



Financial, Inc.

**NOTICE OF 2011 ANNUAL MEETING  
PROXY STATEMENT AND  
ANNUAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2011**

## **BV Financial, Inc.**

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### **Corporate Profile**

BV Financial, Inc., headquartered in Baltimore, Maryland, is the holding company for Bay-Vanguard Federal Savings Bank. A majority of the outstanding shares of BV Financial, Inc.'s common stock is owned by Bay-Vanguard M.H.C., a mutual holding company. BV Financial, Inc. is quoted on the OTC Bulletin Board under the symbol "BVFL."

Bay-Vanguard Federal Savings Bank was formed in 1996 by the merger of the long established local institutions Bay Federal Savings and Loan Association and Vanguard Federal Savings and Loan Association. Bay-Vanguard Federal Savings Bank continues to operate as a community-oriented financial institution offering traditional financial services to consumers and businesses in our market area of Baltimore County, Baltimore City and Anne Arundel County, Maryland.

### **Locations**

#### **Baltimore County**

*Main Office*  
7114 North Point Road  
Baltimore, Maryland 21219

#### **Baltimore City**

*The Foundry Branch*  
921 East Fort Avenue  
Baltimore, Maryland 21230

#### **Anne Arundel County**

*Pasadena Branch*  
8070 Ritchie Highway  
Pasadena, Maryland 21122

*Arundel Mills Branch*  
7657 Arundel Mills Boulevard  
Hanover, Maryland 21076

### **Transfer Agent**

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 07016

**BV Financial, Inc.  
7114 North Point Road  
Baltimore, Maryland 21219  
(410) 477-5000**

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**Notice of Annual Meeting of Stockholders**

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On Wednesday, November 2, 2011, BV Financial, Inc. (the "Company") will hold its annual meeting of stockholders at Bay-Vanguard Federal Savings Bank's main office, 7114 North Point Road, Baltimore, Maryland. The meeting will begin at 3:00 p.m., local time. At the meeting, stockholders will consider and act on the following:

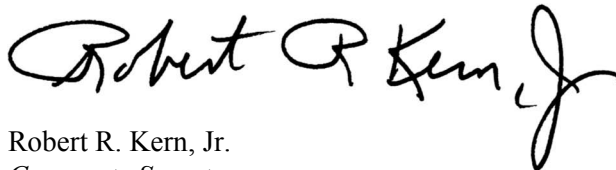
1. The election of three directors to serve for a term of three years;
2. The ratification of the appointment of Rowles & Company, LLP as the independent registered public accounting firm for the Company for the fiscal year ending June 30, 2012; and
3. Such other business that may properly come before the meeting.

NOTE: The Board of Directors is not aware of any other business scheduled to come before the meeting.

Only stockholders of record as of the close of business on September 16, 2011 are entitled to receive notice of and to vote at the meeting and any adjournment or postponement of the meeting.

Please complete and sign the enclosed proxy card, which is solicited by the Board of Directors, and mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS



Robert R. Kern, Jr.  
*Corporate Secretary*

Baltimore, Maryland  
September 28, 2011

**IMPORTANT: The prompt return of proxies will save the Company the expense of further requests for proxies to ensure a quorum. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.**

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# **BV FINANCIAL, INC.**

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## **PROXY STATEMENT**

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### **GENERAL INFORMATION**

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of BV Financial, Inc. for the 2011 annual meeting of stockholders and for any adjournment or postponement of the meeting. In this proxy statement, BV Financial, Inc. may also be referred to as “BV Financial,” the “Company,” “we,” “our” or “us.”

BV Financial is the holding company for Bay-Vanguard Federal Savings Bank. In this proxy statement, Bay-Vanguard Federal Savings Bank may also be referred to as the “Bank” or “Bay-Vanguard Federal.”

We are holding the 2011 annual meeting at Bay-Vanguard Federal Savings Bank’s main office, 7114 North Point Road, Baltimore, Maryland on Wednesday, November 2, 2011 at 3:00 p.m., local time.

We intend to mail this proxy statement and the enclosed proxy card to stockholders of record beginning on or about September 28, 2011.

### **INFORMATION ABOUT VOTING**

#### **Who Can Vote at the Meeting**

You are entitled to vote your shares of BV Financial common stock that you owned as of September 16, 2011. As of the close of business on September 16, 2011, 2,403,886 shares of BV Financial common stock were outstanding, including 1,454,750 shares of common stock held by Bay-Vanguard, M.H.C. Each share of common stock has one vote.

#### **Ownership of Shares; Attending the Meeting**

You may own shares of BV Financial in one or more of the following ways:

- Directly in your name as the stockholder of record;
- Indirectly through a broker, bank or other holder of record in “street name”; or
- Indirectly in the BV Financial, Inc. Stock Fund in our 401(k) Plan or the Bay-Vanguard Federal Savings Bank Employee Stock Ownership Plan (the “ESOP”).

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us or to vote in person at the meeting.

If you hold your shares in street name, your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote by filling out a voting instruction form that accompanies your proxy materials. Your broker, bank or other holder of record may allow you to provide voting instructions by

telephone or by the Internet. Please see the instruction form provided by your broker, bank or other holder of record that accompanies this proxy statement. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of BV Financial common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

## **Quorum and Vote Required**

**Quorum.** We will have a quorum and will be able to conduct the business of the annual meeting if the holders of a majority of the outstanding shares of common stock entitled to vote are present at the meeting, either in person or by proxy.

**Votes Required for Proposals.** At this year's annual meeting, stockholders will be asked to elect three directors each to serve for a term of three years and to ratify the appointment of Rowles & Company, LLP as the Company's independent registered public accounting firm. In voting on the election of directors, you may vote in favor of the nominees, withhold votes as to all nominees or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the greatest number of votes will be elected.

In voting on the ratification of the appointment of Rowles & Company, LLP as the Company's independent registered public accounting firm, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To ratify the selection of Rowles & Company, LLP as our independent registered public accounting firm for fiscal 2012, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote at the annual meeting is required.

**Routine and Non-Routine Proposals.** The rules of the New York Stock Exchange determine for all companies whether proposals presented at stockholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote on the proposal without receiving voting instructions from the owner. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when a broker or other entity is unable to vote on a particular proposal because the broker or other entity has not received voting instructions from the beneficial owner. The election of directors is currently considered a non-routine matter, while the ratification of Rowles & Company, LLP as our independent registered public accounting firm for fiscal 2012 is currently considered a routine matter.

**How We Count Votes.** If you return valid proxy instructions or attend the meeting in person, we will count your shares to determine whether there is quorum, even if you abstain from voting. Broker non-votes also will be counted to determine the existence of a quorum.

In the election of directors, votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, abstentions will have the same effect as a negative vote while broker non-votes will have no effect on the proposal.

Because Bay-Vanguard, M.H.C. owns more than half of the outstanding shares of BV Financial common stock, the votes it casts will ensure the presence of a quorum and determine the outcome of Item 1 (Election of Directors) and Item 2 (Appointment of Independent Registered Public Accounting Firm).

## Voting by Proxy

The Company's Board of Directors is sending you this proxy statement to request that you allow your shares of Company common stock to be represented at the annual meeting by the persons named in the enclosed proxy card. All shares of Company common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors. The Board of Directors recommends that you vote:

- **FOR** each of the nominees for director; and
- **FOR** ratification of the appointment of Rowles & Company, LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2012.

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the annual meeting to solicit additional proxies. If the annual meeting is postponed or adjourned, your shares of Company common stock may be voted by the persons named in the proxy card on the new meeting date, provided that the new meeting occurs within 30 days of the annual meeting and you have not revoked your proxy. The Company does not currently know of any other matters to be presented at the meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Corporate Secretary of the Company in writing before your common stock has been voted at the annual meeting, deliver a later dated proxy or attend the meeting and vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

## Participants in the ESOP or 401(k) Plan

If you participate in the ESOP or if you invest in the BV Financial Stock Fund in our 401(k) Plan, you will receive a voting instruction card for each plan that reflects the shares you may direct the trustees to vote on your behalf under the respective plans. Under the terms of the ESOP, all allocated shares of BV Financial common stock held by the ESOP are voted by the ESOP trustee, as directed by plan participants. All unallocated shares of Company common stock held by the ESOP and all allocated shares for which no timely voting instructions are received are voted by the ESOP trustee in the same proportion as shares for which the trustee has received timely voting instructions, subject to the exercise of its fiduciary duties. Under the terms of the 401(k) Plan, a participant may direct the stock fund trustee how to vote the shares in the BV Financial Stock Fund credited to his or her account. The stock fund trustee will vote all shares for which it does not receive timely instructions from participants in the same proportion as shares for which the trustee received voting instructions. **The deadline for returning your voting instructions is October 24, 2011.**

## CORPORATE GOVERNANCE AND BOARD MATTERS

### Director Independence

Because the Company is not listed on a national securities exchange or a national securities association, there are no independence requirements for its directors. However, if the Company was to apply the current listing standards of The NASDAQ Stock Market, all of its directors would be independent, except for Messrs. Birmingham, Gallagher and Leonard and Ms. Mroz, each of whom is, or was within the past three years, an employee of BV Financial or the Bank.

