BV Financial, Inc.

NOTICE OF 2017 ANNUAL MEETING
PROXY STATEMENT AND
ANNUAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017

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 is a federally chartered stock savings bank headquartered in Baltimore, Maryland. Bay-Vanguard Federal is a community-oriented financial institution offering traditional deposit and loan products. Bay-Vanguard has been in existence since 1873. It acquired Vanguard Federal Savings and Loan Association in 1996 and Vigilant Federal Savings Bank in 2013. Bay-Vanguard Federal converted into the mutual holding company form of ownership in 2005. Bay-Vanguard Federal operates four banking locations in Maryland.

Locations

Baltimore County

Main Office
7114 North Point Road
Baltimore, Maryland 21219

Essex Office
532 Eastern Boulevard
Baltimore, Maryland 21221

Baltimore City

Locust Point Branch
921 East Fort Avenue
Baltimore, Maryland 21230

Anne Arundel County

Pasadena Branch
8070 Ritchie Highway
Pasadena, Maryland 21122

Transfer Agent

Computershare
211 Quality Circle, Suite 210
College Station, Texas 77845

October 2, 2017

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of BV Financial, Inc. The meeting will be held at Bay-Vanguard Federal Savings Bank's main office, 7114 North Point Road, Baltimore, Maryland on Wednesday, November 1, 2017 at 3:00 p.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. Directors and officers of the Company, as well as a representative of Rowles & Company, LLP, the Company's independent registered public accounting firm, will be present to respond to appropriate questions of stockholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to vote via the Internet or by completing and mailing the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

We look forward to seeing you at the meeting.

Sincerely,

Edmund T. Leonard	David M. Flair
Chairman of the Board	*President and Chief Executive Officer*

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

Notice of Annual Meeting of Stockholders

On Wednesday, November 1, 2017, 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 four directors to serve for a term of three years;

2. The approval of the BV Financial, Inc. 2017 Stock Option Plan;

3. 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, 2018; and

4. 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 21, 2017 are entitled to receive notice of and to vote at the meeting and any adjournment or postponement of the meeting.

Please vote via the Internet or by completing and signing the enclosed proxy card and mailing 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
October 2, 2017

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.

BV FINANCIAL, INC.

PROXY STATEMENT

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 2017 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 2017 annual meeting at Bay-Vanguard Federal Savings Bank's main office, 7114 North Point Road, Baltimore, Maryland on Wednesday, November 1, 2017 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 October 2, 2017.

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 21, 2017. As of the close of business on that date, 2,999,124 shares of BV Financial common stock were outstanding, including 2,049,988 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 four directors to serve for a term of three years, to approve the BV Financial, Inc. 2017 Stock Option Plan (the "2017 Stock Option Plan") 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 any nominee. 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 to approve the 2017 Stock Option Plan, you may vote in favor of the proposal, vote against the proposal or abstain from voting. The approval of the 2017 Stock Option Plan requires the affirmative vote of both: (1) a majority of the shares of common stock present in person or by proxy at the meeting; and (2) a majority of the shares of common stock present in person or by proxy at the meeting, other than shares held by Bay-Vanguard, M.H.C.

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 2018, 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 and the approval of the 2017 Stock Option Plan are currently considered non-routine matters, while the ratification of Rowles & Company, LLP as our independent registered public accounting firm for fiscal 2018 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 vote on the approval of the 2017 Stock Option Plan, abstentions and broker non-votes will have the same effect as a vote against the matter.

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).

Regulatory Non-Objection of the 2017 Stock Option Plan. In addition to stockholder approval, pursuant to the regulations of the Board of Directors of the Federal Reserve System (the "Federal Reserve Board"), we must obtain the approval of the Federal Reserve Board of the 2017 Stock Option Plan to issue stock under the 2017 Stock Option Plan.

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;

- **FOR** the approval of the 2017 Stock Option Plan; 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, 2018.

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.

Instead of voting by mailing a proxy card, registered stockholders can vote their shares of Company common stock via the Internet. The Internet voting procedures are designed to authenticate stockholders' identities, allow stockholders to provide their voting instructions and confirm that their instructions have been recorded properly. Specific instructions for Internet voting are set forth on the enclosed proxy card. **The deadline for voting via the Internet is 3:00 a.m., Eastern time, on November 1, 2017.**

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 form 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 for shares held through the ESOP or 401(k) Plan is October 23, 2017.**

CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

Because the Company is not listed on a national securities exchange, 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 Mr. Flair 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, 2017. All members of each committee are independent in accordance with the listing requirements of The NASDAQ Stock Market, except for Ms. Mroz. 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
William Streett Baldwin	X*		
Michael J. Birmingham III			X
David M. Flair			
Joseph S. Galli			
Robert R. Kern, Jr.		X*	X*
Veronica Koch			
Steven Lang			X
Edmund T. Leonard		X	
Brian K. McHale	X		
Carolyn M. Mroz	X		
George Philippou		X	
Number of meetings in fiscal 2017	4	4	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	$500
Committee Meetings Attended	$500
Additional fee for Chairman of the Board per Meeting	$500
Additional fee for Chairman of the Audit Committee per Meeting	$500

Board and Committee Meetings

During the year ended June 30, 2017, the Board of Directors of BV Financial held five meetings and the Board of Directors of the Bank held 12 meetings. No director attended fewer than 75% of the meetings of the Board of Directors and Board committees on which they served in fiscal 2017.

