



BOARD OF DIRECTORS

CORPORATE GOVERNANCE PRINCIPLES

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Introduction

The business and affairs of Carver Bancorp, Inc. and Carver Federal Savings Bank (collectively “Carver” or the “Company”) are subject to the general oversight and authority of the Board of Directors (the “Board”). The Board has adopted these Corporate Governance Principles and, together with its Certificate of Incorporation, By-laws and charters of Board committees, these principles provide the authority and practices for governance of the Company.

Recognizing that ethical behavior is essential to our success, the Board also has enhanced the Company’s Code of Ethics for all employees and Directors. The Code of Ethics incorporates standards of professional conduct for our Company. By adhering to these Corporate Governance Principles and the Code of Ethics, we ensure that the long-term interests of our shareholders are best served.

The Company will publish its Corporate Governance Principles, key Board Committee charters and Code of Ethics on the Company’s website and will make these documents available in writing, as requested.

I. Board of Directors

A. Membership

1. Size of Board

The Board’s size shall be no less than five and no more than 15 members, which number shall be determined by Board resolution. The Board would be willing to have a greater number of directors to accommodate the availability of an outstanding candidate and would be willing to reduce the size of the Board, or maintain a vacancy, if it cannot identify available candidates meeting the Board’s qualification standards.

2. Mix of Employee and Non-Employee Directors

The Board should have a substantial majority of Non-Employee Directors but in no event shall the number of Non-Employee Directors be less than three; the expectation of the Board is the number of Employee Directors should not exceed two.

3. Director Qualifications

The Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon contributions they can make to the Board and management. On an annual basis, the Nominating/Corporate Governance Committee will consider the composition, challenges and needs of the Board as a whole, both in connection with recommending candidates for election of the Board and in analyzing the composition of Board committees.

4. “Independent” Directors

The Board’s policy is that a majority of the members of the Board meet the criteria for independent directors in accordance with the applicable rules of the NASDAQ Stock Market and, to the extent considered relevant by the Board, the New York Stock Exchange. The determination that a Director is an “Independent Director” shall be made by the Board

following a review of all relevant information and a recommendation by the Nominating/Corporate Governance Committee.

5. Selection of New Directors

The Nominating/Corporate Governance Committee, in accordance with the policies and principles in its Charter, will select nominees for directorship to recommend to the full Board for its approval after receiving input from all Directors.

6. Extending Invitation to New Board Member

The Chairman of the Board and the Chairman of the Nominating/Corporate Governance Committee shall extend the invitation to a new Board member on behalf of the Board.

7. Retirement

a) Term Limits

The Board does not favor term limits for Directors, but believes that it is important to monitor individual director performance.

b) Retirement Policy –Employee Directors

Employee Directors shall resign from the Board upon their resignation, removal or retirement as an officer of the Company.

8. Directors Changing Their Present Job Responsibility

The Board expects Directors who change their present job responsibility to consult with the Chairman and the Nominating/Corporate Governance Committee Chair under any special circumstances that may affect the Company. The Board, upon recommendation from the Nominating/Corporate Governance Committee, will then consider the continued appropriateness of Board membership under the new circumstances and take any actions deemed appropriate. The Nominating/Corporate Governance Committee shall consider a Director's job responsibilities in conjunction with its annual deliberations concerning Directors standing for re-election.

9. Other Directorships

Directors are expected to advise the Chairman of the Board and the Chair of the Nominating/Corporate Governance Committee before accepting any other public company directorship or any assignment to the audit committee or compensation committee of any public company of which such Director is a member and shall obtain the consent of the Board for such directorship or assignment. Directors may serve on other public company boards, unless the Board determines that the carrying out of a Director's responsibilities to the Company will be adversely affected by the Director's other proposed directorship.

B. Responsibilities

1. Basic Duties

The basic responsibility of the Directors is to provide guidance to management and exercise their business judgment in good faith to act in what they believe to be in the best interests of the Company and its shareholders. Directors will perform their duties in good faith and with that degree of care which an ordinary person in a like position would use under similar circumstances. In discharging their obligation, the Board may rely on the Company's senior executives and its outside advisors and auditors. In addition, the Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors, at the Company's expense.

Directors are expected to regularly attend Board meetings, including the annual meeting of stockholders, and meetings of committees on which they serve, and to meet as frequently as necessary to properly discharge their responsibilities. All Directors shall attend at least 75% of their scheduled and special meetings. The Chairman shall confirm attendance of all Directors on an annual basis and recommend appropriate action to the full Board with respect to this duty to attend meetings. To prepare for meetings, Directors are expected to review the materials that are sent to Directors in advance of those meetings. Directors must comply with the Code of Ethics.