### Committees of the Board of Directors

The following table identifies our standing committees and their members at June 30, 2011. All members of each committee are independent in accordance with the listing requirements of The NASDAQ Stock Market, except for Messrs. Birmingham and Leonard. Each committee operates under a written charter that is approved by the Board of Directors that governs its composition, responsibilities and operation. Each committee reviews and reassesses the adequacy of its charter at least annually.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee
Michael J. Birmingham III.....	X		X
Frank W. Dingle .....	X*	X	
Daniel J. Gallagher, Jr.....			
Robert R. Kern, Jr. ....		X*	X*
Edmund T. Leonard .....		X	
Brian K. McHale.....	X		
Carolyn M. Mroz .....			
Anthony J. Narutowicz .....			
Jerry S. Sopher .....			
Catherine M. Staszak .....			X
Number of meetings in fiscal 2011 .....	4	3	1

\*Chairman

**Audit Committee.** The Audit Committee is responsible for ensuring that BV Financial maintains reliable accounting policies and financial reporting processes and reviewing the performance of BV Financial's independent registered public accounting firm. The Audit Committee selects the independent registered public accounting firm and meets with them to discuss the results of the annual audit and any related matters.

**Compensation Committee.** The Compensation Committee is responsible for all matters regarding BV Financial's and the Bank's employee compensation and benefit programs. The Compensation Committee reviews all compensation components for the Company's Chief Executive Officer and other highly compensated executive officers including base salary, bonus, equity incentives, benefits and other perquisites. Decisions by the Compensation Committee with respect to the compensation of executive officers are approved by the full Board of Directors. We do not have a contractual arrangement with any compensation consultant who has a role in determining or recommending the amount or form of executive or director compensation.

**Nominating and Governance Committee.** The Nominating and Governance Committee is responsible for the annual selection of management’s nominees for election as directors and for developing and implementing a set of policies and practices relating to corporate governance, including implementation of and monitoring adherence to BV Financial’s corporate governance policy.

**Director Compensation**

The applicable fees that are paid to our non-employee directors for their service on Bay-Vanguard Federal’s Board of Directors are listed below. Directors do not receive any compensation for their service on the Board of Directors of BV Financial or Bay-Vanguard, M.H.C.

Fees per meeting of Bay-Vanguard Federal:

Regular or Special Meetings Attended.....	\$500
Committee Meetings Attended.....	\$400

**Board and Committee Meetings**

During the year ended June 30, 2011, the Board of Directors of BV Financial held five meetings and the Board of Directors of the Bank held twelve meetings. No director attended fewer than 75% of the meetings of the Board of Directors and Board committees on which they served in fiscal 2011.

**Director Attendance at the Annual Meeting of Stockholders**

The Board of Directors encourages directors to attend the annual meeting of stockholders. All of the directors attended the 2010 annual meeting of stockholders.

**STOCK OWNERSHIP**

The following table provides information as of September 16, 2011 with respect to persons and entities known to the Company to be the beneficial owner of more than 5% of the Company’s outstanding common stock. A person or entity may be considered to beneficially own any shares of common stock over which the person or entity has, directly or indirectly, sole or shared voting or investing power.

<u>Name and Address</u>	<u>Number of Shares Owned</u>	<u>Percent of Common Stock Outstanding</u>
Bay-Vanguard, M.H.C. 7114 North Point Road Baltimore, Maryland 21219	1,454,750 <sup>(1)</sup>	60.5%

(1) Acquired in connection with the Company’s minority stock offering, which was completed on January 12, 2005. The members of the Board of Directors of BV Financial and Bay-Vanguard Federal also constitute the Board of Directors of Bay-Vanguard, M.H.C.

The following table provides information about the shares of Company common stock that may be considered to be owned by each director and director nominee of the Company, each executive officer and by all directors, director nominees and executive officers of the Company as a group as of September 16, 2011. A person may be considered to own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Each of the named individuals has sole voting and investment power with respect to the shares shown. The number of shares beneficially owned by all directors, director nominees and executive officers as a group totaled 9.0% of our common stock as of September 16, 2011. Each director, director nominee and named executive officer owned less than 1% of our outstanding common stock as of that date, except for Mr. Gallagher, Mr. Leonard and Ms. Mroz, who owned 1.3%, 2.1% and 2.2%, respectively, of our common stock as of that date.

Name	Number of Shares Owned (Excluding Options)	Number of Shares That May Be Acquired Within 60 Days by Exercising Options	Total
Michael J. Birmingham III .....	7,221	5,554	12,775
Frank W. Dingle .....	1,000	—	1,000
Daniel J. Gallagher, Jr. (1).....	21,569	10,368	31,937
Robert R. Kern, Jr.....	7,221	5,554	12,775
Edmund T. Leonard (1) .....	25,348	25,921	51,269
Brian K. McHale .....	3,221	5,554	8,775
Carolyn M. Mroz (1) .....	28,323	25,921	54,244
Anthony J. Narutowicz.....	3,221	5,554	8,775
George Philippou.....	—	—	—
Jerry S. Sopher .....	7,221	5,554	12,775
Catherine M. Staszak.....	3,011	5,554	8,565
All Directors, Director Nominees and Executive Officers as a group (14 persons) .....	119,771	105,902	225,673

(1) Includes the following:

Name	Shares Allocated Under Bay-Vanguard Federal Savings Bank ESOP	Shares Held in Trust in Bay-Vanguard Federal Savings Bank 401(k) Plan
Mr. Gallagher .....	5,089	4,281
Mr. Leonard.....	5,020	12,606
Ms. Mroz .....	5,848	12,107

## ITEMS TO BE VOTED ON BY STOCKHOLDERS

### Item 1 — Election of Directors

The Company's Board of Directors consists of ten members. The Board is divided into three classes with three-year staggered terms, with approximately one-third of the directors elected each year. Anthony L. Narutowicz will retire from the Board of Directors, effective as of the annual meeting date. The Board of Directors has nominated George Philippou to fill the vacancy created by Mr. Narutowicz's resignation. Three directors will be elected at the annual meeting to serve for a three-year term or until their respective successors have been elected and qualified. The nominees for election are Brian K. McHale, George Philippou and Jerry S. Sopher.

Unless you indicate on the proxy card that your shares should not be voted for certain nominees, the Board of Directors intends that the proxies solicited by it will be voted for the election of all of the Board's nominees. If any nominee is unable to serve, the persons named in the proxy card would vote your shares to approve the election of any substitute proposed by the Board of Directors. At this time, we know of no reason why any nominee might be unable to serve.

**The Board of Directors recommends a vote "FOR" the election of all of the nominees.**

Information regarding the Board of Directors' nominees and the directors continuing in office is provided below. Unless otherwise stated, each individual has held his or her current occupation for the last five years. The age indicated in each nominee's biography is as of June 30, 2011. There are no family relationships among the directors or executive officers. The indicated period for service as a director includes service as a director of either Bay Federal Savings and Loan Association or Vanguard Federal Savings and Loan Association, which merged to form Bay-Vanguard Federal in April 1996.

### Board Nominees for Terms Ending in 2014

*Brian K. McHale* is a steamship clerk with International Longshoremen's Association Local 953 located in Baltimore, Maryland and a state delegate to the Maryland General Assembly. Age 56. Director since 1987.

*George Philippou* is General Counsel for H&S Properties Development Corp., a real estate development and management company located in Baltimore, Maryland. Age 43.

*Jerry S. Sopher* is a self-employed attorney located in Baltimore, Maryland. Age 70. Director since 1985.

### Directors with Terms Ending in 2012

*Michael J. Birmingham III* is the owner of MJ Birmingham Company, a construction company located in Baltimore, Maryland and since January 2010, serves as a project manager to the Bank with regard to renovations of our main office located on North Point Road in Baltimore, Maryland. Age 58. Director since 1985.

*Daniel J. Gallagher, Jr.* is Senior Vice President of Commercial Lending of Bay-Vanguard Federal and Senior Vice President of the Company. Age 54. Director since 2003.

*Catherine M. Staszak* is a realtor for Coldwell Banker in Baltimore, Maryland and the owner of Full House Saloon, a tavern in Edgemere, Maryland. Age 68. Director since 1986.

### **Directors with Terms Ending in 2013**

*Frank W. Dingle* is a Senior Vice President for RBC Wealth Management, an investment banking firm located in Baltimore, Maryland. Age 37. Director since 2007.

*Robert R. Kern, Jr.* is a partner at the law firm of Gallagher Evelius & Jones LLP, located in Baltimore, Maryland. Age 62. Director since 1974.

*Edmund T. Leonard* is Chairman of the Board of BV Financial and Bay-Vanguard Federal. Mr. Leonard was Chief Financial Officer of BV Financial and Bay-Vanguard until February 2010, at which point he became a consultant to BV Financial and Bay-Vanguard Federal. Age 67. Director since 1991.

*Carolyn M. Mroz* is President and Chief Executive Officer of BV Financial and Bay-Vanguard Federal. Age 65. Director since 1969.

### **Item 2 – Ratification of the Independent Registered Public Accounting Firm**

Rowles & Company, LLP was the Company's independent registered public accounting firm for the 2011 fiscal year. The Audit Committee of the Board of Directors has appointed Rowles & Company, LLP be the Company's independent registered public accounting firm for the 2011 fiscal year, subject to ratification by stockholders. A representative of Rowles & Company, LLP is expected to be present at the annual meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement should he or she desire to do so.

If the ratification of the appointment of the independent registered public accounting firm is not approved by a majority of the votes represented at the annual meeting and entitled to vote, the Audit Committee of the Board of Directors may consider other independent registered public accounting firms.

**The Board of Directors recommends a vote "FOR" the ratification of the appointment of Rowles & Company, LLP as independent registered public accounting firm for the Company for the fiscal year ending June 30, 2012.**

### **SUBMISSION OF BUSINESS PROPOSALS AND STOCKHOLDER NOMINATIONS**

The Company's Bylaws provide that for a stockholder to make nominations for the election of directors or proposals for business to be brought before a meeting of stockholders, a stockholder must deliver written notice of such nominations and/or proposals to the Corporate Secretary not less than 30 days before the date of the meeting; provided that if less than 40 days' notice or prior public disclosure of the meeting is given or made to stockholders, such notice must be delivered not later than the close of the tenth day following the day on which notice of the meeting was mailed to stockholders or such public disclosure was made.