Director Attendance at the Annual Meeting of Stockholders

The Board of Directors encourages directors to attend the annual meeting of stockholders. All but four of the directors attended the 2016 annual meeting of stockholders.

STOCK OWNERSHIP

The following table provides information as of September 21, 2017 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.

Name and Address	Number of Shares Owned	Percent of Common Stock Outstanding
Bay-Vanguard, M.H.C. 7114 North Point Road Baltimore, Maryland 21219	2,049,988	68.4%
Joseph S. Galli 3299 K Street, N.W. Suite 700 Washington, D.C. 20016	203,529	6.8%

The following table provides information about the shares of Company common stock that may be considered to be owned by each director or nominee for director of the Company and by all directors, nominees for director and executive officers of the Company as a group as of September 21, 2017. 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. Except as disclosed below, 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, nominees for director and executive officers as a group totaled 10.42% of our common stock as of September 21, 2017. Each director, director nominee and named executive officer owned less than 1% of our outstanding common stock as of that date, except for Mr. Galli who owned 6.8% of our common stock as of that date.

Name	Number of Shares Owned (Excluding Options)[1]	Number of Shares That May Be Acquired Within 60 Days by Exercising Options	Total
William Streett Baldwin	1,000	—	1,000
Michael J. Birmingham III	7,221	—	7,221
David M. Flair	15,151	10,000	25,151
Joseph S. Galli	203,529[2]	—	203,529
Robert R. Kern, Jr.	7,221	—	7,221
Veronica Koch	1,000	—	1,000
Steven Lang	1,000	—	1,000
Edmund T. Leonard	4,672[3]	—	4,672
Brian K. McHale	3,221	—	3,221
Carolyn M. Mroz	30,036	—	30,036
George Philippou	1,000[4]	—	1,000
All Directors, Director Nominees and Executive Officers as a group (17 persons)	303,605	10,000	313,605

(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. Flair..	2,795	3,345
Mr. Leonard....................................	4,315	—
Ms. Mroz	8,278	—

(2) Includes 459 shares held by Mr. Galli's spouse's individual retirement account.
(3) Includes 194 shares held by Mr. Leonard's spouse.
(4) Shares held have been pledged as security.

ITEMS TO BE VOTED ON BY STOCKHOLDERS

Item 1 — Election of Directors

The Company's Board of Directors consists of eleven members. The Board is divided into three classes with three-year staggered terms. The Board of Directors' nominees for election this year to serve for a three-year term or until their successors have been elected and qualified are Joseph S. Galli, Veronica Koch, Brian K. McHale and George Philippou, all of whom are currently directors of the Company and the Bank.

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 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 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, 2017. 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 a Term Ending in 2020

Joseph S. Galli is an executive vice president of The Bernstein Companies, which is an owner, developer, investor and manager of commercial, residential, industrial and hotel properties in the Mid-Atlantic region of the United States. Within The Bernstein Companies, Mr. Galli is a managing director of Consortium Capital, which is a series of real estate equity funds that invest in commercial real estate throughout the Mid-Atlantic. Mr. Galli is also the chairman of the Government Relations Committee for the Washington, D.C. chapter of Autism Speaks. Age 54. Director since 2015.

Veronica Koch is a partner and the vice president and general manager of A.A.S.C.O. – Fire & Security, a privately-held company located in Anne Arundel County that provides residential and commercial alarm systems and monitoring. She is also the director of The Mark and Nell Baumgardner Foundation, which is dedicated to improving the lives of economically disadvantaged children. Ms. Koch also serves as a member of the board of directors of the Northern Anne Arundel County Chamber of Commerce and the Chairperson of the Gold Award Advisory Panel for the Girl Scouts of Central Maryland. Age 60. Director since 2014.

Brian K. McHale is a steamship clerk with International Longshoremen's Association Local 953 located in Baltimore, Maryland and until 2014 was a state delegate to the Maryland General Assembly. Age 62. 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 49. Director since 2011.

Directors with Terms Ending in 2018

William Streett Baldwin is a director of Ellin & Tucker, Chartered, a business consulting and certified public accounting firm located in Baltimore, Maryland. Mr. Baldwin is a certified public accountant. Age 55. Director since 2012.

Michael J. Birmingham III is self-employed in the construction industry in Baltimore, Maryland. Mr. Birmingham served as a project manager to the Bank with regard to renovations of our main office and provided additional construction and maintenance services from January 2010 through August 2013. Age 64. Director since 1985.

