prior to a Change in Control (and incurs a Separation from Service) and the circumstance or event which constitutes Good Reason occurs at the request of the Person described in Section 14.5.4, then for purposes of this Section 14, a Change in Control shall be deemed to have occurred immediately prior to such Participant's termination of employment.

14.5 Definitions. For purposes of this Section 14, the following words and phrases shall have the meaning specified:

14.5.1 "Beneficial Owner" shall have the meaning set forth in SEC Regulation §240.13d-3 or any successor regulation.

14.5.2 "Cause" shall mean, unless otherwise defined in an employee Participant's individual employment agreement with the Company, any Subsidiary or any Related Entity (in which case such employment agreement definition shall govern), (a) the indictment of the Participant for any serious crime, (b) the willful and continued failure by

the Participant to substantially perform the Participant's duties, as they may be defined from time to time, with the Participant's primary employer or to abide by the written policies of the Company or the Participant's primary employer (other than any such failure resulting from the Participant's incapacity due to physical or mental illness), or (c) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to the Company, any Subsidiary or any Related Entity, monetarily or otherwise. For purposes of the preceding sentence, no act shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that such act, or failure to act, was in the best interests of the Company and its Subsidiaries.

14.5.3 "Good Reason" for termination by a Participant of the Participant's employment shall mean, unless otherwise defined in an employee Participant's individual employment agreement with the Company, any Subsidiary or any Related Entity (in which case such employment agreement definition shall govern), a Participant's voluntary Separation from Service when the following conditions are satisfied:

(a) The Separation from Service occurs no later than two (2) years after the initial existence of one or more of the following conditions that arise without the Participant's consent:

- i. a material diminution in the Participant's base compensation;
- ii. a material diminution in the Participant's authority, duties, or responsibilities;
- iii. a material change in the geographical location at which the Participant performs services; or
- iv. any other act or failure to act that constitutes a material breach by the Company, a Subsidiary, or a Related Entity of any individual employment agreement under which the Participant provides services; and

(b) The Participant gives written notice to the Board or other governing body of the entity to which the Participant primarily provides services of the condition described in subparagraph (1) above within 90 days of its initial existence, and upon receipt of the written notice, the Company, Subsidiary, or Related Entity has 30 days to cure it.

14.5.4 "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 14(d) and 15(d) thereof; provided, however, a Person shall not include (a) the Company or any Subsidiary, (b) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a Subsidiary qualified under Section 401(a) of the Code, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, or (d) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of securities of the Company.

14.5.5 “Surviving Entity” shall mean only an entity in which all or substantially all of the Company’s shareholders immediately before any merger, share exchange or liquidation become shareholders by the terms of such merger, share exchange or liquidation.

14.6 Adverse Tax Consequences. If the making of any payment or payments pursuant to this Section 14 or otherwise would (a) subject the Participant to an excise tax under Code Section 4999, or any like or successor section thereto, or (b) result in the Company’s loss of a federal income tax deduction for such payments under Code Section 280G, or any like or successor section thereto (either or both, an “Adverse Tax Consequence”), then, unless otherwise expressly provided in a relevant Award Agreement, the payments attributable to this Plan that are “parachute payments” within the meaning of Code Section 280G may be reduced, as determined by the Committee in its sole discretion, but after consultation with the Participant affected, to the extent necessary to avoid any Adverse Tax Consequence. Any disputes regarding whether any payments to a Participant would result in an Adverse Tax Consequence shall be resolved by an opinion of a nationally recognized accounting firm acceptable to the Company and the Participant (with the Company’s independent auditors being deemed acceptable).