## MISCELLANEOUS

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company. In addition to soliciting proxies by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone. None of these persons will receive additional compensation for these activities.

If you and others who share your address own your shares in “street name,” your broker or other holder of record may be sending only one annual report and proxy statement to your address. This practice, known as “householding,” is designed to reduce our printing and postage costs. However, if a stockholder residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she should contact the broker or other holder of record. If you own your shares in “street name” and are receiving multiple copies of our annual report and proxy statement, you can request householding by contacting your broker or other holder of record.

Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card in the enclosed envelope.

## Report of Independent Auditors

The Board of Directors and Stockholders  
BV Financial, Inc.  
Baltimore, Maryland

We have audited the accompanying consolidated statement of financial condition of BV Financial, Inc. and Subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BV Financial, Inc. and Subsidiaries as of June 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Rowles & Company, LLP*

Baltimore, Maryland  
September 15, 2011

**BV FINANCIAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	June 30,	
	2011	2010
	(Dollars In Thousands, Except Per Share Amounts)	
<b>ASSETS</b>		
Cash	\$ 1,383	\$ 1,564
Interest bearing deposits in other banks	9,302	14,334
	<u>10,685</u>	<u>15,898</u>
Cash and Cash Equivalents	10,685	15,898
Securities trading	–	370
Securities available for sale	620	923
Securities held to maturity, fair value 2011 \$18,933; 2010 \$17,761	18,744	17,492
Loans receivable, net of allowance for loan losses 2011 \$1,510; 2010 \$1,574	104,054	114,963
Foreclosed real estate and repossessed assets	1,279	135
Premises and equipment, net	4,500	3,440
Federal Home Loan Bank of Atlanta stock, at cost	447	631
Investment in life insurance	2,239	2,158
Accrued interest receivable	541	637
Prepaid FDIC premiums	499	712
Intangible assets, net	114	188
Deferred tax assets, net	2,739	2,712
Other assets	155	120
	<u>\$146,616</u>	<u>\$160,379</u>
<b>Total Assets</b>	<b>\$146,616</b>	<b>\$160,379</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Non-interest bearing deposits	\$ 9,514	\$ 7,480
Interest bearing deposits	118,625	135,712
	<u>128,139</u>	<u>143,192</u>
Total Deposits	128,139	143,192
Official checks	538	364
Advance payments by borrowers for taxes and insurance	1,190	1,152
Other liabilities	2,011	1,843
	<u>131,878</u>	<u>146,551</u>
<b>Total Liabilities</b>	<b>131,878</b>	<b>146,551</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued or outstanding	–	–
Common stock, \$0.01 par value; 9,000,000 shares authorized; 2,645,000 shares issued; 2,403,886 and 2,406,168 shares outstanding as of June 30, 2011 and June 30, 2010, respectively	26	26
Paid-in capital	11,048	11,090
Unearned employee stock ownership plan shares	(549)	(617)
Treasury stock, at cost; 241,114 shares and 238,832 shares as of June 30, 2011 and June 30, 2010, respectively	(1,979)	(1,995)
Retained earnings	6,164	5,290
Accumulated other comprehensive income	28	34
	<u>14,738</u>	<u>13,828</u>
<b>Total Stockholders' Equity</b>	<b>14,738</b>	<b>13,828</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$146,616</b>	<b>\$160,379</b>

See notes to consolidated financial statements.

**BV FINANCIAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended June 30,	
	2011	2010
	(In Thousands Except Per Share Amounts)	
<b>INTEREST INCOME</b>		
Loans, including fees	\$6,565	\$7,321
Investment securities	485	509
Other	6	7
<b>Total Interest Income</b>	<u>7,056</u>	<u>7,837</u>
<b>INTEREST EXPENSE</b>		
Deposits	<u>1,868</u>	<u>3,008</u>
<b>Total Interest Expense</b>	<u>1,868</u>	<u>3,008</u>
<b>Net Interest Income</b>	5,188	4,829
<b>PROVISION FOR LOAN LOSSES</b>	<u>299</u>	<u>733</u>
<b>Net Interest Income after Provision for Loan Losses</b>	<u>4,889</u>	<u>4,096</u>
<b>NON-INTEREST INCOME</b>		
Service fees on deposits	141	164
Income from investment in life insurance	73	60
Gain on securities trading	4	43
(Loss) gain on sale of foreclosed real estate and repossessed assets	(31)	30
Other income	<u>116</u>	<u>86</u>
<b>Total Non-Interest Income</b>	<u>303</u>	<u>383</u>
<b>NON-INTEREST EXPENSES</b>		
Compensation and related expenses	2,040	2,228
Occupancy	264	278
Data processing	310	330
Advertising	49	38
Professional fees	170	227
Equipment	93	124
Foreclosed real estate	139	117
Write-downs of foreclosed real estate	53	—
Amortization of intangible assets	74	92
FDIC insurance premiums	228	297
Other	<u>392</u>	<u>418</u>
<b>Total Non-Interest Expenses</b>	<u>3,812</u>	<u>4,149</u>
<b>Income before Income Tax Expense</b>	1,380	330
<b>INCOME TAX EXPENSE</b>	<u>506</u>	<u>154</u>
<b>Net Income</b>	<u>\$ 874</u>	<u>\$ 176</u>
<b>Basic Income Per Share</b>	<u>\$0.37</u>	<u>\$ 0.08</u>
<b>Diluted Income Per Share</b>	<u>\$0.37</u>	<u>\$ 0.08</u>
<b>Dividends Declared Per Share</b>	<u>\$0.00</u>	<u>\$0.15</u>

See notes to consolidated financial statements.

# BV FINANCIAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended June 30, 2011 and 2010

	Common Stock	Paid-In Capital	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>BALANCE - JUNE 30, 2009</b>	\$26	\$11,117	\$(687)	\$(2,068)	\$5,241	\$20	\$13,649
Comprehensive income:							
Net income	-	-	-	-	176	-	176
Unrealized holding gains (net of tax of \$9)	-	-	-	-	-	14	14
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	190
Compensation expense under stock-based compensation plans	-	18	-	77	-	-	95
Compensation expense under Employee Stock Ownership Plan	-	(45)	70	-	-	-	25
Cash dividends declared	-	-	-	-	(127)	-	(127)
Purchase of treasury stock (1,463 shares)	-	-	-	(4)	-	-	(4)
<b>BALANCE - JUNE 30, 2010</b>	26	11,090	(617)	(1,995)	5,290	34	13,828
Comprehensive income:							
Net income	-	-	-	-	874	-	874
Unrealized holding losses (net of tax of \$4)	-	-	-	-	-	(6)	(6)
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	868
Compensation expense under stock-based compensation plans	-	5	-	24	-	-	29
Compensation expense under Employee Stock Ownership Plan	-	(47)	68	-	-	-	21
Purchase of treasury stock (2,282 shares)	-	-	-	(8)	-	-	(8)
<b>BALANCE - JUNE 30, 2011</b>	\$26	\$11,048	\$(549)	\$(1,979)	\$6,164	\$28	\$14,738

See notes to consolidated financial statements.

**BV FINANCIAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2011	2010
	(In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 874	\$ 176
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of discounts and premiums	33	66
Provision for loan losses	299	733
Loss (gain) on sale of foreclosed real estate and repossessed assets	31	(30)
Write-downs of foreclosed real estate	53	–
Net change in securities trading	370	706
Amortization of deferred loan fees/costs	(205)	(205)
Provision for depreciation	100	126
Amortization of intangible assets	74	92
Deferred tax benefit, including change in valuation allowance	(21)	(349)
Increase in cash surrender value of life insurance	(81)	(60)
Stock-based compensation expense	50	120
Decrease (increase) in other assets	274	(432)
Increase in other liabilities	168	563
<b>Net Cash Provided by Operating Activities</b>	<u>2,019</u>	<u>1,506</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of securities held to maturity	(19,485)	(18,500)
Proceeds from maturities and calls of securities held to maturity	17,000	10,500
Principal collected on mortgage-backed securities	1,491	2,258
Net decrease in loans	9,392	3,665
Purchase of premises and equipment	(1,160)	(483)
Proceeds from sale of foreclosed real estate	195	635
Proceeds from the sale of Federal Home Loan Bank stock	184	–
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>7,617</u>	<u>(1,925)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in official checks	174	(519)
Net (decrease) increase in deposits	(15,053)	5,576
Increase in advance payments by borrowers for taxes and insurance	38	27
Purchase of stock for treasury	(8)	(4)
Cash dividends paid	–	(127)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<u>(14,849)</u>	<u>4,953</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(5,213)</u>	<u>4,534</u>
<b>CASH AND CASH EQUIVALENTS – BEGINNING</b>	<u>15,898</u>	<u>11,364</u>
<b>CASH AND CASH EQUIVALENTS – ENDING</b>	<u>\$ 10,685</u>	<u>\$ 15,898</u>
<b>SUPPLEMENTARY CASH FLOWS INFORMATION</b>		
Interest paid	<u>\$ 1,882</u>	<u>\$ 3,070</u>
Income taxes paid	<u>\$ 171</u>	<u>\$ –</u>
<b>SUPPLEMENTARY NON-CASH TRANSACTIONS</b>		
Net loans transferred to foreclosed real estate and repossessed assets	<u>\$ 1,423</u>	<u>\$ 79</u>

*See notes to consolidated financial statements.*

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Business**

BV Financial, Inc. (the “Company”) was organized as a federally chartered corporation at the direction of Bay-Vanguard Federal Savings Bank (the “Bank” or “Bay-Vanguard Federal”) in January 2005 to become the mid-tier stock holding company for Bay-Vanguard Federal upon the completion of its reorganization into the mutual holding company form of organization. Pursuant to the Plan of Reorganization, the Bank converted to stock form with all of its stock owned by the Company and organized Bay-Vanguard, M.H.C. (the “M.H.C.”) as a federally chartered mutual holding company that owned 55% of the common stock of the Company. At June 30, 2011 and 2010 the M.H.C. owned 60.5% of the common stock of the Company. As part of the reorganization, the Company sold 1,190,250 shares of its common stock at a price of \$10.00 per share to members of the Bank in a subscription offering raising approximately \$11.0 million in net proceeds.

