



July 28, 2023

Dear Carver Shareholder:

As we celebrate our 75<sup>th</sup> Anniversary, we are delighted to share with you the accomplishments of Carver Bancorp, Inc. (Nasdaq: CARV) and our wholly-owned subsidiary, Carver Federal Savings Bank (together “Carver”), for the past fiscal year. As one of the nation’s largest African-and Caribbean-American operated banks, we take immense pride in our unwavering commitment to driving economic empowerment in diverse communities across the Greater New York City area.

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### **Service to the Community**

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Carver was founded in 1948 to serve African-American and Caribbean communities whose residents, businesses, and institutions had limited access to mainstream financial services and business capital. We have remained headquartered in Harlem ever since our founding. Our seven branches and four stand-alone 24/7 ATM centers are in traditionally low-to-moderate-income neighborhoods. After decades of public and private investment, many of these historically underserved communities have more recently experienced unprecedented growth and diversification of incomes, ethnicities, and economic opportunity.

Carver leads the way in community-driven finance as we continue to reinvest approximately 80 cents of every dollar on deposit back into the communities we serve.

As of March 31, 2023, Carver had approximately \$723.2 million in assets and 110 employees. Nearly all of our staff are full-time, and about 52% are female and 88% are people of color. We support diversity and inclusion as major strengths for growing our company and communities.

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## Driving Loan Growth

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Our commitment to financial inclusion is reflected in the continued growth of our loan portfolio. Carver management delivered year-over-year net loan growth of approximately \$19 million, with net loans rising to \$592.7 million from \$573.9 for fiscal year-end 2023. We achieved these results during a period in which the Federal Reserve raised its target for the federal funds rate eight times. While these steady increases in interest rates appear to be abating, we have witnessed many customers refinance or sell real estate assets amid these dramatic rate hikes. While loan originations generally tend to temper or decrease during periods of rising interest rates, Carver has experienced total net loans receivable growth of 39.7% or \$168.5 million for the past five years. These achievements demonstrate our dedication to driving economic empowerment among small businesses across the Greater New York City area.

As we continue to diversify the bank's loan portfolio, Carver intends to increase its Commercial and Industrial (“C&I”) lending. We will focus on organic loan growth by financing local entrepreneurs and organizations throughout our marketplace. Our C&I lending portfolio increased to \$166.9 million, comprising 28.0% of the bank's gross loan portfolio in Fiscal Year 2023.

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## Capital Strength and Asset Quality

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As a matter of prudent management, Carver targets the maintenance of capital ratios that **exceed** minimum regulatory requirements and are consistent with Carver's risk profile. The Bank's capital strength is exemplified by its common equity Tier 1 ratio of 12.47%, Tier 1 leverage ratio of 10.61%, total risk-based capital ratio of 13.37%, and Tier 1 risk-based capital ratio of 12.47% as of March 31, 2023. Our primary regulator, the Office of the Comptroller of the Currency (the “OCC”), requires Carver to maintain minimum regulatory capital levels of 9% for its Tier 1 leverage ratio and 12% for its total risk-based capital ratio. Notably, the Bank maintained its disciplined underwriting standards and asset quality during a period of solid net loan growth.

In addition, one of our critical operating objectives is maintaining the highest asset quality. Through a variety of strategies, including, but not limited to, monitoring loan delinquencies and borrower workout arrangements, Carver remains proactive in addressing problem loans and non-performing assets.

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### **Driving Net Interest Income Growth**

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Our disciplined approach to banking and positive momentum is exemplified by the continued growth of our net interest income, which increased by \$2.3 million, or 11.2%, to reach \$22.8 million for the fiscal year 2023, compared to \$20.5 million in the prior fiscal year period. Since 2019, our net interest income has risen by \$5.7 million, representing a 33% increase.

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### **Capital Growth and Institutional Investors**

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Carver's institutional investors include JP Morgan Chase, Wells Fargo, Bank of America, American Express, and National Community Investment Fund. These institutions share our long-term commitment and passion for Carver's mission. Notably, over the past three years, Carver received more than \$43 million in new and conveyed capital, further improving our financial position.

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### **Expanding Financial Services and Community Reinvestment**

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We continue to expand wealth-enhancing opportunities for our consumers, businesses, and the non-profit organizations that we support.

Over the past fiscal year, we introduced several new products and services designed to deepen customer relationships, diversify income for the Bank, and manage our overall cost of funds in a rising interest rate environment. These new services have engaged fintech partners to drive efficiency, scale, and favorable feedback/reviews from customers.

