



**Corporate Decision #2013-04
July 2013**

May 20, 2013

Scott A. Brown, Esq.
Kilpatrick Townsend & Stockton LLP
607 14th Street, NW - Suite 900
Washington, DC 20005-2018

Re: Bank Merger Act Application for the merger of Vigilant Federal Savings Bank, Baltimore, Maryland, with and into Bay-Vanguard Federal Savings Bank, Baltimore, Maryland
OCC Control No.: R2-2013-0006
Reference Charter No.: 708386

Dear Mr. Brown:

The Office of the Comptroller of the Currency (OCC) hereby approves the application (Application) filed by Bay-Vanguard Federal Savings Bank, Baltimore, Maryland (Bay-Vanguard) for the merger of Vigilant Federal Savings Bank, Baltimore, Maryland (Vigilant) with and into Bay-Vanguard. This approval is granted after a thorough evaluation of the Application, other materials you have supplied, and other information available to the OCC, including representations made in the Application by representatives of Bay-Vanguard and Vigilant during the application process.

Background

Bay-Vanguard is a federal stock savings bank headquartered in Baltimore, Maryland. Bay-Vanguard is a wholly owned subsidiary of BV Financial, Inc., Baltimore, Maryland (BV Financial), which is a federally chartered majority-owned subsidiary of Bay-Vanguard, M.H.C. (MHC), a federally chartered mutual holding company. BV Financial and the MHC are registered as savings and loan holding companies under the Home Owners' Loan Act (HOLA). The MHC owns approximately 60.5 percent of BV Financial's common stock. Vigilant is a federal mutual savings bank headquartered in Baltimore, Maryland.

In the proposed transaction, Vigilant will merge with and into Bay-Vanguard. Depositors of Vigilant will become depositors of Bay-Vanguard following the merger. Depositors of Vigilant will also become members of MHC and will have the same rights and privileges in the MHC as if such members had established accounts with Bay-Vanguard on the date established at Vigilant. At the completion of the merger, BV Financial will issue to the MHC a number of additional shares of BV Financial common stock equal to the value of Vigilant divided by the per share

price of BV Financial common stock, each determined by an independent appraisal. On April 12, 2013, the Federal Reserve Bank of Richmond approved the acquisition by BV Financial and the MHC to acquire Vigilant.

General Authority

Bay-Vanguard and Vigilant each has the legal authority to engage in the proposed merger under applicable statutes and regulations. Statutory authority for the proposed merger is found in the HOLA at 12 U.S.C. § 1464(d)(3)(A), which permits OCC to prescribe regulations for the merger of savings associations, and 12 U.S.C. § 1467a(s), which permits the merger of federally chartered savings associations with insured depository institutions, subject to 12 U.S.C. § 1828(c), the Bank Merger Act (BMA). In addition, the regulations pertaining to federal stock and federal mutual savings associations provide legal authority for the proposed merger.¹

The Bank Merger Act

The Application was filed under the BMA and OCC regulations, and seeks the OCC's approval for the merger of Vigilant into Bay-Vanguard. *See* 12 U.S.C. § 1828(c) and 12 C.F.R. § 163.22(a). The OCC must also consider the record of compliance with the Community Reinvestment Act (CRA) of each applicant constituent in a merger transaction. 12 U.S.C. §§ 2903(a)(2) and 2902(3)(E); 12 C.F.R. § 195.29(a)(3).

The OCC has reviewed the proposed transaction under the criteria of the BMA and applicable OCC regulations and policies. Under the BMA, the OCC generally may not approve a transaction that would substantially lessen competition. The BMA also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c)(5). The OCC must also consider the effectiveness of any insured depository institution involved in the transaction in combating money laundering activities. 12 U.S.C. § 1828(c)(11). In addition, the OCC may not approve an interstate merger transaction under the BMA if the resulting insured depository institution (including all insured depository institutions which are affiliates of the resulting depository institution), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. § 1828(c)(13). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1828(c)(5) (as amended by section 604 of Dodd-Frank).

The OCC considered the proposed transaction under the criteria set forth in 12 C.F.R. § 163.22(d), including, but not limited to the fairness of the transaction. OCC has evaluated the proposed issuance of additional stock to the parent company to reflect the value of Vigilant and

¹ See 12 C.F.R. §§ 146.2(a)(4) and 152.13(c)(4). The proposed transaction is consistent with the provisions of these regulations addressing combinations involving a federal mutual savings association and a federal stock savings association.

to preserve the interest of the Bay-Vanguard members in the parent company after the merger. In addition, OCC evaluated disclosure regarding the transaction and compensation to officers, directors or controlling persons under the regulatory standards.

The OCC has considered each of these factors and has found them consistent with approval.

Community Reinvestment Act

The CRA requires the OCC to take into account the applicant's record of helping to meet the credit needs of the community, including low-and-moderate-income (LMI) neighborhoods, when evaluating certain applications, including transactions that are subject to the BMA. See 12 U.S.C. § 2903; 12 C.F.R. § 195.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the record of these institutions and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of their communities, including LMI neighborhoods, is less than satisfactory.

Consummation Requirements

The merger must be consummated no later than 120 calendar days from the date of this approval letter unless the OCC grants an extension of time period for good cause. On the business day prior to the date of the consummation of the transaction, the chief financial officers of Bay-Vanguard and Vigilant must certify in writing to the Director for District Licensing (DDL) that no material adverse events or material adverse changes have occurred with respect to the financial condition or operation of their respective institutions as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of Bay-Vanguard, Vigilant, or the OCC since the date of the financial statements submitted with the Application, Bay-Vanguard must not consummate the transaction unless the information is presented to the DDL and the DDL provides written non-objection to consummation of the transaction.

In addition, Bay-Vanguard must submit the following information to the OCC Northeastern District Licensing Division (LIC-NE) within the timeframe noted:

- No later than five calendar days after the date of consummation of the transaction, Bay-Vanguard must file with LIC-NE a certification stating the effective date of the transaction and that the transaction has been consummated in accordance with all applicable laws and regulations, the Application, and this letter.

- No later than 30 calendar days after the date of consummation of the transaction, Bay-Vanguard shall advise each account holder whose withdrawable accounts in the resulting savings association would increase above \$250,000, or whose noninsured deposits would increase, as result of the transaction of the effect of the transaction on insurance coverage. Promptly thereafter, Bay-Vanguard must submit a copy of the notice to LIC-NE.

This approval and the activities and communications by OCC employees in connection with the filings do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on Bay-Vanguard's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting your feedback on how the OCC handled your application. We would appreciate your response so we may continue to improve our service.

If you have any questions please contact Licensing Analyst Laurie Powell at (917) 344-3432 or by e-mail at Powellla@occ.treas.gov.

Sincerely,

Stephen Lybarger

Stephen Lybarger
Deputy Comptroller for Licensing

Enclosure: Survey Letter

cc:

Carolyn Mroz, Bay-Vanguard Federal Savings Bank