BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

June 29, 2011

Carl V. Howard, Esq.
Deputy General Counsel
Citigroup, Inc.
425 Park Avenue - 2nd Fl.
New York, New York 10022

Dear Mr. Howard:

This letter relates to your request that Citigroup Inc., New York, New York, and its subsidiaries and affiliates (collectively, "Citigroup") would not be deemed to control Carver Bancorp, Inc. ("Carver"), and its wholly owned insured depository institution subsidiary, Carver Federal Savings Bank ("Carver FSB"), both of New York, New York, for purposes of the Bank Holding Company Act of 1956, as amended, as a result of its investment in Carver. There are multiple investors participating in the recapitalization of Carver.

Based on the facts and representations provided to the Board, we understand the following:

- Citigroup would receive newly issued Series C mandatorily convertible preferred shares, which, on conversion, would result in Citigroup owning less than 5 percent of Carver's outstanding voting shares and up to 14.9 percent of its total equity (through ownership of newly issued Series D convertible nonvoting preferred shares).
- Citigroup is not affiliated with any other investor in Carver.
- The Series C convertible preferred shares acquired by Citigroup may convert into no more than 4.9 percent of the voting shares of Carver in Citigroup's hands or in the hands of any direct or indirect transferee of Citigroup.
- The Series D convertible preferred shares acquired by Citigroup upon conversion of Series C are nonvoting shares that convert automatically into voting common shares on certain transfers to a third party.[1] The Series D shares cannot convert into voting shares in Citigroup's hands at any time.
- Citigroup will not have representation on Carver's or Carver FSB's board of directors, or any employee interlocks with Carver or Carver FSB.

[1] Under Delaware law, the Series D nonvoting shares retain rights to vote on matters that would significantly and adversely affect the rights and preferences of the shareholders. Shares with such limited rights meet the definition of nonvoting shares in the Board's Regulation Y. See 12 CFR 225.2(q)(2)(i).

In September 2008, the Board revised its policy statement regarding equity investments in banks, bank holding companies, and nonbanking firms.[2] The Board's Policy Statement states that nonvoting shares that are convertible into voting shares carry less influence when such shares may not be converted into voting shares in the hands of the investor and may only be transferred by the investor: (i) to an affiliate of the investor or to the nonbanking organization; (ii) in a widespread public distribution; (iii) in transfers in which no transferee (or group of associated transferees) would receive 2 percent or more of any class of voting securities of the nonbanking organization; or (iv) to a transferee that would control more than 50 percent of the voting securities of the nonbanking organization without any transfer from the investor.

The Series D nonvoting convertible preferred shares that Citigroup may hold may not be converted in Citigroup's hands. In addition, as noted above, the certificate of designation limits Citigroup's ability to transfer those shares to third parties to methods that are consistent with the Policy Statement. Accordingly, the transfer restrictions effectively limit the influence over Carver that such shares might otherwise confer on Citigroup.

Under the BHC Act, a "company" includes any bank, corporation, general or limited partnership, association or similar organization, business trust, or any other trust that does not terminate within the specified time frame in the statute.[3] The Board has stated that a group of unrelated companies or individuals may constitute a single company for purposes of the BHC Act if such group exhibits a "formalized structure" that functions like a separate corporate entity for the purpose of acquiring, managing, and controlling a depository institution.[4] The Board has looked to various indicia as evidence of such an association, including the existence of written agreements among the shareholders that materially limit such shareholder's ability to vote, transfer or control their shares of an insured depository institution or its holding company. In the instant case, none of the agreements that have been presented to the Board contain provisions that unduly restrict an investor's ability to vote, transfer, or otherwise control its shares of Carver, and no other indicia of an association appears in the record.[5]

Additionally, Citigroup has stated that it does not propose to control or exercise a controlling influence over Carver and that its investment is a passive investment. Accordingly,

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[2] See Policy statement on equity investments in banks and bank holding companies (Sept. 21, 2008) ("Policy Statement").

[3] 12 USC § 1841(b); 12 CFR 225.2(d)(1).