2. Board Meetings

a) Selection of Agenda Items

The Chairman and the Chief Executive Officer, in consultation with members of the Board, shall establish the agenda for Board meetings. Directors may raise matters at any Board meeting that are to be placed on the agenda for the current meeting and any upcoming meetings.

b) Distribution of Materials

The Board believes it is critical for members to have materials on topics to be discussed sufficiently in advance of the meeting date and for Board members to be kept abreast of developments between Board meetings. The Company regularly informs Board members of Company and competitive developments and shall distribute, sufficiently in advance of meetings to permit meaningful review, written materials for use at Board meetings.

c) Board Presentations

Board members can generally expect to receive summaries/slides of presentations several business days in advance of a meeting to enable them to prepare for the meeting.

d) Attendance of Non-Directors

The Board believes that attendance of key executive officers augments the meeting process. The Company's Chief Financial Officer and Corporate Secretary regularly attend all scheduled Board meetings. The Chief Executive Officer encourages both persons to respond to questions posed by Board members relating to their areas of expertise. Such persons shall not attend Executive Sessions or Independent Director Sessions either of the Board or any committee thereof, unless requested.

The Board also believes that executive officers of the Company and its subsidiaries can assist the Board with its deliberations and provide critical insights and analyses, particularly when the Board hears presentations on the business plan for the upcoming year. Attendance of such officers allows the most knowledgeable and accountable executives to communicate directly with Board. It also provides the Board direct access to individuals critical to the Company's succession planning.

e) Participation in Strategic Issues Discussions

The full Board should engage in discussions on strategic issues and ensure that there is sufficient time devoted to Director interchange on these subjects.

f) Number of Meetings

The Board of Directors shall hold a minimum of six meetings per year.

3. Conflicts of Interest

Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. The Company annually solicits information from Directors in order to monitor potential conflicts of interest and Directors are expected to be mindful of their fiduciary obligations to the Company. When faced with a situation involving a potential conflict of interest, Directors are encouraged to seek advice from the Corporate Secretary. Directors shall recuse themselves and not participate in the discussion and voting on any matter presented at a Board meeting if they believe that they have a personal interest or a conflict of interest. If a significant conflict of interest with a Director exists and cannot be resolved, the Director is expected to tender his or her resignation to the Chairman.

4. Consulting Agreement with Directors

The Board believes that the Company should not enter into paid consulting arrangements with Non-Employee Directors.

5. Share Ownership by Directors

The Board believes that the number of shares of the Company's common stock owned by each Director is a personal decision. However, the Board strongly supports the position that Directors should own a meaningful number of shares in the Company. The Board believes that, for as long as he or she serves as a Director of the Company, each Director should retain a majority of the shares of the Company's common stock purchased on the open market or received pursuant to his or her service as a Board member.

New Directors shall receive an award of 1,000 restricted shares of common stock and 1,000 stock options, subject to a minimum of one year of service and a specified vesting schedule as prescribed in their individual stock award.

6. Director Compensation

Directors will be paid compensation in cash, Company shares or options for Company shares for their services. Such compensation may include annual retainers, meeting fees, and fees for serving as a committee chairman, as well as reimbursement for reasonable out-of-pocket expenses in connection with serving as a Director. Compensation directly related to duties as a director, including any additional amounts paid to members and chairs of committees, is the only compensation Audit Committee members may receive from the Company.

The Compensation Committee shall recommend Director compensation and benefits to the full Board based on comparable information for companies of similar size and recommendations from management. The Compensation Committee when making its recommendations may take into account the appearance that Directors' independence is adversely affected if Director compensation and benefits exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated, or if the Company enters into consulting contracts with, or provides other indirect forms of compensation to, a Director or an organization with which the Director is affiliated.

7. Assessing Board Performance

The Nominating/Corporate Governance Committee, on the basis of pre-established criteria which address each Director's core competencies, independence and level of commitment, has the responsibility to periodically assess overall and individual Board performance. A self-evaluation shall be conducted by the Board annually, taking into consideration the Board's duties and responsibilities and the matters covered under the charters of its committees, to determine whether the Board and its committees are functioning effectively. See also Section II.B. The Chairman of the Nominating/Corporate Governance Committee will take the lead in the preparation of the evaluation and will be assisted by the Secretary. The Board will discuss the results of the self-evaluations to determine what actions could improve Board and committee performance.

8. Presiding Independent Director

The Presiding Independent Director for purposes of leading Independent Director Sessions (as defined below) shall be the Chairman of the Board, unless such Chairman is determined not to be independent in which case the Presiding Independent Director shall be the Chairman of the Nominating/Corporate Governance Committee, unless the Board determines otherwise.

