Ponce Financial Group

Excessive or Luxury Expenditure Policy

A. Purpose

The purpose of this policy is to establish parameters and internal controls governing the expenditures of Ponce Financial Group (together with its subsidiaries and controlled affiliates, referred to hereafter as the Organization). Expenditures of the Organization should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Organization's business objectives and needs. This policy applies to expenditures that are excessive or luxury expenditures, creates processes that are reasonably designed to eliminate such expenditures, and establishes accountability for compliance. Routine operating expenditures, capital expenditures, and other reasonable expenditures comparable to organizations with similar geographic, business and asset characteristics ("peer group") are not prohibited by this policy.

Reasonable expenditures may be incurred for business-related activities, events and purposes, including, without limitation, legitimate travel and meeting-related costs for attendance at conferences and meetings in appropriate environments for purposes of professional development, education, training, familiarization with the products and services, and/or networking and business development; provided, however, such expenditures must conform with all applicable Organization policies and procedures, including the Ponce Financial Group's Code of Business Conduct and Ethics. The reasonableness of any particular expense will depend on the facts and circumstances and will be measured against the Organization's historical business practices. In general, such expenditures should provide a demonstrable return on the investment; for example, by contributing to the Organization's competitiveness, increasing its value, or positioning it for long-term growth. As the Organization does business in one of the nation's most expensive metropolitan areas it is expected that many expenses will exceed national averages.

B. Authority

The Organization has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive or luxury expenditures as required by the Department of the Treasury's Emergency Capital Investment Program regulations (31 CFR part 35).

C. Responsibility

This policy is the responsibility of the Organization's board of directors (board). The board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the board as part of the compliance review.

D. Scope

This policy applies to all employees, officers, and directors of the Organization with regard to any expenditure of the Organization. In making any expenditure on behalf of the

Organization, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

E. Excessive or Luxury Expenditures

"Excessive or luxury expenditures" means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Organization's business operations that are not comparable with and exceed significantly the organization's "peer group":

(1) ***Entertainment or events.*** This category includes fees, dues, tickets costs related to social, athletic, artistic and dining clubs, activities, celebrations or other events, and similar expenditures. Entertainment includes activities conducted for business development with current or prospective clients and customers or to enhance the Organization's perception in the market. All expenditures by employees or directors for entertainment must comply with applicable Organization policies and must have a business purpose and not be extravagant. Requests for reimbursement for such expenditures must be justified and supported by documentation in accordance with applicable Organization policies and procedures. All reimbursements for entertainment expenses exceeding $3,000 by a principal executive officer and $1,000 by all other personnel must be approved by the CEO or his designee. Reimbursement for expenditures exceeding $5,000 must be approved in advance by the chief executive officer. Expenditures for charitable contributions and charitable events are not prohibited under this policy. The Chief Executive Officer or his designee's prior approval is required for expenditures for an Organization activity or event, such as a customer reception, employee retreat or holiday party, with a total cost that exceeds $25,000. If the cost exceeds $50,000, prior approval of the board is required.

(2) ***Office and facility renovations.*** This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures. Employees' offices, including executive offices, shall be appropriate for the employee's position but not ostentatious in size, furnishings or decoration. Materials used to construct or renovate offices and facilities shall be selected on the basis of their quality, appearance, cost and durability, considering their intended use and avoiding opulence. All expenditures for constructing, renovating, or furnishing offices must comply with applicable Organization policies and procedures, which require chief executive officer, or board approval, depending on the type and amount of the expenditure.

(3) ***Aviation or other transportation services.***

(i) This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (*e.g.*, airline, train, rental cars, or vans). Air travel on Organization business shall generally be by commercial airline or as a passenger on a third party-owned or leased aircraft paid for by the third party. Air travel by first or business class requires the prior approval of the CEO or his designee. Generally, first or business class may not be approved unless the flight exceeds 4 hours or the employee suffers from a physical disability or condition which makes coach travel a hardship. In limited and unusual circumstances where business exigencies support it, the CEO may approve the use of a charter plane.

(ii) The chief executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures, which processes will be subjective and must be reviewed by executive management no less frequently than annually.

(4) ***Tax gross-ups.*** This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to reimbursement where the incurrence of tax expense by the taxpayer was avoidable by the Organization or tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

(5) ***Other similar items, activities, or events for which the Organization may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses.***

(i) The Organization will on a case-by-case basis identify expenditures related to other items not listed in the preceding categories for compliance with this policy.

(ii) For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of an ECIP recipient to provide products and services to its customers and community are not excessive or luxury expenditures.

(iii) The chief executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes must be reviewed by executive management no less frequently than annually, as well as any additional threshold expenditure amounts per item, activity, or event, or a threshold expenditure amount per employee receiving the item or participating in the activity or event under this policy. Such approvals must be reported to the board (which may be in an appropriate summary form) no less frequently than annually.

All Organization expenditures, including those expenditures covered by this Policy, shall be documented, reported, supported by written invoices and receipts, and subject to audit in accordance with standard, uniformly-applied Organization policies and procedures. Any item that is pre-approved in accordance with this policy by an executive officer of the Organization or the board must be documented in writing, including by electronic mail, by the approving party and copies of such documentation shall be forwarded to both the chief executive officer and the chief financial officer.

F. Exceptions or Violations

(1) Any exception or violation of this policy must be promptly reported to the Organization's

(i) principal executive officer,

(ii) officer with primary responsibility for the Organization's compliance function, or

(iii) officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the board no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Organization must adhere to this policy and will be held accountable for compliance. Any employee or officer who knowingly violates this policy and incurs a excessive or luxury expense not otherwise approved or exempted from this policy may be subject to disciplinary action up to and including termination of employment.

(3) An employee or director who learns of a violation of this policy shall promptly report the violation to the chief executive officer and the chairperson of the Audit Committee. Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by email to: reports@lighthouse-services.com (must include Organization’s name with report).

G. Certification

On an annual basis, the ECIP recipient will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the ECIP recipient's chief executive officer or chief financial officer) certifying that (i) the Organization is in compliance with this policy and (ii) the approval of any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the board (or a committee of such board), was properly obtained with respect to each such expenditure.

Attested by:

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Corporate Secretary

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President & CEO