Bay-Vanguard Federal is headquartered in Baltimore, Maryland and is a community-oriented financial institution offering traditional financial services to its local communities. The Bank is engaged primarily in the business of attracting deposits from the general public using such funds to originate one-to four-family real estate, mobile home, construction, multi-family, commercial real estate and consumer loans.

The Bank’s savings accounts are insured up to the applicable legal limits by the Federal Deposit Insurance Corporation’s Deposit Insurance Fund. Bay-Vanguard Federal is a member of the Federal Home Loan Bank System.

The Bank has a wholly-owned subsidiary, Housing Recovery Corporation (“HRC”). HRC’s primary business is holding real estate and other assets acquired by the Bank through foreclosure or repossession.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, the Bank and its wholly-owned subsidiary, HRC. All intercompany balances and transactions have been eliminated in consolidation.

#### **Basis of Financial Statement Presentation and Significant Estimates**

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, the assessment of other than temporary impairment of investment securities, intangible asset impairment and the valuation of deferred tax assets.

#### **Significant Group Concentrations of Credit Risk**

Most of the Company’s activities are with customers located within the Baltimore Metropolitan Area. The Company does not have any significant concentrations to any one industry or customer.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Securities**

The Company classifies investment securities into one of three categories: held to maturity, trading or available for sale. Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and are reported at amortized cost (including amortization of premium or accretion of discount). The Company does not regularly engage in security trading; however, beginning on July 1, 2008, the Company elected to account for the AMF Ultra Short Mortgage mutual fund it holds as a trading security. The investment was reclassified to securities trading from available-for-sale and carried at fair value with future gains and losses reflected through earnings. During the years ended June 30, 2011 and 2010, the Company recorded a gain of \$4,000 and \$43,000, respectively, on securities trading in the income statement. The remaining investment in the AMF Ultra Short Mortgage mutual fund was sold during the fiscal year ended June 30, 2011. Net unrealized gains and losses for debt securities classified as available-for-sale are recognized as increases or decreases in other comprehensive income or loss, net of taxes, and excluded from the determination of net income. Realized gains and losses on sales of securities are determined using the specific identification method and are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or until maturity. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance, and projected target prices of investment analysts.

Federal law requires a member institution of the Federal Home Loan Bank System to hold stock of its district Federal Home Loan Bank ("FHLB") in an amount equal to at least 0.20% of the Bank's total assets plus 4.50% of its outstanding advances from the FHLB. Purchases and sales of stock are made directly with the FHLB at par value.

The Bank held \$447,000 and \$631,000 of FHLB restricted stock at June 30, 2011 and 2010, respectively. This restricted stock is carried at cost. In December 2008, FHLB of Atlanta announced it would suspend the repurchase of excess capital stock from its members due to deterioration in its financial condition. As a result, the Bank may hold more FHLB stock than would have been previously required. In June 2010, FHLB of Atlanta announced it would repurchase up to \$300 million of excess capital stock from its members and will continue to evaluate on a quarterly basis whether to repurchase membership-based excess stock. Management evaluates whether this investment is impaired based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the bank as compared to the capital stock amount for the bank and the length of time this situation has persisted, (2) commitments by the bank to make payments required by law or regulation and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the bank.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Due to concerns about the capital strength of the FHLB of Atlanta and the entire FHLB system, there has been industry discussion about impairment issues on FHLB stock. However, due to the nature of the FHLB system and the heavy dependence of community banks on the FHLB, it is believed that any determination about the valuation of FHLB stock needs to be accomplished at the national level so that the entire community banking system is not disrupted. Management believes no impairment charge is necessary related to the FHLB restricted stock as of June 30, 2011 and 2010. If FHLB stock were deemed to be impaired, the write-down for the Bank could be significant.

**Premises and Equipment**

Land is stated at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed based on the straight-line method over the useful lives of the respective assets. Expenditures for improvements are capitalized while costs for maintenance and repairs are expensed as incurred.

**Foreclosed Real Estate and Repossessed Assets**

Foreclosed assets are composed of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Foreclosed assets initially are recorded at fair value, net of estimated selling costs, at the date of foreclosure, establishing a new cost basis. If the fair value is less than the related loan balance at the time of acquisition, a charge against the allowance for loan losses is recorded. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in foreclosed real estate expense. Foreclosed assets totaled \$1.3 million and \$135,000 at June 30, 2011 and 2010, respectively.

**Deferred Income Taxes**

Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets are recognized only to the extent that it is more likely than not that such amounts will be realized based on consideration of available evidence.

**Loans Receivable**

Loans receivable are stated at unpaid principal balances, less the undisbursed portion of loans in process, deferred loan origination fees and costs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees and costs are deferred and recognized as an adjustment to the yield (interest income) of the related loans. The Company is amortizing these amounts over the contractual life of the loan using the interest method. For purchased loans, the related premium or discount is recognized over the contractual life of the purchased loan and is included as part of interest income.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. Cash payments on impaired loans are recorded in the same manner as payments on nonaccrual loans.

**Allowance for Loan Losses**

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level to provide for losses that are probable and can be reasonably estimated. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent losses in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, the composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The allowance consists of specific and general components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered past due or delinquent when a contractual payment is not paid in the month that it is due. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for multi-family, commercial real estate and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer, mobile home, and residential real estate loans for impairment disclosures, unless they are subject to a restructuring agreement.

**Investment in Life Insurance**

Investment in life insurance is reflected at the net cash surrender value to the Company.

**Intangible Assets**

Intangible assets, consisting of core deposit intangibles, represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged on its own or in combination with a related contract, asset or liability. Core deposit intangibles are amortized on an accelerated basis over a 7-year period. Any impairment of intangible assets would be recorded against income in the period of impairment.

**Statement of Cash Flows**

Cash and cash equivalents in the statements of cash flows include cash, federal funds sold and interest bearing deposits in other banks. Federal funds are generally purchased and sold for one-day periods.

**Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

**Off-Balance Sheet Financial Instruments**

In the ordinary course of business, the Company has entered into commitments to extend credit. Such financial instruments are recorded in the statement of financial condition when they are funded.

**Comprehensive Income**

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income or loss. Although certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, are reported as a separate component of the stockholders' equity section of the statement of financial condition, such items, along with net income or loss, are components of comprehensive income or loss.

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Earnings Per Share**

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the appropriate period. Unearned shares under the Bay-Vanguard Federal Savings Bank Employee Stock Ownership Plan (“ESOP”) are not included in outstanding shares. Diluted earnings per share is computed by dividing net income by the weighted average shares outstanding as adjusted for the dilutive effect of stock options and unvested stock awards based on the “treasury stock” method. As of June 30, 2011 and 2010, the Company had 1,777 and 4,327 shares of unvested restricted stock, respectively, and 111,456 and 111,456 shares of unexercised stock options, respectively, none of which were dilutive as the exercise prices of the options exceeded the market value of the Company’s stock for the periods presented. Information related to the calculation of earnings per share is summarized as follows:

	<b>Years Ended June 30,</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Basic</b>	<b>Diluted</b>	<b>Basic</b>	<b>Diluted</b>
	<b>In Thousands, Except Per Share Data</b>			
Net Income	<u>\$ 874</u>	<u>\$ 874</u>	<u>\$ 176</u>	<u>\$ 176</u>
Weighted average common shares outstanding	<u>2,351</u>	<u>2,351</u>	<u>2,346</u>	<u>2,346</u>
Dilutive securities:				
Restricted stock	—	—	—	—
Stock options	—	—	—	—
Adjusted weighted average shares	<u>2,351</u>	<u>2,351</u>	<u>2,346</u>	<u>2,346</u>
Per share amount	<u>\$0.37</u>	<u>\$0.37</u>	<u>\$0.08</u>	<u>\$0.08</u>

#### **Stock Based Compensation**

The Company accounts for stock based compensation in accordance with ASC 718. ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense over the required service period in the statement of operations at fair value.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Employee Stock Ownership Plan**

The cost of shares issued to the ESOP but not yet allocated to participants is presented in the consolidated statement of financial condition as a reduction of stockholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to paid-in capital. Dividends on unallocated ESOP shares are reflected as a reduction of the debt from BV Financial, Inc. to Bay-Vanguard Federal Savings Bank.

**Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year's presentation. Such reclassifications had no effect on net income.

**Subsequent Events**

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2011, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through September 15, 2011, the date these financial statements were available to be issued.

**Recent Accounting Pronouncements**

In April 2011, the FASB issued amended accounting and disclosure guidance relating to a creditor's determination of whether a restructuring is a troubled debt restructuring. The amendments clarify the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. The amendments are effective for the first interim or annual period beginning on or after June 15, 2011 and should be applied retrospectively to the beginning of the annual period of adoption. As a result of the application of the amendments, receivables previously measured under loss contingency guidance that are newly considered impaired should be disclosed, along with the related allowance for loan losses, as of the end of the period of adoption. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. The deferred credit risk disclosure guidance issued in July 2010 relating to troubled debt restructurings will now be effective for interim and annual periods beginning on or after June 15, 2011. The Company intends to comply with the new accounting and disclosure requirements and does not expect them to have a significant effect on its consolidated financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In December 2010, the FASB issued amended disclosure guidance relating to the pro forma information for business combinations that occurred in the current reporting period. The amended disclosure states that if an entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company intends to comply with the new accounting and disclosure requirements and does not expect them to have a significant effect on its consolidated financial statements.