David M. Flair became the Chief Executive Officer of BV Financial and Bay-Vanguard Federal in October 2013 and was also named President of BV Financial and Bay-Vanguard Federal in November 2014. Mr. Flair was hired as the Chief Financial Officer of BV Financial and Bay-Vanguard Federal in February 2012 and served in that role until May 2014. Mr. Flair served as the Chief Financial Officer of Advance Bank in Baltimore, Maryland, beginning in December 2006 and was also appointed as a director and named the Acting Chief Executive Officer of Advance Bank before his departure in February 2012. Mr. Flair is a certified public accountant and was a partner with Anderson Associates LLP and Beard Miller Company LLP for almost twenty years before joining Advance Bank. Age 53. Director since 2012.

Directors with Terms Ending in 2019

Robert R. Kern, Jr. is a retired partner at the law firm of Gallagher Evelius & Jones LLP, located in Baltimore, Maryland. Age 68. Director since 1974.

Steven Lang works for the Maryland Department of the Environment in Baltimore, Maryland as the Lead Regulation and Compliance Engineer for the Air Quality Compliance Program under the Air and Radiation Management Administration. Mr. Lang was a member of the Board of Directors of Vigilant Federal Savings Bank before its acquisition by Bay-Vanguard Federal in May 2013 at which point he became a director of Bay-Vanguard Federal. Age 51. Director of BV Financial since 2016.

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 until December 2013. Age 73. Director since 1991.

Carolyn M. Mroz became the Chief Financial Officer of HY-TEK Bio and a member of its Executive Council in July 2015. HY-TEK Bio is an emerging leader in the reduction of greenhouse gases. Ms. Mroz was the President of BV Financial and Bay-Vanguard Federal until November 2014. She also served as Chief Executive Officer of BV Financial and Bay-Vanguard Federal until September 2013. Age 71. Director since 1969.

Item 2 -- Approval of the BV Financial, Inc. 2017 Stock Option Plan

The Board of Directors has adopted, subject to stockholder approval and the necessary approval of the Federal Reserve Board, the 2017 Stock Option Plan to provide officers, employees and directors of BV Financial and Bay-Vanguard Federal with additional incentives to promote the growth and performance of BV Financial and Bay-Vanguard Federal. Many companies that we compete with for directors and management-level employees are public companies that offer equity compensation as part of their overall director and officer compensation programs. By approving the 2017 Stock Option Plan, our stockholders will give us the flexibility we need to continue to attract and retain highly qualified officers and directors by offering a competitive compensation program that is linked to the performance of our common stock. In addition, the 2017 Stock Option Plan is intended to further align the interests of our directors and management with the interests of our stockholders by potentially increasing the ownership interests of directors and officers in the common stock of BV Financial. We have filed an application with the Federal Reserve Board seeking the necessary approval concerning the 2017 Stock Option Plan.

The following is a summary of the material features of the 2017 Stock Option Plan, which is qualified in its entirety by reference to the provisions of the 2017 Stock Option Plan, attached hereto as Appendix A. In the event of conflict between the terms of this proxy statement disclosure and the terms of the 2017 Stock Option Plan, the terms of the 2017 Stock Option Plan will control.

General

Subject to permitted adjustments for certain corporate transactions, the 2017 Stock Option Plan authorizes the issuance or delivery to participants of up to 150,000 shares of Company common stock pursuant to grants of incentive and non-statutory stock options. The 2017 Stock Option Plan will be administered by the members of the Compensation Committee (the “Committee”) who are “Disinterested Board Members,” as defined in the 2017 Stock Option Plan. The Committee has full and exclusive power within the limitations set forth in the 2017 Stock Option Plan to make all decisions and determinations regarding: (1) the selection of participants and the granting of awards; (2) establishing the terms and conditions relating to each award; (3) adopting rules, regulations and guidelines for carrying out the 2017 Stock Option Plan’s purposes; and (4) interpreting the provisions of the 2017 Stock Option Plan and any award agreement. Except to the extent prohibited by applicable law, the applicable rules of any exchange on which BV Financial shares may trade or to comply with the exemptive provisions of Rules 16b-3 of the Securities Exchange Act of 1934 (the “Exchange Act”), the 2017 Stock Option Plan also permits the Committee to delegate all or part of its responsibilities and powers to any person or persons selected by it.

Eligibility

Each employee and director of BV Financial or any related entity is eligible to receive grants under the 2017 Stock Option Plan, except that non-employees may not be granted incentive stock options.

Description of Stock Options

The Committee may determine the type and terms and conditions of grants under the 2017 Stock Option Plan, which shall be set forth in an award agreement delivered to each participant. Awards may be granted as incentive and non-statutory stock options, or any combination thereof.

A stock option gives the recipient or “optionee” the right to purchase shares of common stock at a specified price for a specified period of time. The exercise price may not be less than the fair market value on the date the stock option is granted. Fair market value for purposes of the 2017 Stock Option Plan means the closing price of BV Financial’s common stock as reported on any national securities exchange on which the common stock may from time to time be listed or traded on the date the option is granted, or if BV Financial's common stock was not traded on that date, then on the next preceding day on which BV Financial's common stock was traded. If the stock is not traded on an exchange but is traded over-the-counter on a quotation system, then fair market value will equal the closing price, but if no reported closing price, then the mean between the highest bid and lowest asked prices on that quotation system on the relevant date if it is a trading day, otherwise on the next preceding trading day. The Committee will determine the fair market value, in accordance with reasonable valuation methods under applicable Treasury regulations, if it cannot be determined in the manner described herein. Further, the Committee may not grant a stock option with a term that is longer than ten years.