[4] WISCUB, Inc., 65 Federal Reserve Bulletin 773 (1979); see also Letter from Theodore E. Allison to John P. Roemer, September 13, 1977, re: Tri City National Bank of West Allis, aff'd, Central Bank v. Board of Governors, No. 77-1937 at 5 (D.C. Cir. 1978).

[5] Citigroup and the other investors entered into a stock purchase agreement and stockholder rights agreement with Carver. The stock purchase agreements set forth the terms under which the investors may purchase shares in Carver. The stockholder rights agreement sets forth relevant registration procedures and requirements for shares of Carver, as well as provides investors with certain "piggyback registration" rights and provides the company with a "right of first refusal" related to the recapitalization.

Citigroup has provided commitments substantially similar to those on which the Board has previously relied in determining that an investing bank holding company would not be able to exercise a controlling influence over a nonbanking organization for purposes of the BHC Act.

For purposes of the BHC Act, a company has control over another company if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company; (ii) controls in any manner the election of a majority of the directors of the other company; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the other company.[6] The Board's Regulation Y also sets forth a set of rebuttable presumptions of control.[7] Citigroup's investment would not trigger any of the rebuttable presumptions of control in Regulation Y with respect to Carver as a result of the transaction.

The Board noted in its 2008 policy statement regarding equity investments in banks, bank holding companies, and nonbanking firms that minority investors have avoided exercising a controlling influence over a nonbanking organization by, among other means, restricting the size of their voting and total equity investment in the nonbanking organization; avoiding agreements that restrict the ability of the nonbanking organization's management to determine the major policies and operations of the nonbanking organization; not attempting to influence the nonbanking organization's process for making decisions about major policies and operations; limiting director and officer interlocks with the nonbanking organization; and significantly limiting business relationships between the investor and the nonbanking organization.[8] The Board typically has been concerned that a company could exercise a controlling influence over control of an insured depository institution for BHC Act purposes if the company has invested in the organization and has significant business relationships with the organization.

In this case, staff would not at this time recommend that the Board find Citigroup to be acting as part of an association with regard to Carver or to have a controlling influence over the management or policies of Carver, for purposes of the BHC Act, based on the current structure of Citigroup's proposed investment. This recommendation could change, however, if the facts or relationships between Citigroup and Carver (or its affiliates) or the other investors change in any material way.

In reaching this opinion, staff relied on all the facts of record, including all the representations and commitments made by or on behalf of Citigroup and Carver (whether noted in this letter or otherwise contained in correspondence with the Board). In this regard, you should advise Board staff immediately of any material changes in the facts noted above.

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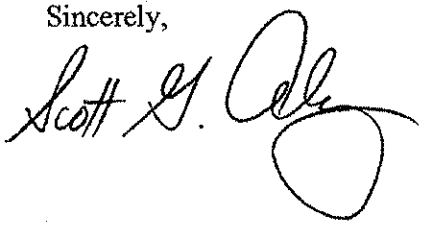
[6] 12 U.S.C. § 1841(a)(2); 12 CFR 225.2(e).

[7] See 12 CFR 225.31(d).

[8] See Policy Statement.

To address the possibility of a controlling influence developing in the future, the Board retains the authority to review the investment and relationships regularly to determine whether, under all the facts and circumstances, any investor, or any group of investors, are acting in a manner that suggests it has control of, or the ability to exercise a controlling influence over, Carver for purposes of the BHC Act. If you have any questions about this matter, please contact Anna M. Harrington, Attorney (202-452-6406), Christopher M. Paridon, Senior Attorney (202-452-3274), or Kathleen M. O'Day, Deputy General Counsel (202-452-3786), of the Board's Legal Division.

Sincerely,



cc: Office of Thrift Supervision

Carl V. Howard
Deputy General Counsel

Citigroup Inc.
425 Park Avenue, 2nd Floor
New York, NY 10022

T 212 559-2938
F 212 793-4403
howardc@citi.com

Commitments of Citigroup Inc.