In October 2010, the FASB issued amended accounting guidance relating to the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units with zero or negative carrying amounts, an entity is required to perform "Step Two" of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company does not anticipate that the adoption of this guidance will have a significant impact on the reporting of its financial position or results of its operations.

**BV FINANCIAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2 - SECURITIES**

Securities available for sale at June 30, 2011 and 2010 consisted of the following:

	<b>June 30, 2011</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
	<b>(In Thousands)</b>			
<b>Available for Sale</b>				
Mortgage-backed securities	<u>\$ 575</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 620</u>
	<b>June 30, 2010</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
	<b>(In Thousands)</b>			
<b>Available for Sale</b>				
Mortgage-backed securities	<u>\$ 867</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 923</u>

Beginning July 1, 2008, the Company elected to account for the AMF Ultra Short Mortgage mutual fund it held under ASC 820-10-50-28 (formerly SFAS No. 159) which meant the investment was reclassified as securities trading from available for sale and carried at fair value with future gains and losses reflected through earnings. The AMF Ultra Short Mortgage mutual fund had balances of \$-0- and \$370,000 at June 30, 2011 and 2010, respectively. Proceeds from trading securities sold during the years ended June 30, 2011 and 2010 were \$374,000 and \$750,000, respectively. Additionally a net gain of \$4,000 and net gain of \$43,000 were recognized on trading securities for the years ended June 30, 2011 and 2010, respectively. During the years ended June 30, 2011 and 2010, the Company did not identify any other-than-temporarily impaired assets.

# BV FINANCIAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2 - SECURITIES (CONTINUED)

Securities held to maturity at June 30, 2011 and 2010 consisted of the following:

	<b>June 30, 2011</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
	(In Thousands)			
<b>Held to Maturity</b>				
U.S. Government agencies securities	\$16,490	\$ 50	\$ 50	\$16,490
Mortgage-backed securities	2,254	189	-	2,443
	<u>\$18,744</u>	<u>\$ 239</u>	<u>\$ 50</u>	<u>\$18,933</u>
	<b>June 30, 2010</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
	(In Thousands)			
<b>Held to Maturity</b>				
U.S. Government agencies securities	\$14,024	\$ 64	\$ -	\$14,088
Mortgage-backed securities	3,468	205	-	3,673
	<u>\$17,492</u>	<u>\$ 269</u>	<u>\$ -</u>	<u>\$17,761</u>

The amortized cost and fair value of securities as of June 30, 2011, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

	<b>Available for Sale</b>		<b>Held to Maturity</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
	(In Thousands)			
<b>Maturing:</b>				
Due in one year or less	\$ -	\$ -	\$ 1,003	\$ 1,005
Due after one year through five years	-	-	12,490	12,519
Due after five years through ten years	-	-	2,997	2,966
Mortgage-backed securities	575	620	2,254	2,443
	<u>\$ 575</u>	<u>\$ 620</u>	<u>\$18,744</u>	<u>\$18,933</u>

All mortgage-backed securities are Freddie Mac, Fannie Mae or Ginnie Mae backed securities.

**BV FINANCIAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2 - SECURITIES (CONTINUED)**

Investment securities with unrealized losses for continuous periods of less than 12 months and 12 months or longer are as follows:

<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
<u>Fair Value</u>	<u>Unrealized losses</u>	<u>Fair Value</u>	<u>Unrealized losses</u>	<u>Fair Value</u>	<u>Unrealized losses</u>

(Dollars in Thousands)

**Held to Maturity**

U.S. Government agencies securities	<u>\$ 7,497</u>	<u>\$ 50</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,497</u>	<u>\$ 50</u>
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Management has the ability and intent to hold these investment securities until maturity. The decline in fair value is the result of rising interest rates, not a deterioration of the credit standing of the issuers. Since no loss is expected on these securities, no impairment has been recorded.

**NOTE 3 - LOANS RECEIVABLE**

Loans receivable at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
	<u>(In Thousands)</u>	
Real estate loans:		
Secured by one-to-four family residences	\$ 75,157	\$ 83,691
Secured by other properties	18,505	18,735
Construction loans	904	1,969
Mobile home loans	8,789	9,533
Consumer loans	405	362
Savings secured loans	223	372
Commercial loans	333	411
	<u>104,316</u>	<u>115,073</u>
Deferred loan origination costs, net	1,248	1,464
Allowance for loan losses	<u>(1,510)</u>	<u>(1,574)</u>
Total loans receivable – net	<u>\$104,054</u>	<u>\$114,963</u>

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 3 - LOANS RECEIVABLE (CONTINUED)**

Residential lending payment experience is generally dependent on economic and market conditions in the Bank's lending area. Multi-family, commercial real estate and construction loan repayments are generally dependent on the operations of the related properties or the financial condition of its borrower or guarantor. Accordingly, repayment of such loans can be more susceptible to adverse conditions in the real estate market and the regional economy.

Substantially all of the Bank's loans receivable are mortgage loans secured by residential, multi-family and commercial real estate properties located in the State of Maryland. Loans are extended only after evaluation by management of customers' creditworthiness and other relevant factors on a case-by-case basis. The Bank generally does not lend more than 90% of the appraised value of a property and usually requires private mortgage insurance on residential mortgages with loan-to-value ratios in excess of 80%. In some instances, the Bank lent up to 90% of the appraised value of a property through a combination of first and second mortgages without requiring private mortgage insurance. The Bank originates and purchases mobile home loans to owner occupied borrowers up to a maximum of 90% of the value of the mobile home. In addition, the Bank generally obtains personal guarantees of repayment from borrowers and/or others for construction, commercial and multi-family residential loans and disburses the proceeds of construction and similar loans only as work progresses on the related projects.

The following is a summary of the allowance for loan losses for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	(In Thousands)	
Balance at beginning of the year	\$1,574	\$ 855
Provision for loan losses	299	733
Loans charged-off	(363)	(14)
Recovery of loans charged-off	—	—
	<u>—</u>	<u>—</u>
Balance at end of year	<u><u>\$1,510</u></u>	<u><u>\$1,574</u></u>

The Bank had 22 impaired loans totaling \$3.5 million and allowances for loan losses relating to these impaired loans of \$423,000 at June 30, 2011. The Bank had 18 impaired loans totaling \$4.7 million and allowances for loan losses relating to these impaired loans of \$528,000 at June 30, 2010. The average balance in the impaired loans totaled \$5.2 million and \$4.3 million for the years ended June 30, 2011 and 2010, respectively. The Bank did not recognize any interest income on impaired loans for the years ended June 30, 2011 and 2010.

Non-accrual loans totaled approximately \$2.9 million and \$330,000 at June 30, 2011 and 2010, respectively. The Bank had \$16,000 and \$1.6 million of loan balances past due 90 days or more and still accruing interest at June 30, 2011 or 2010, respectively.

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are limited to commitments to originate loans and unused lines of credit and involve to varying degrees elements of credit risk in excess of the amount recognized in the statement of financial position. The Bank's exposure to credit loss from non-performance by the other party to the above mentioned financial instruments is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Bank generally requires collateral or other security to support financial instruments with off-balance-sheet credit risk.

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 3 - LOANS RECEIVABLE (CONTINUED)**

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

<b>Financial Instruments Whose Contract Amounts Represent Credit Risk</b>	<b>Contract Amount at June 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(In Thousands)</b>	
Construction loan commitments	\$ 151	\$ 428
Unused lines of credit	1,760	2,086
Mortgage and consumer loan commitments	752	420
Total	<u>\$2,663</u>	<u>\$2,934</u>

Mortgage loan commitments of \$752,000 not reflected in the accompanying consolidated financial statements at June 30, 2011 are for a \$287,000 fixed rate mortgage with interest rate of 4.75% and for \$465,000 in variable rate mortgages with interest rates of 7.75%. Mortgage loan commitments of \$369,000 not reflected in the accompanying consolidated financial statements at June 30, 2010 are for variable rate mortgages with interest rates ranging from 7.25% to 7.75%. There was a consumer loan commitment of \$51,000 at June 30, 2010 with an interest rate of 12.40%. Mortgage and consumer loan commitments expire 60 days from the date of the commitment.

### **NOTE 4 - PREMISES AND EQUIPMENT**

Premises and equipment at June 30, 2011 and 2010 are summarized by major classification as follows:

	<b>2011</b>	<b>2010</b>	<b>Useful Life in Years</b>
	<b>(In Thousands)</b>		
Land	\$1,035	\$1,055	–
Buildings	1,588	1,588	15 – 40
Leasehold improvements	45	45	5 – 10
Furniture, fixtures, and equipment	1,009	901	3 – 10
Construction in progress	2,404	1,332	
Accumulated depreciation	<u>6,081</u> <u>(1,581)</u>	<u>4,921</u> <u>(1,481)</u>	
	<u>\$4,500</u>	<u>\$3,440</u>	

Depreciation expense for the years ended June 30, 2011 and 2010 was \$100,000 and \$126,000, respectively.

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 5 – INTANGIBLE ASSETS AND BRANCH ACQUISITION**

On August 24, 2007, the Bank acquired a branch office in Pasadena, Maryland from Greater Atlantic Bank. The Bank paid a premium on the net liabilities, primarily on deposits of \$51.5 million assumed at closing. The premium was comprised of goodwill totaling \$3.9 million and identifiable intangibles (core deposit intangible) totaling \$502,000. The goodwill is deductible for tax purposes. The acquired intangible assets, apart from goodwill, will be amortized over their remaining estimated lives and assessed annually for impairment. The goodwill associated with the branch acquisition was determined to be fully impaired and written off through an impairment charge during the year ended June 30, 2009.