Stock options are either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain potential tax advantages and must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are eligible to receive incentive stock options. Shares of common stock purchased upon the exercise of a stock option must be paid for in full at the time of exercise: (1) either in cash or with stock valued at fair market value as of the day of exercise; (2) by a "cashless exercise" through a third party; (3) by a net settlement of the stock option using a portion of the shares obtained on exercise in payment of the exercise price of the stock option; (4) by personal, certified or cashiers' check; (5) by other property deemed acceptable by the Committee or (6) by a combination of the foregoing.

Prohibition Against Repricing of Options. The 2017 Stock Option Plan provides that neither the Committee nor the Board is authorized to make any adjustment or amendment that reduces or would have the effect of reducing the exercise price of a stock option that has been previously granted, or except in connection with a corporate transaction, such as a recapitalization, stock split, reorganization, merger, consolidation, spin-off or other similar transaction in order to prevent dilution or enlargement of the rights of the participants.

Prohibition on Transfer. Generally, incentive stock options granted under the 2017 Stock Option Plan will be nontransferable except: (1) by will or in accordance with the laws of intestate succession; (2) to a grantor trust established by the participant under the Internal Revenue Code; or (3) between spouses pursuant to a qualified domestic relations order, in which case the option will no longer qualify as an incentive stock option. At the Committee's sole discretion, non-statutory stock options may be transferred for valid estate planning purposes that are permitted by the Internal Revenue Code and federal securities laws. The Committee may permit a participant to designate a beneficiary to exercise or receive any rights that may exist under the 2017 Stock Option Plan upon the participant's death.

Limitations on Awards Under the 2017 Stock Option Plan

The following limits apply to awards under the 2017 Stock Option Plan:

- The maximum number of shares of common stock that may be delivered to any one employee pursuant to the exercise of stock options is 50,000 shares (all of which may be granted in any one calendar year).

- The maximum number of shares of common stock that may be delivered to any one non-employee director pursuant to the exercise of stock options is 10,000 shares (all of which may be granted in any one calendar year).

- The maximum number of shares of common stock that may be delivered to all non-employee directors, in the aggregate, pursuant to the exercise of stock options is 50,000 shares.

In the event of a corporate transaction involving the stock of BV Financial (including, without limitation, any stock dividend, stock split or other special and nonrecurring dividend or distribution, recapitalization, reorganization, merger, consolidation, spin-off, combination or exchange of shares), the Committee will, in an equitable manner, adjust the number and kind of securities deemed to be available for grants of stock options, restricted stock awards or restricted stock units, the number and kind of securities that may be delivered or deliverable with respect to outstanding stock options, restricted stock awards and restricted stock units, and the exercise price of stock options. In addition, the Committee is authorized to make adjustments to the terms and conditions of stock options, restricted stock awards and restricted stock units.

Vesting of Awards

The Committee will specify the vesting schedule or conditions of each option. Unless the Committee specifies a different vesting schedule at the time of grant, awards under the 2017 Stock Option Plan will be granted with a vesting rate not exceeding 20% per year, with the first installment vesting no earlier than one year after the date of grant of the award. If the vesting of an award under the 2017 Stock Option Plan is conditioned on the completion of a specified period of service with BV Financial or its subsidiaries, without the achievement of performance measures or objectives, then the required period of service for full vesting will be determined by the Committee and evidenced in an award agreement. Notwithstanding anything to the contrary in the 2017 Stock Option Plan, all awards under the 2017 Stock Option Plan will be subject to a vesting requirement of at least one year of service following the date of grant, unless accelerated due to death, disability or a change in control. Vesting is accelerated in the event of death or disability. Upon retirement, all vested options may be exercised for a one-year period; provided, however, any stock option exercised more than three months after retirement will be considered a non-statutory stock option.

Change in Control

Unless otherwise stated in an award agreement, at the time of a change in control, all stock options then held by the participant will become fully earned and exercisable (subject to the expiration provisions otherwise applicable to the stock option). All stock options may be exercised for a period of one year following the participant's termination of service; provided, however, that no stock option will be eligible for treatment as an incentive stock option if such stock option is exercised more than three months following a change in control. A second-step conversion of Bay-Vanguard, M.H.C. to stock form will not constitute a change in control.

Amendment and Termination

The Board of Directors may, at any time, amend or terminate the 2017 Stock Option Plan or any award granted under the 2017 Stock Option Plan, provided that, except as provided in the 2017 Stock Option Plan, no amendment or termination may violate Section 409A of the Internal Revenue Code, cause a stock option to replace or adversely impair the rights of a participant or beneficiary under an award without the participant's (or affected beneficiary's) written consent. The Board of Directors may not amend the 2017 Stock Option Plan to materially increase the benefits accruing to participants under the plan, materially increase the aggregate number of securities that may be issued under the 2017 Stock Option Plan (other than as provided in the 2017 Stock Option Plan), or materially modify the requirements for participation in the 2017 Stock Option Plan, without approval of stockholders. Notwithstanding the foregoing, the Committee may amend the 2017 Stock Option Plan or any award agreement, to take effect retroactively or otherwise, to conform the 2017 Stock Option Plan or the award agreement to current or future law or to avoid an accounting treatment resulting from an accounting pronouncement or interpretation issued by the Securities and Exchange Commission or Financial Accounting Standards Board subsequent to the adoption of the 2017 Stock Option Plan, or the making of the award affected thereby, which, in the sole discretion of the Committee, may materially and adversely affect the financial condition or results of operations of BV Financial.