Citigroup Inc. ("Acquirer"), and its subsidiaries and affiliates (collectively, "Acquirer Group"), will not, without the prior approval of the Board or its staff, directly or indirectly:

1. Exercise or attempt to exercise a controlling influence over the management or policies of Carver Bancorp, Inc., a Delaware corporation ("Target"), or any of its subsidiaries;

2. Have or seek to have a representative of Acquirer Group serve on the board of directors of Target or any of its subsidiaries;

3. Have or seek to have any employee or representative of the Acquirer Group serve as an officer, agent, or employee of Target or any of its subsidiaries;

4. Take any action that would cause Target or any of its subsidiaries to become a subsidiary of Acquirer Group;

5. Own, control, or hold with power to vote securities that (when aggregated with securities that the officers and directors of the Acquirer Group own, control, or hold with power to vote) represent 25 percent or more of any class of voting securities of Target or any of its subsidiaries;

6. Own or control equity interests that would result in the combined voting and nonvoting equity interests of the Acquirer Group and its officers and directors to equal or exceed 25 percent of the total equity capital of Target or any of its subsidiaries, except that, if the Acquirer Group and its officers and directors own, hold, or have the power to vote less than 15 percent of the outstanding shares of any classes of voting securities of Target, Acquirer Group and its officers and directors may own or control equity interests greater than 25 percent, but in no case more than 33.3 percent, of the total equity capital of Target or any of its subsidiaries;

7. Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Target or any of its subsidiaries;

8. Enter into any agreement with Target or any of its subsidiaries that substantially limits the discretion of Target's management over major policies and decisions,

including, but not limited to, policies or decisions about employing and compensating executive officers; engaging in new business lines; raising additional debt or equity capital; merging or consolidating with another firm; or acquiring, selling, leasing, transferring, or disposing of material assets, subsidiaries, or other entities;

9. Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Target or any of its subsidiaries;

10. Dispose or threaten to dispose (explicitly or implicitly) of equity interests of Target or any of its subsidiaries in any manner as a condition or inducement of specific action or non-action by Target or any of its subsidiaries; or

11. Enter into any other banking or nonbanking transactions with Target or any of its subsidiaries, except that the Acquirer Group may (1) establish and maintain deposit accounts with Target, provided that the aggregate balance of all such deposit accounts does not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Target; and (2) enter into arm's length transactions, projects, or joint ventures that either (a) qualify as public welfare activities under 12 CFR 24, or (b)(i) if undertaken by an insured depository institution subsidiary of Acquirer, are undertaken to enhance the performance of that insured depository institution subsidiary of Acquirer under any of the performance tests under the regulations implementing the Community Reinvestment Act and (ii) if undertaken by Acquirer or an affiliate or subsidiary of Acquirer that is not an insured depository institution, meet the definition of community development loans, qualified investments, or community development services under the regulations implementing the Community Reinvestment Act (12 CFR 25.12(h), (i), and (t)); provided that, in the aggregate, such transactions, projects or joint ventures do not provide to Carver more than five (5) percent of Carver's total consolidated annual revenue in its most recent fiscal year.

The terms used in these commitments have the same meanings as set forth in the Bank Holding Company Act of 1956, as amended, and the Board's Regulation Y.

Nothing in these commitments releases the Acquirer Group from compliance with the Change in Bank Control Act and the Board's regulations thereunder for any subsequent acquisition or increase in the percentage ownership of any class of voting shares of Target.

Acquirer understands that these commitments constitute conditions imposed in writing in connection with the Board's findings and decisions related to Acquirer Group's acquisition of up to 4.9% percent of voting shares of Target, including a determination that no filing under the Bank Holding Company Act is required for this transaction by Acquirer Group OR pursuant to sections 3 and 4 of the Bank Holding Company Act of 1956, as amended ("BHC Act") and the Board's Regulation Y, and, as such, may be enforced in proceedings under applicable law.

Executed this 28th day of June, 2011

Citigroup Inc.

By: Carl V. Howard
Title: Deputy General Counsel

by

Rhona L. Landau
Associate General Counsel