15. Amendment, Suspension and Termination.

15.1 In General. The Board may suspend or terminate this Plan (or any portion thereof) at any time and may amend or otherwise alter this Plan at any time and from time to time in such respects as the Board may deem advisable to insure that any and all Awards conform to or otherwise reflect any change in applicable laws or regulations, or to permit the Company or the Participants to benefit from any change in applicable laws or regulations, or in any other respect the Board may deem to be in the best interests of the Company or any Subsidiary; provided, however, that no such amendment shall, without the requisite shareholder approval to the extent required by law or the rules of any exchange upon which the Shares are listed or any market on which the Shares are qualified for quotation, (a) except as provided in Section 13, materially increase the number of Shares which may be issued under this Plan, (b) materially modify the requirements as to eligibility for participation in this Plan, (c) materially increase the benefits accruing to Participants under this Plan, or (d) extend the termination date of this Plan. No such amendment, alteration, suspension or termination shall (i) materially adversely affect the vested rights of any Participant under any outstanding Award, without the consent of such Participant (except to the extent any amendment, alteration, suspension or termination is made to cause the Plan to comply with applicable law, stock market or exchange rules, accounting or tax rules or regulations, or any “clawback” or recoupment laws, rules or regulations, or (ii) make any change that would disqualify this Plan, or any other plan of the Company or any Subsidiary intended to be so qualified, from (A) the exemption provided by SEC Regulation §240.16b-3, or any successor thereto, or (B) the benefits provided under Section 422 or any successor thereto. Further provided, that no amendment, suspension, or termination shall be effected if it will violate Section 409A, to the extent that Section 409A applies to the portion(s) of this Plan being so amended, suspended and/or terminated.

15.2 Award Agreements. The Committee may amend or modify at any time and from time to time any outstanding Award and Award Agreement, in any manner to the extent that

the Committee would have had the authority under this Plan to initially determine the restrictions, terms and provisions of such Award, including, without limitation, to change the date or dates as of which Stock Options may be exercised provided, however, that except as provided in Section 3.2, in no event shall the Committee have the discretion to accelerate the vesting of an Award to a date which is less than one year following the date of such Award's grant. No such amendment or modification shall, however, materially adversely affect the vested rights of any Participant under any such Award and Award Agreement without the consent of such Participant (except to the extent any amendment, alteration, suspension or termination is made to cause the Plan to comply with applicable law, stock market or exchange rules, accounting or tax rules or regulations, or any "clawback" or recoupment laws, rules or regulations. Further provided, that no amendment or modification shall be effected if it will violate Section 409A, to the extent that Section 409A applies to the portion(s) of the Award and Award Agreement being so amended or modified. Finally notwithstanding anything in this Plan or an Award Agreement to the contrary, the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Options or cancel outstanding Options in exchange for cash, other awards or Options (including cash buyouts and voluntary surrender of underwater Options) with an exercise price that is less than the exercise price of the original Options without shareholder approval.

16. Miscellaneous.

16.1 Tax Withholding. The Company shall have the right to deduct from any payment or settlement under this Plan, including, without limitation, the exercise of any Stock Option, the payment of any Performance Unit or the delivery or vesting of any Shares, any federal, state, local or other taxes of any kind which the Committee, in its sole discretion, deems necessary to be withheld to comply with the Code and/or any other applicable law, rule or regulation. If the Committee, in its sole discretion, permits Shares to be used to satisfy any such tax withholding, such Shares shall be valued based on the Fair Market Value of such Shares as of the date the tax withholding is required to be made, such date to be determined by the Committee. The Committee may establish rules limiting the use of Shares to meet withholding requirements by Participants who are subject to Section 16 of the Exchange Act.

16.2 No Right to Employment. Neither the adoption of this Plan, the granting of any Award, nor the execution of any Award Agreement shall confer upon any employee of the Company, any Subsidiary or any Related Entity any right to continued employment with the Company, any Subsidiary or any Related Entity, as the case may be, nor shall it interfere in any way with the right, if any, of the Company, any Subsidiary or any Related Entity to terminate the employment of any employee at any time for any reason.