Duration of Plan

The 2017 Stock Option Plan will become effective upon approval by the stockholders at this meeting. The 2017 Stock Option Plan will remain in effect as long as any awards under it are outstanding; however, no awards may be granted under the 2017 Stock Option Plan on or after the ten-year anniversary of the effective date of the 2017 Stock Option Plan. At any time, the Board of Directors may terminate the 2017 Stock Option Plan. However, any termination of the 2017 Stock Option Plan will not affect outstanding awards.

Additionally, we must obtain the approval with respect to the Federal Reserve Board of the 2017 Stock Option Plan in order to make grants under the 2017 Stock Option Plan. Although the ten-year term of the 2017 Stock Option Plan will begin on the date of stockholder approval, we will not be able to make grants pursuant to the 2017 Stock Option Plan unless and until we obtain the approval of the Federal Reserve Board.

Federal Income Tax Considerations

The following is a summary of the federal income tax consequences that may arise in conjunction with participation in the 2017 Stock Option Plan.

Non-Qualified Stock Options. The grant of a non-qualified option will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares, and BV Financial will be entitled to a corresponding deduction for tax purposes. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the cost basis in such shares equal to the fair market value of the shares at the time of exercise.

Incentive Stock Options. The grant of an incentive stock option will not result in taxable income to the participant. The exercise of an incentive stock option also will not result in taxable income to the participant provided the participant was, without a break in service, an employee of BV Financial or a related entity during the period beginning on the date of the grant of the option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Internal Revenue Code).

The excess of the fair market value of the shares at the time of the exercise of an incentive stock option over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the incentive stock option is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares acquired pursuant to the incentive stock option exercise, the participant will have a basis in those shares equal to the fair market value of the shares at the time of exercise.

If the participant does not sell or otherwise dispose of the shares within two years from the date of the grant of the incentive stock option or within one year after the exercise of such stock option, then, upon disposition of such shares, any amount realized in excess of the exercise price will be taxed as a capital gain. A capital loss will be recognized to the extent that the amount realized is less than the exercise price.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income at the time of the disposition of the shares, in an amount equal to the lesser of: (1) the excess of the fair market value of the shares on the date of exercise over the exercise price; or (2) the excess, if any, of the amount realized upon disposition of the shares over the exercise price, and BV Financial will be entitled to a corresponding deduction. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be a capital gain. If the amount realized is less than the exercise price, the participant will recognize no income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

Tax Advice. The preceding discussion is based on federal tax laws and regulations presently in effect, which are subject to change, and the discussion does not purport to be a complete description of the federal income tax aspects of the 2017 Stock Option Plan. A participant may also be subject to state and local taxes in connection with the grant of awards under the 2017 Stock Option Plan. BV Financial suggests that participants consult with their individual tax advisors to determine the applicability of the tax rules to the awards granted to them in their personal circumstances.

Accounting Treatment

Under Financial Accounting Standards Board Accounting Standards Codification Topic 718, BV Financial is required to recognize compensation expense on its income statement over the requisite service period or performance period based on the grant date fair value of stock options.

Awards to be Granted

The Board of Directors has adopted the 2017 Stock Option Plan. If the 2017 Stock Option Plan is approved by stockholders, the Committee intends to meet promptly after stockholder approval to determine the specific terms of the awards, including the allocation of awards to executive officers, employees and non-employee directors, if applicable. At the present time, no specific determination has been made as to the grant or allocation of awards.

Clawback Policy

The 2017 Stock Option Plan provides that if BV Financial is required to prepare an accounting restatement due to its material noncompliance, as a result of misconduct, with any financial reporting requirement under the federal securities law, any participant who is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 or who is subject to clawback under Section 954 of the Dodd-Frank Act will reimburse BV Financial with the required amount of any payment in settlement of an award earned or accrued during the twelve-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement. In addition, awards granted under the 2017 Stock Option Plan are subject to any clawback policy adopted by the Board of Directors.

Required Vote and Recommendation of the Board

To approve the 2017 Stock Option Plan, the proposal must receive (1) the affirmative vote of a majority of the votes cast, either in person or by proxy, at the Annual Meeting, without regard to broker non-votes or proxies marked ABSTAIN and (2) a majority of the votes cast, either in person or by proxy, at the Annual Meeting, without regard to broker non-votes or proxies marked ABSTAIN, by stockholders other than the mutual holding company.

The Board of Directors recommends a vote "FOR" the approval of the 2017 Stock Option Plan.