9. Executive Sessions of Independent Directors

Meetings that include only Independent Directors (“Independent Directors Sessions”) should occur at least once a year and the agenda should include the periodic evaluation of the Chief Executive Officer and a determination of Director independence.

10. Board Access to Management and Independent Advisors

Board members have complete and open access to members of management. The Chief Executive Officer shall invite key employees to attend Board and committee meetings at which the Chief Executive Officer believes they can meaningfully contribute to Board and committee discussion. The Board and Board committees may consult with and retain independent legal, financial and other advisors as they may deem necessary.

11. Board Interaction with Institutional Investors, Peers, Customers, etc.

The Board believes that, under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. Individual Board members may from time to time meet with or communicate with various constituencies that are involved with the Company. It is expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.

12. Confidentiality of Information

To facilitate open discussion, the Board believes maintaining confidentiality of information and deliberations is an imperative.

13. Director Orientation and Continuing Education

New Directors shall receive an orientation to familiarize themselves with the Company’s businesses and operations and their responsibilities and duties as directors. Continuing education for Directors shall be conducted through a number of methods, including presentations by the Company’s officers concerning the Company’s strategies, initiatives and business plans; presentations by outside parties concerning industry issues and general business and regulatory matters; on-site meetings with Company personnel at their business locations; and other appropriate programs to carry out continuing Director education.

II. Board Committees

A. Committee Structure

The Board shall at all times maintain certain committees with the following responsibilities: an audit committee, a compensation committee and a nominating and governance committee. All of the members of these committees shall be Independent Directors under the criteria established by the NASDAQ Stock Market and, to the extent deemed relevant by the Board, the New York Stock Exchange, and each of these committees shall operate in accordance with the applicable rules of the Securities and Exchange Commission and the NASDAQ Stock Market. In addition, the Board shall establish such additional committees as it deems appropriate. The Board has therefore established the following standing committees: Finance and Audit; Asset Liability and Interest Rate Risk; Compliance; Institutional Strategy; Nominating/Corporate Governance; Compensation; and Executive.

B. Committee Charters

Each committee, except the Executive Committee, whose responsibilities shall be set forth in the Company's By-laws, shall have its own charter setting forth the purposes and responsibilities of the committee. The charters shall also provide that each committee will annually evaluate its performance.

C. Rotation of Committee Assignments and Chairs

Committee assignments and the designation of committee Chairs should be based on the Director's knowledge, interests and areas of expertise. The Board does not favor mandatory rotation of committee assignments or Chairs. The Board believes experience and continuity are more important than rotation and that Board members and Chairs should be rotated if rotation is likely to increase Committee performance or facilitate committee work.

D. Frequency and Length of Board Committee Meetings

The Chairman and the Chief Executive Officer should regularly consult with committee Chairs to obtain their insights and to optimize committee performance. The committee Chairs, in consultation with the Chairman, the Chief Financial Officer and Corporate Secretary, should establish the frequency and length of committee meetings.

E. Development of Committee Agenda

The committee Chairs, working with Chief Executive Officer, should establish committee agendas for the year. All standing committees should meet regularly during the year and receive reports from Company personnel on Company developments affecting the committee's work. At least once each year, the Finance and Audit Committee should review and approve the internal audit staff's schedule for the year.

III. Chairman & Chief Executive Officer

A. Separate Positions of Chairman, President and Chief Executive Officer

The Company's By-Laws do not prohibit the Chairman, President and Chief Executive Officer from being the same person.

B. Formal Evaluations of the Chief Executive Officer

The Compensation Committee shall annually conduct the Chief Executive Officer evaluation in the context of its review of the Company's performance in meeting its goals for purposes of awarding compensation. The Compensation Committee Chair shall report to the Board on the evaluation in a Board meeting attended by Non-Employee Directors.

IV. Management Succession

Management will provide periodic reviews of management succession plans, including the criteria for CEO selection and emergency planning, to the Board and to the relevant Board committee.

V. Other Principles

A. Confidential Voting

It is the policy of the Company that individual stockholder voting be confidential.

B. Cumulative Voting

The Board strongly supports the "one share/one vote" concept and opposes cumulative voting. It opposes the ability of a single investor or group of investors to band together to achieve a goal, such as the election of a Director, which is not supported by a majority of the Company's stockholders.

C. Re-pricing of Stock Options

The Board opposes re-pricing of stock options by a reduction in the option's exercise price. The Board favors equitable adjustment of an option's exercise price in connection with a reclassification of the Company's stock; a change in the Company's capitalization; a stock split; a restructuring, merger, or combination of the Company, or other similar events in connection with which it is customary to adjust the exercise price of an option and/or the number and kind of shares subject thereto.

Approved: December 13, 2018