16.3 No Right to Participate. No employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, Participants or other persons under this Plan. The terms and conditions of Award Agreements need not be the same with respect to each Participant. Any Award granted under the Plan shall be a one-time Award that does not constitute a promise of future grants. The Company, in its sole discretion, maintains the right to make available future grants under the Plan.

16.4 Unfunded Plan. This Plan shall be unfunded and the Company shall not be required to segregate any assets in connection with any Awards. Any liability of the Company to any Person with respect to any Award or any Award Agreement shall be based solely upon the contractual obligations that may be created as a result of this Plan or any such Award or Award Agreement. No such obligation of the Company shall be deemed to be secured by any pledge of, encumbrance on, or other interest in, any property or asset of the Company, any Subsidiary or any Related Entity. Nothing contained in this Plan or any Award Agreement shall be construed as creating in respect of any Participant (or beneficiary thereof, any Permitted Assignee or any other person) any equity or other interest of any kind in any assets of the Company, any Subsidiary or any Related Entity creating a trust of any kind or a fiduciary relationship of any kind between the Company, any Subsidiary, any Related Entity and/or any such Participant, any beneficiary, any Permitted Assignee or any other person.

16.5 Payments to a Trust. The Committee is authorized to cause to be established a trust agreement or several trust agreements or similar arrangements from which the Committee may make payments of amounts due or to become due to any Participant under this Plan so long as the establishment of the trust agreement(s) is consistent with Code Section 409A and other applicable law.

16.6 Other Company Benefit and Compensation Programs. Payments and other benefits received by a Participant under an Award shall not be deemed a part of a Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Company, any Subsidiary or any Related Entity unless expressly provided in such other plans or arrangements, or except where the Board expressly determines in writing that inclusion of an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of competitive annual base salary or other cash compensation. Awards may be made in addition to, in combination with, or as alternatives to, grants, awards or payments under any other plans or arrangements of the Company, its Subsidiaries or its Related Entities. The existence of this Plan notwithstanding, the Company, any Subsidiary and any Related Entity may adopt such other compensation plans or programs and additional compensation arrangements as it deems necessary to attract, retain and motivate employees.

16.7 Severable Provisions. If any provision of the Plan or any Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award Agreement, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award Agreement shall remain in full force and effect.

16.8 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

16.9 Listing, Registration and Other Legal Compliance. No Award shall be made and no Shares shall be issued under this Plan, and no assignment of a Non-Qualified Stock Option to a Permitted Assignee shall be made, unless legal counsel for the Company shall be satisfied that such issuance or assignment will be in compliance with all applicable federal and state securities laws and regulations and any other applicable laws or regulations. The Committee may require, as a condition of any payment of any Award, share issuance or assignment of Non-Qualified Stock Options, that certain agreements, undertakings, representations, certificates, and/or information, as the Committee may deem necessary or advisable, be executed or provided to the Company to assure compliance with all such applicable laws or regulations. Shares delivered under this Plan may be subject to such stop transfer orders and such other restrictions as the Committee may deem advisable under the rules, regulations, or other requirements of the SEC and the applicable securities market and any applicable federal or state securities law. In addition, if, at any time specified herein (or in any Award Agreement) for (a) the making of any determination, (b) the issuance or other distribution of Shares, or (c) the payment of amounts to or through a Participant with respect to any Award, any law, rule, regulation or other requirement of any governmental authority or agency shall require either the Company, any Subsidiary, any Related Entity or any Participant (or any designated beneficiary or other legal representative) or any Permitted Assignee to take any action in connection with any such determination, any such shares to be issued or distributed, any such payment, or the making of any such determination, as the case may be, shall be deferred until such required action is taken.

16.10 Award Agreements. Each Participant receiving an Award shall enter into an Award Agreement with the Company in a form specified by the Committee. Each such Participant shall be deemed to have agreed to the restrictions, terms and conditions of the Award set forth therein.