The activity in acquired intangible assets related to the branch purchase is as follows:

	<b>Year Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(In Thousands)</b>	
Gross carrying amount at beginning of year	\$ 188	\$ 280
Amortization	(74)	(92)
Net carrying amount	<u>\$ 114</u>	<u>\$ 188</u>

At June 30, 2011, future estimated annual amortization expense is as follows (in thousands):

Year ending June 30:	
2012	56
2013	38
2014	<u>20</u>
Total	<u>\$114</u>

**BV FINANCIAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 6 - DEPOSITS**

Deposits are composed of the following:

	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(In Thousands)</b>	
Non-interest bearing accounts	\$ 9,514	\$ 7,480
NOW and money market accounts	53,054	55,579
Savings accounts	17,508	16,548
Certificates of deposit	48,063	63,585
	<u>\$128,139</u>	<u>\$143,192</u>

Interest expense on deposits for the years ended June 30, 2011 and 2010 is as follows:

	<b>2011</b>	<b>2010</b>
	<b>(In Thousands)</b>	
NOW and money market accounts	\$ 419	\$ 712
Savings accounts	92	134
Certificates of deposit	1,371	2,184
Capitalization of interest	(14)	(22)
	<u>\$1,868</u>	<u>\$3,008</u>

At June 30, 2011 and 2010, the Bank had \$18.8 million and \$25.4 million outstanding in certificates of deposit of \$100,000 or more, respectively. Deposits in excess of \$250,000 may not be insured by the FDIC.

At June 30, 2011, scheduled maturities of certificates of deposit are as follows (in thousands):

Year ending June 30:	
2012	\$28,098
2013	10,982
2014	4,962
2015	1,411
2016	2,610
	<u>\$48,063</u>

**NOTE 7 – BORROWINGS**

At June 30, 2011 and 2010, the Bank has an agreement under a blanket floating lien with the FHLB providing the Bank a line of credit of up to 20% of its total assets limited to the lendable collateral value of qualified assets the Bank has to pledge to support its borrowings. At June 30, 2011 and 2010, the Bank had credit availability of \$30.1 million and \$32.0, respectively. At June 30, 2011 and 2010, the Bank had no outstanding advances. During the years ended June 30, 2011 and 2010, the Bank did not take any advances. The Bank is required to maintain as collateral for its FHLB advances qualified mortgage loans in an amount equal to 125% of the outstanding advances. Additionally at June 30, 2011, the Bank had a \$2.0 million unsecured demand line of credit facility with M&T Bank which had no outstanding balance.

**NOTE 8 – PROFIT SHARING AND DEFERRED COMPENSATION AGREEMENTS**

The Bank has a profit-sharing plan and a 401(k) plan for all eligible employees. Contributions to the plans are discretionary by the Board of Directors. There were no expenses for the years ended June 30, 2011 and June 30, 2010 for the profit-sharing plan and \$27,000 and \$28,000 for the 401(k) plan, respectively.

Effective as of January 1, 2008, and in the place of prior deferred compensation agreements, the Bank entered into new supplemental executive retirement agreements with two of its executive officers. Under the agreements, each executive will receive a stated annual benefit in monthly installments for 15 years following his or her separation from service after attaining a normal retirement age of 65. If the executive separates either voluntarily or involuntarily from service prior to reaching his or her normal retirement age, the executive will receive an unreduced lump sum of the accrued liability balance (i.e., the amount accrued to fund the future benefit expense under the agreement) within thirty days of the separation from service. Upon a change in control or the executive's disability (as each term is defined in the agreements), the executive will receive a stated annual benefit in monthly installments for 15 years following the change in control and, in the case of a disability, commencing at the executive's normal retirement age of 65. If the executive dies while actively employed, the executive's beneficiary will receive an unreduced lump sum of the accrued liability balance within thirty days of the executive's death. If the executive dies after monthly payments have commenced under the agreement, the executive's beneficiary will receive the remaining installments in monthly payments in accordance with the schedule of payments due to the executive.

Effective as of January 1, 2008, and in the place of a prior supplemental retirement plan, each director of the Bank entered into a new supplemental director retirement agreement. Under the agreements, each director will receive a stated annual benefit in monthly installments for 10 years following his or separation from service after attaining a normal retirement age of 70. If the director separates either voluntarily or involuntarily from service prior to reaching his or her normal retirement age, the director will receive an unreduced lump sum of the accrued liability balance (i.e., the amount accrued to fund the future benefit expense under the agreement) within thirty days of the separation from service. Upon a change in control, the director will receive a stated annual benefit in monthly installments for 10 years following the change in control. If the director dies while actively serving as a director, the director's beneficiary will receive an unreduced lump sum of the accrued liability balance within thirty days of the director's death. If the director dies after monthly payments have commenced under the agreement, the director's beneficiary will receive the remaining installments in monthly payments in accordance with the schedule of payments due to the director.

**NOTE 8 – PROFIT SHARING AND DEFERRED COMPENSATION AGREEMENTS (CONTINUED)**

In connection with the new supplemental retirement agreements, the executives and directors revoked their split dollar life insurance agreements with the Bank.

The accrued liabilities for the aforementioned plans were \$995,000 and \$998,000 for the executive plans and \$222,000 and \$208,000 for the directors' plans at June 30, 2011 and 2010, respectively. The Company recognized compensation expense related to these plans in the amount of \$11,000 and \$158,000 during the years ended June 30, 2011 and 2010, respectively. In addition the Company recognized a liability of \$221,000 through beginning retained earnings related to the postretirement benefits covered by endorsement split-dollar life arrangements effective July 1, 2007 with the adoption of ASC 715 (formerly EITF 06-4). The Company reversed this entry and recognized \$240,000 as income from termination of split-dollar life insurance liability during the year ended June 30, 2009. The Company did not recognize compensation expense related to the split-dollar benefit for the years ended June 30, 2011 and 2010.

The Company recognized the increase in the cash surrender value of the insurance policies as income from investment in life insurance in the amount of \$73,000 and \$60,000 during the years ended June 30, 2011 and 2010, respectively.

**NOTE 9 - COMMON STOCK AND EMPLOYEE STOCK OWNERSHIP PLAN**

In 2005, the Bank reorganized from a federally chartered mutual savings bank to a federally chartered stock savings bank. Simultaneously, the Bank formed a new holding company, BV Financial, Inc. Also simultaneously, a mutual holding company was formed, Bay-Vanguard, M.H.C. In connection with the reorganization, the Company issued 2,645,000 shares of its common stock. A majority of that stock (1,454,750 shares) was issued to Bay Vanguard, M.H.C. The remainder was sold and issued to depositors of the Bank and the ESOP.

At the same time as the reorganization and conversion, the Bank established the ESOP for its employees. On January 12, 2005, the ESOP acquired 103,684 shares of the Company's common stock in the conversion with funds provided by a loan from the Company. Accordingly, \$1,036,000 of common stock acquired by the ESOP was shown as a reduction of stockholders' equity. The ESOP loan is being repaid principally from the Bank's contributions to the ESOP in 15 equal annual installments through 2020 and bears interest at the rate of five and one quarter percent (5.25%). Shares are released to participants proportionately based on current compensation as the loan is repaid. The Bank will recognize compensation expense as shares are committed for release from collateral at their current market price. Dividends on allocated shares are recorded as a reduction of retained earnings and dividends on unallocated shares are recorded as a reduction of debt. The Company recognized \$22,000 and \$24,000 of compensation expense for the years ended June 30, 2011 and June 30, 2010, respectively. The ESOP holds the common stock in a trust for allocation among participating employees. A total of 6,912 shares were allocated and released to participants during each of the years ended June 30, 2011 and 2010. The unearned ESOP shares totaled 55,300 at June 30, 2011. The fair value of the unearned shares at June 30, 2011 was \$194,000.

All employees of the Bank who attain the age of 21 and complete one year of service with the Bank will be eligible to participate in the ESOP. Each participant's vested interest under the ESOP is determined according to the following schedule: 1 year – 20%, 2 years – 40%, 3 years 60%, 4 years – 80%, 5 years – 100%. For vesting purposes, a year of service means any plan year in which an employee completes at least 1,000 hours of service (whether before or after the ESOP's January 12, 2005 effective date).

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 9 - COMMON STOCK AND EMPLOYEE STOCK OWNERSHIP PLAN (CONTINUED)**

Vesting accelerates to 100% upon; (1) termination of the Plan or upon the permanent and complete discontinuance of contributions by the Bank, (2) termination of service on or after the participant's normal or postponed retirement date, (3) a change in control, or (4) termination of service by reason of death or disability.

### **NOTE 10 – EQUITY INCENTIVE PLAN**

On November 8, 2005, stockholders approved the BV Financial, Inc. 2005 Equity Compensation Plan that enabled the Company to grant up to 181,447 stock options and restricted stock awards to employees and directors. On November 14, 2005, the Company granted stock options covering 111,456 shares of common stock to certain employees and directors of the Company, of which 107,012 and 85,828 were exercisable at June 30, 2011 and June 30, 2010, respectively. The options were granted at the then fair market value of the stock of \$8.94, vest over five years and expire ten years from the date of grant.

Stock options had no intrinsic value at June 30, 2011. The Company recognized \$5,000 and \$18,000 of expense during the years ended June 30, 2011 and 2010, respectively, relating to the granting of stock options. There has been no activity in the stock options to date.