In addition, Carver has received its sixth consecutive "Outstanding" Community Reinvestment Act ("CRA") ratings from the Office of the Comptroller of the Currency. The OCC's latest assessment in March 2022 found that an impressive 90% of our loans were made within our assessment area, reaffirming our dedication to community development lending, investing, and service activities.

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## Community Banking and Competitive Edge

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With a 75-year history in our market, Carver remains deeply connected through strong community involvement and relationships. Our products and personalized services align with community banking principles, positioning us to compete effectively.



### Customer Testimonial

*"We have seen the influence of Carver Bank and their commitment to supporting business owners, non-profits, and residents. They have a holistic approach to banking. Not to mention they remember my name when I enter the branch. That's a special part of them letting me know they care." ~ Princess Jenkins from The Brownstone*

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## Empowering Small Businesses for a Sustainable Future

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As a certified Minority Depository Institution ("MDI") and Community Development Financial Institution ("CDFI"), Carver plays a pivotal role in driving economic empowerment in our communities. Our new microloan program, bolstered by algorithm-based software, supports the capital needs of black and brown entrepreneurs and looks beyond traditional credit scores. By addressing long-standing challenges in accessing small-dollar loans, we empower small business entrepreneurs by providing vital capital ranging from \$5,000 to \$50,000, and fostering their growth and success.

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## Supporting Climate Initiatives for Women-Owned Businesses

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In partnership with The Greater Harlem Chamber of Commerce, we proudly launched the *Minority Women-Owned Business Pitch Competition* during the Harlem Week festivities. This competition, held in September 2022, was developed to address the disproportionate negative impact of climate change on communities of color. The competition invited women entrepreneurs with businesses in the Greater New York Area to submit written business plans detailing their initiatives to enhance energy efficiency at their respective companies.

Two deserving minority women business owners were awarded \$5,000 each. Princess Jenkins from The Brownstone and Diane Da Costa from Simplee Beautiful emerged as the competition winners for their sustainable investment objectives aimed at reducing waste, saving energy, and lowering emissions.

Princess Jenkins plans to utilize the award to launch a digital catalog for 5,000 clients, saving over 200 trees and 100,000 sheets of paper per tree while boosting the brand's annual revenues. The award will also fund energy-efficient lighting to reduce costs and energy consumption.

Diane Da Costa will use the award to upgrade Simplee Beautiful's facilities with LED lighting, a new energy-efficient HVAC system, a new low-flow toilet system, and sustainable and biodegradable packaging for CBD wellness products. These upgrades will reduce energy consumption and water wastage, aligning with Simplee Beautiful's commitment to being a sustainable, energy-efficient, clean beauty salon and retail boutique.

Carver plans to expand its annual Minority Women-Owned Business Pitch Competition this year to help further drive sustainability in New York City's communities of color.

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## **Fostering Entrepreneurship through Harlem Small Business Lab**

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Carver was proud to collaborate with M&T Bank in the Harlem Multicultural Small Business Lab Initiative. This initiative presents a remarkable opportunity for small business entrepreneurs to gain additional tools and capital to foster growth and sustainability. The program included a pitch competition with first place earning a \$16,000 prize, second place receiving \$12,000, and third place receiving \$7,000. This partnership with M&T Bank reinforces our dedication to supporting and empowering small businesses in the communities we serve.

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## **Promoting Men's Health and Community Wellness**

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Carver was delighted to sponsor The Blue Jacket Fashion Show's prostate cancer screening initiative at the Schomburg Center for Research in Black Culture on February 1, 2023. The event featured the Mount Sinai Robert F. Smith Mobile Prostate Cancer Screening initiative, a community-based wellness effort committed to enabling early detection of prostate cancer for at-risk Black men. Through this initiative, in partnership with Mount Sinai Hospital and The Blue Jacket Fashion Show, we hope to raise prostate cancer awareness and funds for ZERO - The End of Prostate Cancer.

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***The Board of Directors and management thank Carver's shareholders, customers, and institutional partners for their unwavering support. Together, we are transforming lives and building a brighter future for all.***