16.11 Designation of Beneficiary. Each Participant to whom an Award has been made may designate a beneficiary or beneficiaries to receive any payment which under the terms of this Plan and the relevant Award Agreement may become payable on or after the Participant's death. At any time, and from time to time, any such designation may be changed or canceled by the Participant without the consent of any such beneficiary. Any such designation, change or cancellation must be on a form provided for that purpose by the Committee and shall not be effective until received by the Committee. If no beneficiary has been named by a deceased Participant, or if the designated beneficiaries have predeceased the Participant, the beneficiary shall be the Participant's estate. If the Participant designates more than one beneficiary, any payments under this Plan to such beneficiaries shall be made in equal shares unless the Participant has expressly designated otherwise, in which case the payments shall be made in the shares designated by the Participant.

16.12 Leaves of Absence/Transfers. The Committee shall have the power to promulgate rules, policies and regulations and to make determinations, as it deems appropriate, under this Plan in respect of any leave of absence from the Company, any Subsidiary or any Related Entity granted to a Participant. Without limiting the generality of the foregoing, the Committee may determine whether any such leave of absence shall be treated as if the Participant has terminated employment with the Company, any such Subsidiary or Related Entity. Provided, however, that to

the extent Section 409A applies to any portion(s) of the Plan, the determination of whether a leave of absence constitutes a Separation from Service for purposes of those portion(s) shall be made in accordance with Section 409A, and a leave of absence of longer than six (6) months shall be considered a Separation from Service for those portion(s) of the Plan subject to Section 409A unless the Participant has a contractual or statutory right to return to work at the end of a longer leave of absence. If a Participant transfers within the Company, or to or from any Subsidiary or Related Entity, such Participant shall not be deemed to have terminated employment as a result of such transfers.

16.13 Payments Upon Termination of Employment and Delay of Certain Payments. For purposes of this Agreement, to the extent an Award is subject to Section 409A, and payment or exercise of such Award on account of a termination of employment or a Non-Employee Director ceasing to be a director shall only be made if the Participant incurs a Separation from Service. Payment will occur on or before the 60th day after the Separation from Service; provided, however, that if the Participant is a Specified Employee, payment of the Award shall be made on the first day of the seventh (7th) month following the Separation from Service.

16.14 Cancellation or “Clawback” of Awards. The Committee shall have full authority to implement any policies and procedures necessary to comply with Section 10D of the Exchange Act and any rules promulgated thereunder and any other regulatory regimes relating to clawback or recoupment. Notwithstanding anything to the contrary contained herein, the Committee may, to the extent permitted by applicable law and stock exchange rules or by any applicable Company policy or arrangement, and shall, to the extent required, cancel or require reimbursement of any Awards granted to the Participant or any Shares issued or cash received upon vesting, exercise or settlement of any such Awards or sale of Shares underlying such Awards.

16.15 Notices. Except as otherwise provided herein, any notice that the Company or a Participant may be required or permitted to give to the other shall be in writing and shall be deemed duly given when delivered personally or deposited in the United States mail, first class postage prepaid, and properly addressed: Notice, if to the Company, shall be sent to its Chief Financial Officer at the following address:

M&F Bancorp, Inc.
2634 Durham Chapel Hill Blvd.
Durham, North Carolina 27707

Any notice sent by mail by the Company to a Participant shall be sent to the most current address of the Participant as reflected on the records of the Company as of the time said notice is required. In the case of a deceased Participant, any notice shall be given to the Participant’s personal representative if such representative has delivered to the Company evidence satisfactory to the Company of such representative’s status as such and has informed the Company of the address of such representative by notice pursuant to this Section 16.15.

16.16 Governing Law. This Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of North Carolina, without regard to principles of conflict of laws. Any titles and headings herein are for reference purposes only, and

shall in no way limit, define or otherwise affect the meaning, construction or interpretation of any provisions of this Plan.

16.17 Effective Date. This Plan became effective as of _____, 2021, as a result of its approval by the holders of a majority of the Company's outstanding Common Stock at the Company's 2021 Annual Meeting of Shareholders.