Item 3 – Ratification of the Independent Registered Public Accounting Firm

Rowles & Company, LLP was the Company's independent registered public accounting firm for the 2017 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 2018 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, 2018.

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 business on 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.

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BV FINANCIAL, INC.

2017 STOCK OPTION PLAN

ARTICLE 1 – GENERAL

Section 1.1 **Purpose, Effective Date and Term**. The purpose of the BV Financial, Inc. 2017 Stock Option Plan (the "Plan") is to promote the long-term financial success of BV Financial, Inc. (the "Company") and its Subsidiaries, including Bay-Vanguard Federal Savings Bank (the "Bank"), by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company's stockholders through the ownership of additional common stock of the Company. The "Effective Date" of the Plan shall be the date the Plan satisfies the applicable stockholder approval requirements, provided, however, that no Stock Option shall be granted under this Plan until the Company has received written approval or non-objection from the Federal Reserve Board to fund the Plan with shares of the Company. The Plan shall remain in effect as long as any Stock Option is outstanding; *provided, however,* that no Stock Option may be granted under the Plan after the day immediately prior to the ten-year anniversary of the Effective Date.

Section 1.2 **Administration**. The Plan shall be administered by the Board of Directors or by the Compensation Committee of the Board of Directors (the "Committee"), in accordance with Section 5.1.

Section 1.3 **Participation**. Each Employee or Director of the Company or any Subsidiary who is granted a Stock Option in accordance with the terms of the Plan shall be a Participant in the Plan. The grant of Stock Options shall be limited to Employees and Directors of the Company or any Subsidiary.

Section 1.4 **Definitions**. Capitalized terms used in this Plan are defined in Article 8 and elsewhere in this Plan.

ARTICLE 2 – STOCK OPTIONS

Section 2.1 **General**. Each Stock Option granted under the Plan shall be subject to the terms and conditions of the Plan and any additional terms, conditions, limitations and restrictions as the Committee shall provide with respect to the Stock Option and as evidenced in the Stock Option Agreement. Subject to the provisions of Section 2.3, a Stock Option may be granted as an alternative to or replacement of an existing Stock Option under the Plan or any other plan of the Company or any Subsidiary or as the form of payment for grants or rights earned or due under any other compensation plan or arrangement of the Company or any Subsidiary, including without limitation the plan of any entity acquired by the Company or any Subsidiary.

(a) *Stock Options*. A Stock Option means a grant under the Section 2.1 that represents the right to purchase shares of Stock at an Exercise Price established by the Committee. Any Stock Option may be either an Incentive Stock Option (an "ISO") that is intended to satisfy the requirements applicable to an "Incentive Stock Option" described in Code Section 422(b), or a Non-Qualified Stock Option (a "Non-Qualified Option") that is not intended to be an ISO; provided, however, that no ISOs may be granted: (i) after the day immediately prior to the ten-year anniversary of the Effective Date or the date the Plan is approved by the Board of Directors, whichever is earlier; or (ii) to a non-Employee. Unless otherwise specifically provided by its terms, any Stock Option granted to an Employee under this Plan shall be an ISO to the maximum extent permitted. Any ISO granted under this Plan that does not qualify as an ISO for any reason (whether at the time of grant or as the result of a subsequent event) shall be deemed to be a Non-Qualified Option. In addition, any ISO granted under this Plan may be unilaterally modified by the Committee to disqualify such Stock Option from ISO treatment such that it shall become a Non-Qualified Option; provided, however, that any such modification shall be ineffective if it causes the Stock Option to be subject to Code Section 409A (unless, as modified, the Stock Option complies with Code Section 409A).

(b) *Grant of Stock Options*. Each Stock Option shall be evidenced by a Stock Option Agreement that shall: (i) specify the number of Stock Options covered by the grant; (ii) specify the date of grant of the Stock Option;

(iii) specify the vesting period or conditions to vesting; and (iv) contain any other terms and conditions not inconsistent with the Plan, including the effect of termination of a Participant's employment or Service, as the Committee may, in its discretion, prescribe.

(c) *Terms and Conditions*. A Stock Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee. In no event, however, shall a Stock Option expire later than ten (10) years after the date of its grant (or five (5) years with respect to ISOs granted to an Employee who is a 10% Stockholder). The Exercise Price of each Stock Option shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value of a share of Stock); *provided, however,* that the Exercise Price of an ISO shall not be less than 110% of Fair Market Value of a share of Stock on the date of grant if granted to a 10% Stockholder; *provided further,* that the Exercise Price may be higher or lower in the case of Stock Options granted or exchanged in replacement of existing Stock Options held by an Employee or Director of, or service provider to, an acquired entity. The payment of the Exercise Price of a Stock Option shall be by cash or, subject to limitations imposed by applicable law, by such other means as the Committee may from time to time permit, including: (i) by tendering, either actually or constructively by attestation, shares of Stock valued at Fair Market Value as of the day of exercise; (ii) by irrevocably authorizing a third party, acceptable to the Committee, to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Stock Option and to remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise; (iii) by a net settlement of the Stock Option, using a portion of the shares obtained on exercise in payment of the Exercise Price of the Stock Option (and if applicable, any minimum required tax withholding); (iv) by personal, certified or cashier's check; (v) by other property deemed acceptable by the Committee; or (vi) by any combination thereof. The total number of shares that may be acquired upon the exercise of a Stock Option shall be rounded down to the nearest whole share, with cash-in-lieu paid by the Company, at its discretion, for the value of any fractional share.