***Thank you for your trust and commitment.***

Sincerely,

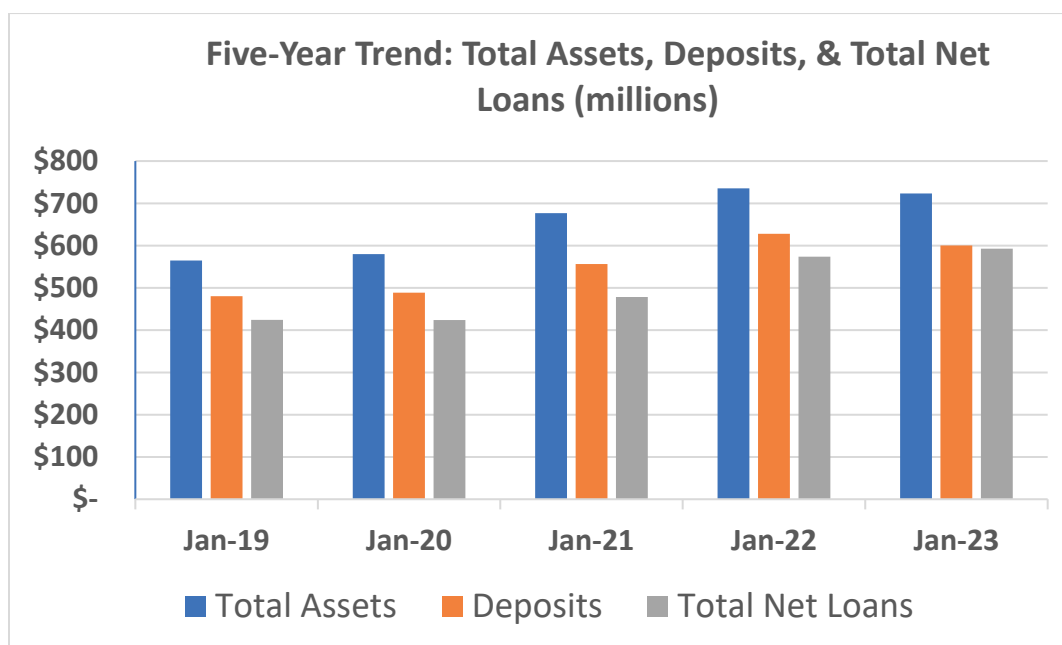


Michael T. Pugh  
President and CEO

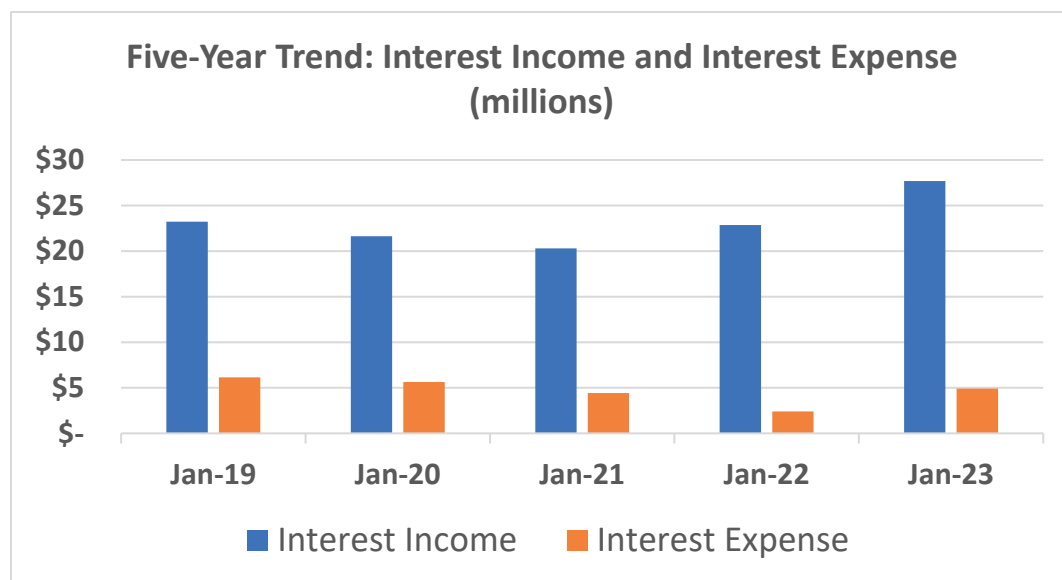


Lewis P. Jones III  
Chairman of the Board

## Financial Performance



	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Total Assets	\$ 723.22	\$ 735.31	\$ 676.75	\$ 579.87	\$ 564.79
Deposits	\$ 600.43	\$ 628.12	\$ 556.56	\$ 488.82	\$ 480.20
Total Net Loans	\$ 592.67	\$ 573.88	\$ 478.41	\$ 423.79	\$ 424.18



	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
Interest Income	\$ 27.70	\$ 22.87	\$ 20.31	\$ 21.63	\$ 23.23
Interest Expense	\$ 4.91	\$ 2.40	\$ 4.42	\$ 5.63	\$ 6.14