On November 14, 2005, the Company granted 44,577 shares of restricted stock to certain employees and directors of the Company. The Company purchased shares in the open market during 2006 to fund this plan. The awards vest over a five-year period and, therefore, the cost of such awards is accrued ratably over a five-year period as compensation expense. The Company recognized \$24,000 and \$77,000 of expense during the years ended June 30, 2011 and 2010, respectively, relating to the grant of shares of restricted stock. Shares vesting were 2,550 and 8,470 for the years ended June 30, 2011 and 2010, respectively. Unvested shares were 1,777 at June 30, 2011.

As of June 30, 2010, there was \$85,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. The remaining cost was recognized during the year ended June 30, 2011.

### **NOTE 11 – REGULATORY MATTERS**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional discretionary actions by the regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) and risk-weighted assets (as defined), and of Tier I capital (as defined) to adjusted total assets (as defined). Management believes, as of June 30, 2011 and 2010 that the Bank met all capital adequacy requirements to which it was subject.

# BV FINANCIAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11 – REGULATORY MATTERS (CONTINUED)

As of June 30, 2011, the most recent notification from the Office of Thrift Supervision has categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There have been no conditions or events since that notification that management believes have changed the Bank's category.

The following table presents the Bank's capital position based on the financial statements:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)						
<b>As of June 30, 2011:</b>						
Tangible (to adjusted total assets)	\$10,909	7.60 %	\$ 2,153	1.5 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	10,909	13.33	N/A	N/A	\$ 4,912	6.0 %
Core (to adjusted total assets)	10,909	7.60	5,741	4.0	7,176	5.0
Total (to risk-weighted assets)	11,932	14.58	6,549	8.0	8,186	10.0
<b>As of June 30, 2010:</b>						
Tangible (to adjusted total assets)	\$ 9,812	6.24 %	\$ 2,358	1.5 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	9,812	11.32	N/A	N/A	\$ 5,199	6.0 %
Core (to adjusted total assets)	9,812	6.24	6,289	4.0	7,862	5.0
Total (to risk-weighted assets)	10,859	12.53	6,932	8.0	8,665	10.0

The following table provides a reconciliation of total stockholders' equity per the consolidated financial statements to capital amounts reflected in the above table:

	2011	2010
	(In Thousands)	
Total equity	\$14,738	\$13,828
Adjustments to regulatory capital:		
Accumulated other comprehensive income	(28)	(34)
Intangible assets (goodwill, core deposit intangible, software)	(114)	(188)
Disallowed deferred tax assets, net	(2,625)	(2,712)
Equity of BV Financial, Inc.	<u>(1,062)</u>	<u>(1,082)</u>
<b>Tangible, Tier 1 and Core Capital</b>	10,909	9,812
Allowance for loan losses	<u>1,023</u>	<u>1,047</u>
<b>Total Capital</b>	<u><u>\$11,932</u></u>	<u><u>\$10,859</u></u>

**NOTE 11 – REGULATORY MATTERS (CONTINUED)**

The Bank was allowed a special bad debt deduction at various percentages of otherwise taxable income for various years through December 1, 1987. If the amounts which qualified as deductions for federal income tax purposes prior to December 31, 1987 are later used for purposes other than to absorb loan losses, including distributions in liquidations, they will be subject to federal and state income tax at the then current corporate rate. Retained earnings at June 30, 2011 and 2010 include \$1,201,000, for which no provision for income tax has been provided. The unrecorded deferred income tax liability on the above amount was approximately \$464,000.

Federal regulations impose limitations upon all capital distributions by a savings institution, including cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. Under the regulations, an application to and prior approval of the Office of the Comptroller of the Currency is required prior to any capital distribution if the institution does not meet the criteria for “expedited treatment” of applications under Office of the Comptroller of the Currency regulations (i.e., generally, examination and Community Reinvestment Act ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with the Office of the Comptroller of the Currency. Bay-Vanguard Federal Savings Bank met the criteria for “expedited treatment” of applications under federal regulations.

The Board of Directors of Bay-Vanguard, M.H.C. determines whether Bay-Vanguard, M.H.C. will waive or receive dividends declared by the Company each time the Company declares a dividend. Bay-Vanguard, M.H.C. may elect to receive dividends and utilize such funds to pay general corporate expenses. Bay-Vanguard, M.H.C. is required to apply to the Board of Governors of the Federal Reserve System with written notice of its intent to waive its dividends prior to the proposed declaration date of the dividend, and the Board of Governors of the Federal Reserve System shall have the authority to approve or deny any dividend waiver request; and (ii) if a waiver is granted, dividends waived by Bay-Vanguard, M.H.C. will be excluded from the Company’s capital accounts for purposes of calculating dividend payments to minority shareholders. Through June 30, 2011, Bay-Vanguard, M.H.C. waived the right to receive its portion of the cash dividends paid which totaled \$1.0 million on a cumulative basis.

The Federal Reserve Board regulations require savings institutions to maintain non-interest earnings reserves against their transaction accounts (primarily Negotiable Order of Withdrawal (NOW) and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows: a 3% reserve ratio is assessed on net transaction accounts up to and including \$58.8 million; a 10% reserve ratio is applied above \$58.8 million. The first \$10.7 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The amounts are adjusted annually. Bay-Vanguard Federal Savings Bank had no reserve requirement at June 30, 2011 and June 30, 2010.

On November 12, 2009, the FDIC adopted a final rule that required insured depository institutions to prepay on December 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012, which totaled \$947,000 for Bay-Vanguard Federal Savings Bank. The Bank had \$499,000 of prepaid assessments at June 30, 2011. Additional special assessments may be imposed by the FDIC for future periods.

**BV FINANCIAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 12 - INCOME TAXES**

The income tax provision consists of the following for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	(In Thousands)	
Current expense (benefit):		
Federal	\$ 452	\$ 414
State	<u>87</u>	<u>89</u>
	<u>539</u>	<u>503</u>
Deferred benefit:		
Federal	(27)	(302)
State	<u>(6)</u>	<u>(47)</u>
	<u>(33)</u>	<u>(349)</u>
	<u>\$ 506</u>	<u>\$ 154</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2011 and 2010 are presented below:

	<u>2011</u>	<u>2010</u>
	(In Thousands)	
Deferred tax assets:		
Deferred compensation	\$ 480	\$ 476
Allowance for loan losses	596	628
Stock-based compensation	108	98
Core deposit intangible	101	85
Impairment loss on investment securities	257	284
Goodwill impairment	1,148	1,252
Foreclosed real estate costs and deferred gain	55	32
Depreciation	-	6
Nonaccrual interest	90	9
Other	<u>83</u>	<u>3</u>
<b>Total Deferred Tax Assets</b>	<u>2,918</u>	<u>2,873</u>
Deferred tax liabilities:		
Federal Home Loan Bank of Atlanta stock dividends	-	19
Prepaid expenses	40	24
Depreciation	15	-
Unrealized gains on available for sale securities	<u>17</u>	<u>22</u>
<b>Total Deferred Tax Liabilities</b>	<u>72</u>	<u>65</u>
<b>Total Deferred Tax Assets, Net</b>	<u>2,846</u>	<u>2,808</u>
Valuation allowance	<u>(107)</u>	<u>(96)</u>
<b>Total Deferred Tax Assets, Net of Valuation Allowance</b>	<u>\$2,739</u>	<u>\$2,712</u>

**BV FINANCIAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 12 - INCOME TAXES (CONTINUED)**

The amount computed by applying the statutory federal income tax rate to income before income tax provision is different than the taxes provided for the following reasons:

	<b>Years Ended June 30,</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>Percent of Pretax Income</b>	<b>Amount</b>	<b>Percent of Pretax Income</b>
	<b>(Dollars In Thousands)</b>			
Statutory federal income tax rate	\$469	34.0%	\$112	34.0%
State tax, net of federal income tax provision (benefit)	68	4.9	11	3.4
Non-deductible stock-based compensation	1	0.1	4	1.2
Income from investment in life insurance	(24)	(1.8)	(20)	(6.1)
Other	(8)	(0.5)	47	14.2
	<u>\$506</u>	<u>36.7%</u>	<u>\$154</u>	<u>46.7%</u>

Management determined during the fiscal years ended June 30, 2011 and 2010 that a deferred tax asset valuation allowance was warranted for its mutual fund security based on the Company's ability to generate future capital gains if necessary to offset capital losses. In addition, management determined that no deferred tax asset valuation was warranted for its goodwill impairment write-down due to the expectation of taxable income going forward and the availability of tax planning strategies to generate future income to offset operating losses. As of June 30, 2011, the Company has capital loss carry forwards of approximately \$652,000, which will begin to expire during the year ended June 30, 2014.

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 13 - RELATED PARTY TRANSACTIONS**

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, officers, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The following table presents a summary of the activity of loans receivable from related parties.

	<b>Year Ended June 30, 2011</b>	<b>Year Ended June 30, 2010</b>
	<b>(In Thousands)</b>	<b>(In Thousands)</b>
Balance, beginning	\$ 1,126	\$ 1,202
Advances	355	35
Repayments	(250)	(111)
Balance, ending	<u>\$ 1,231</u>	<u>\$ 1,126</u>

Deposits of related parties totaled \$1.7 million and \$2.0 million as of June 30, 2011 and 2010, respectively.

Gallagher Evelius & Jones LLP, of which one of the Bank's directors is a partner, has performed legal services for Bay-Vanguard Federal. Bay-Vanguard Federal paid a total of \$110,000 and \$50,000 in legal fees to Gallagher Evelius & Jones LLP for fiscal 2011 and fiscal 2010, respectively.