(d) *Prohibition of Cash Buy-Outs of Underwater Stock Options*. Under no circumstances will any underwater Stock Options that were granted under the Plan be bought back by the Company without stockholder approval.

(e) *Vesting.* The Committee shall specify the vesting schedule or conditions of each Stock Option. Unless the Committee specifies a different vesting schedule at the time of grant, Stock Options shall be granted with a vesting rate not exceeding twenty percent (20%) per year, with the first installment vesting no earlier than the one year anniversary of the date of grant. If the right to become vested in a Stock Option under the Plan (including the right to exercise a Stock Option) is conditioned on the completion of a specified period of Service with the Company or its Subsidiaries, without achievement of performance measures or other performance objectives being required as a condition of vesting, and without it being granted in lieu of, or in exchange for, other compensation, then the required period of Service for full vesting shall be determined by the Committee and evidenced in the Stock Option Agreement (subject to acceleration of vesting, to the extent permitted by the Committee or set forth in the Stock Option Agreement, in the event of the Participant's death, Disability or a Change in Control). Notwithstanding anything to the contrary herein, all Stock Options granted under the Plan shall be subject to a vesting requirement of at least one year of Service, unless accelerated due to death, Disability or upon a Change in Control.

Section 2.2 **Deferred Compensation**. If any Stock Option would be considered "deferred compensation" as defined under Code Section 409A ("Deferred Compensation"), the Committee reserves the absolute right (including the right to delegate such right) to unilaterally amend the Plan or the Stock Option Agreement, without the consent of the Participant, to maintain exemption from, or to comply with, Code Section 409A. Any amendment by the Committee to the Plan or an Stock Option Agreement pursuant to this Section 2.2 shall maintain, to the extent practicable, the original intent of the applicable provision without violating Code Section 409A. A Participant's acceptance of any Stock Option under the Plan constitutes acknowledgement and consent to such rights of the Committee, without further consideration or action. Any discretionary authority retained by the Committee pursuant to the terms of this Plan or pursuant to a Stock Option Agreement shall not be applicable to a Stock Option grant that is determined to constitute Deferred Compensation, if such discretionary authority would contravene Code Section 409A.

Section 2.3 **Prohibition Against Option Repricing**. Except for adjustments pursuant to Section 3.4, and reductions of the Exercise Price approved by the Company's stockholders, neither the Committee nor the Board of Directors shall have the right or authority to make any adjustment or amendment that reduces or would have the effect of reducing the Exercise Price of a Stock Option previously granted under the Plan, whether through amendment, cancellation (including cancellation in exchange for a cash payment in excess of the Stock Option's in-the-money value or in exchange for Options) or replacement grants, or other means.

Section 2.4 **<u>Effect of Termination of Service</u>**. The Committee shall establish the effect of a Termination of Service on the continuation of rights and benefits available under a Stock Option and, in so doing, may make distinctions based upon, among other things, the cause of Termination of Service. Unless otherwise specified by the Committee and set forth in the Stock Option Agreement or in an employment or severance agreement entered into by and between the Company and/or the Bank and an Employee, the following provisions shall apply to each Stock Option granted under this Plan:

(a) Upon a Participant's Termination of Service for any reason other than due to Disability, death, Retirement or termination for Cause, Stock Options shall be exercisable only as to those shares that were immediately exercisable by such Participant at the date of termination, and Stock Options may be exercised only for a period of three (3) months following termination.

(b) In the event of a Termination of Service for Cause, all Stock Options granted to a Participant that have not been exercised shall expire and be forfeited.

(c) Upon Termination of Service for reason of Disability or death, all Stock Options shall be exercisable as to all shares subject to the Stock Option, whether or not then exercisable at the date of Termination of Service. Unless the Committee determines otherwise, Stock Options may be exercised for a period of one year following Termination of Service due to death or Disability or the remaining unexpired term of the Stock Option, if less; *provided, however*, that no Stock Option shall be eligible for treatment as an ISO in the event the Stock Option is exercised more than one year following Termination of Service due to Disability and *provided, further*, in order to obtain ISO treatment for Stock Options exercised by heirs or devisees of an optionee, the optionee's death must have occurred while employed or within three months of Termination of Service. In the event of Termination of Service due to Retirement, a Participant's vested Stock Options shall be exercisable for one year following Termination of Service, provided that no Stock Option shall be eligible for treatment as an ISO in the event such Stock Option is exercised more than three months following Termination of Service due to Retirement, and any Stock Option that has not vested as of the date of Termination of Service shall expire and be forfeited.

(d) Notwithstanding anything herein to the contrary, no Stock Option shall be exercisable beyond the last day of the original term of the Stock Option.