### **NOTE 14 - LEASING ARRANGEMENTS**

The Bank assumed a non-cancelable operating lease, whose current term expires in August 2013, with the Pasadena branch acquisition. The lease contains an option which enables the Bank to renew the lease for an additional 5-year period. In addition to minimum rentals, the lease has escalation clauses based upon price indices and includes provisions for additional payments to cover real estate taxes and common area maintenance.

In May 2011, the Bank entered into a non-cancelable operating lease, whose initial term expires in July 2016, for a new branch location at the Foundry on Fort Avenue in Locust Point. The lease contains an option which enables the Bank to renew the lease for an additional 5-year period. In addition to minimum rentals, the lease has escalation clauses based upon price indices and includes provisions for additional payments to cover real estate taxes and common area maintenance. The Foundry branch will consolidate the current Fort Avenue and Light Street branches into one location and is scheduled to open in September 2011.

At June 30, 2011, the total minimum rental commitments under these leases are outlined below (in thousands):

Year ending June 30:	
2012	\$ 95
2013	106
2014	48
2015	37
2016	38
2017	3
Total	<u>\$ 327</u>

**NOTE 14 – LEASING ARRANGEMENTS (CONTINUED)**

Rent expense for the years ended June 30, 2011 and 2010 was \$78,000 and \$74,000, respectively.

**NOTE 15 – COMMITMENTS, CONTINGENCIES AND CONCENTRATION OF CASH ON DEPOSIT**

Various legal claims arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Company's consolidated financial position or results of operations.

As of June 30, 2011, the Bank had \$1.5 million on deposit at the Federal Home Bank of Atlanta. These funds are not insured by the Federal Deposit Insurance Corporation. In the event of a failure of the FHLB of Atlanta, the other Federal Home Loan Banks would support the operations of the failed institution.

**NOTE 16 – FAIR VALUE MEASUREMENTS**

The estimated fair values of the Bank's financial instruments are summarized below. The fair values are estimates derived primarily from present value techniques and may not be indicative of the net realizable or liquidation values. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

In September 2006, the Financial Accounting Standards Board issued ASC 820 (formerly FASB Statement No. 157), "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. ASC 820 applies to other accounting pronouncements that require or permit fair value measurements. The primary effect of ASC 820 on the Company was to expand the required disclosures pertaining to the methods used to determine fair values.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

# BV FINANCIAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis by level within the fair value hierarchy used at June 30, 2011 and 2010 are as follows:

	June 30, 2011	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Other Unobservable Inputs
	(In thousands)			
Securities available for sale	\$ 620	\$ –	\$ 620	\$ –
Total	\$ 620	\$ –	\$ 620	\$ –
	(In thousands)			
	June 30, 2010	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Other Unobservable Inputs
Securities trading	\$ 370	\$ –	\$ 370	\$ –
Securities available for sale	923	–	923	–
Total	\$ 1,293	\$ –	\$ 1,293	\$ –

The following valuation techniques were used to measure the fair value of assets in the table above on a recurring basis as of June 30, 2011 and 2010.

*Securities trading* – The fair value of securities trading was based on available market pricing for the security. A mutual fund is the only holding we have in this category and we rely on information provided to us by a third party pricing source.

*Securities available for sale* – The fair values of securities available for sale were based on available market pricing for the securities. We rely on third party brokers to obtain and provide us with this market pricing from a definitive security pricing source.

Assets measured at fair value on a non recurring basis by level within the fair value hierarchy used at June 30, 2011 and 2010 are as follows:

	June 30, 2011	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Other Unobservable Inputs
	(In thousands)			
Impaired loans	\$ 3,124	\$ –	\$ –	\$ 3,124
Foreclosed real estate and repossessed assets	1,279	–	–	1,279
Total	\$ 4,403	\$ –	\$ –	\$ 4,403

# BV FINANCIAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

	June 30, 2010	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Other Unobservable Inputs
		(In thousands)		
Impaired loans	\$ 4,137	\$ -	\$ -	\$ 4,137
Foreclosed real estate and repossessed assets	135	-	-	135
Total	\$ 4,272	\$ -	\$ -	\$ 4,272

The following valuation techniques were used to measure the fair value of assets in the table above on a non recurring basis as of June 30, 2011 and 2010.

*Impaired loans* – Loans included in the above table are those in which the Company has measured impairment generally based on the fair value of the loan’s collateral. Fair value was determined based upon a discounted cash flow from the expected proceeds of the underlying collateral. This asset is included as Level 3 fair value, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balance reduced by any specific impairment reserve.

*Foreclosed real estate and repossessed assets* – Fair value of repossessed assets was based on the Company’s appraisal of the property. This value was determined from a current industry standard appraisal guide based on the value of similar properties adjusted for factors including condition and location of property.

Changes in the balance of Foreclosed real estate and repossessed assets during the year ended June 30, 2011 were as follows (in thousands):

Beginning of year balance	\$ 135
Improvements and additions	1,423
Write-downs	(53)
Proceeds from sale	(195)
Loss on sale	(31)
End of year balance	<u>\$ 1,279</u>

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:

#### Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate fair value.

#### Investment Securities

Fair values for securities, excluding Federal Home Loan Bank stock, are based on available market prices. The carrying amount of Federal Home Loan Bank stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)**

#### **Loans Receivable**

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. Fair values for fixed-rate loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

#### **Deposits**

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on such certificates to a schedule of aggregated expected monthly maturities on these deposits.

#### **Accrued Interest Receivable**

The carrying amount of accrued interest receivable approximates fair value.

#### **Off-Balance Sheet Credit Related Instruments**

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

The fair values of these instruments were not significant at June 30, 2011 or 2010. The following table summarizes the carrying amounts and fair values of financial instruments at June 30, 2011 and 2010:

	<b>2011</b>		<b>2010</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>(In Thousands)</b>			
Financial assets:				
Cash and cash equivalents	\$ 10,685	\$ 10,685	\$ 15,898	\$ 15,898
Securities trading	–	–	370	370
Securities available for sale	620	620	923	923
Securities held to maturity	18,744	18,933	17,492	17,761
Loans receivable	104,054	110,476	114,963	120,501
Federal Home Loan Bank of Atlanta stock	447	447	631	631
Accrued interest receivable	541	541	637	637
Financial liabilities:				
Deposits	128,139	128,406	143,192	143,659
Off-balance sheet commitments	–	–	–	–

# ***BV FINANCIAL, INC. AND SUBSIDIARIES***

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 17 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)**

Information as to the financial position of BV Financial, Inc. and its results of operations and cash flows as of and for the years ended June 30, 2011 and 2010 are summarized below.

<b><u>Statements of Financial Condition</u></b>	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>	<b>(In Thousands)</b>	
Cash	\$ 420	\$ 377
Employee stock ownership plan loan	632	695
Investment in subsidiary	13,681	12,754
Other assets	<u>5</u>	<u>10</u>
Total assets	<u>\$14,738</u>	<u>\$13,836</u>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Other liabilities	\$ –	\$ 8
Total stockholders' equity	<u>14,738</u>	<u>13,828</u>
Total liabilities and stockholders' equity	<u>\$14,738</u>	<u>\$13,836</u>

**BV FINANCIAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 17 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY) (CONTINUED)**

<u>Statements of Operations</u>	<u>Years Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	(In Thousands)	
Interest income	\$ 36	\$ 40
Non-interest expense	<u>(50)</u>	<u>(68)</u>
Loss before income tax benefit	(14)	(28)
Income tax benefit	<u>5</u>	<u>10</u>
Loss before equity in net income of subsidiary	(9)	(18)
Equity in net income of subsidiary	<u>883</u>	<u>194</u>
Net income	<u>\$ 874</u>	<u>\$ 176</u>

<u>Statements of Cash Flows</u>	<u>Years Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	(In Thousands)	
Net income	\$ 874	\$ 176
Adjustments to reconcile net income to net cash from operating activities:		
Equity in net income of subsidiary	(883)	(194)
Decrease in other assets	5	29
Increase (decrease) in other liabilities	<u>(8)</u>	<u>8</u>
Net cash provided by operating activities	<u>(12)</u>	<u>19</u>
<u>Cash Flows from Investing Activities</u>		
Capital contributed to subsidiary	–	(1,516)
Principal collected on ESOP loan	<u>62</u>	<u>60</u>
Net cash used in investing activities	<u>62</u>	<u>(1,456)</u>
<u>Cash Flows from Financing Activities</u>		
Cash dividend paid, including dividends on unallocated ESOP shares	–	(127)
Treasury stock purchased	<u>(7)</u>	<u>(4)</u>
Net cash used in financing activities	<u>(7)</u>	<u>(131)</u>
Increase (decrease) in cash and cash equivalents	43	(1,568)
Cash and cash equivalents at beginning of period	<u>377</u>	<u>1,945</u>
Cash and cash equivalents at end of period	<u>\$ 420</u>	<u>\$ 377</u>

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**Board of Directors**

Michael J. Birmingham III	Brian K. McHale
Frank W. Dingle	Carolyn M. Mroz
Daniel J. Gallagher, Jr.	Anthony J. Narutowicz
Robert R. Kern, Jr.	Jerry S. Sopher
Edmund T. Leonard <i>Chairman</i>	Catherine M. Staszak

**Bank Officers**

Carolyn M. Mroz <i>President and Chief Executive Officer</i>	Daniel J. Gallagher, Jr. <i>Senior Vice President</i>
Michele J. Kelly <i>Senior Vice President, Operations</i>	Jeffrey S. Collier <i>Senior Vice President, Lending</i>
Stephen W. Lilly <i>Chief Financial Officer</i>	Claudia L. Kraft <i>Controller</i>
Rose M. Searcy <i>Vice-President, Personnel</i>	Denise M. Kuhar <i>Vice-President, Savings Operations</i>
Robert R. Kern, Jr. <i>Secretary</i>	