(e) Notwithstanding the provisions of this Section 2.4, the effect of a Change in Control on the vesting/exercisability of Stock Options is as set forth in Article 4.

(f) Notwithstanding the foregoing, in the event that the Bank is designed as being in troubled condition by its primary Federal banking regulator, no Stock Option granted under this Plan that would be subject to 12 C.F.R. Part 359 shall be granted without the prior approval of the Company's primary Federal banking regulator with the concurrence of the Federal Deposit Insurance Corporation.

<u>ARTICLE 3 - SHARES SUBJECT TO PLAN</u>

Section 3.1 **<u>Available Shares</u>**. The shares of Stock with respect to which Stock Options may be granted under the Plan shall be shares currently authorized but unissued or, to the extent permitted or required by applicable law or regulation, subsequently acquired by the Company, including shares purchased in the open market or in private transactions.

Section 3.2 **<u>Share Limitations</u>**.

(a) *Share Reserve*. Subject to the following provisions of this Section 3.2, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 150,000 shares of Stock. The aggregate number of shares available for grant under this Plan shall be subject to adjustment as provided in Section 3.4.

(b) *Computation of Shares Available.* For purposes of this Section 3.2, the number of shares of Stock available for the grant of additional Stock Options shall be reduced by the number of shares of Stock previously granted, subject to the following: to the extent any shares of Stock covered by a Stock Option granted under the Plan are not delivered to a Participant or beneficiary for any reason, including because the Stock Option is forfeited or canceled or because a Stock Option is not exercised, then such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. To the extent: (i) a Stock Option is exercised by using an actual or constructive exchange of shares of Stock to pay the Exercise Price; or (ii) shares of Stock are withheld to satisfy withholding taxes upon exercise of a Stock Option; or (iii) shares are withheld to satisfy the exercise price of Stock Options in a net settlement of Stock Options, then the number of shares of Stock available shall be reduced by the gross number of Stock Options exercised rather than by the net number of shares of Stock issued.

Section 3.3 **Limitations on Grants to Individuals**.

(a) *Stock Options - Employees.* The maximum number of shares of Stock, in the aggregate, that may be covered by a Stock Option granted to any one Employee under the Plan shall be 50,000 shares, all of which may be granted during any calendar year.

(b) *Stock Options - Directors.* The maximum number of shares of Stock, in the aggregate, that may be subject to Stock Options granted to any one individual non-employee Director under the Plan shall be 10,000 shares, all of which may be granted during any calendar year and, in addition, all non-employee Directors, in the aggregate, may not receive more than 50,000 shares, all of which may be granted during any calendar year.

Section 3.4 **Corporate Transactions**.

(a) *General.* In the event any recapitalization, forward or reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or exchange of shares of Stock or other securities, stock dividend or other special and nonrecurring dividend or distribution (whether in the form of cash, securities or other property), liquidation, dissolution, or other similar corporate transaction or event, affects the shares of Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan and/or under any Stock Option granted under the Plan, then the Committee shall, in an equitable manner, adjust any or all of: (i) the number and kind of securities deemed to be available thereafter for grants of Stock Options in the aggregate to all Participants and individually to any one Participant; (ii) the number and kind of securities that may be delivered or deliverable in respect of outstanding Stock Options; and (iii) the Exercise Price. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Stock Options (including, without limitation, cancellation of Stock Options in exchange for the in-the-money value, if any, of the vested portion thereof, or substitution or exchange of Stock Options using stock of a successor or other entity) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any parent or Subsidiary or the financial statements of the Company or any parent or Subsidiary, or in response to changes in applicable laws, regulations, or accounting principles.

(b) *Merger in which Company is Not Surviving Entity.* In the event of any merger, consolidation, or other business reorganization (including, but not limited to, a Change in Control) in which the Company is not the surviving entity, unless otherwise determined by the Committee at any time at or after grant and prior to the consummation of such merger, consolidation or other business reorganization, any Stock Options granted under the Plan that remain outstanding shall be converted into Stock Options to purchase voting common equity securities of the business entity that survives such merger, consolidation or other business reorganization having substantially the same terms and conditions as the outstanding Stock Options under this Plan and reflecting the same economic benefit (as measured by the difference between the aggregate Exercise Price and the value exchanged for outstanding shares of Stock in such merger, consolidation or other business reorganization), all as determined by the Committee prior to the consummation of such merger; provided, however, that the Committee may, at any time prior to the consummation of such merger, consolidation or other business reorganization, direct that all, but not less than all, outstanding Stock Options be canceled as of the effective date of such merger, consolidation or other business reorganization in exchange for a cash payment per share of Stock equal to the excess (if any) of the value exchanged for an outstanding share of Stock in such merger, consolidation or other business reorganization over the Exercise Price of the Stock Option being canceled.

Section 3.5 **Delivery of Shares**. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) *Compliance with Applicable Laws.* Notwithstanding any other provision of the Plan, the Company shall have no obligation to deliver any shares of Stock or make any other distribution of benefits under the Plan unless such delivery or distribution complies with all applicable laws (including, the requirements of the Securities Act), and the applicable requirements of any Exchange or similar entity.

(b) *Certificates.* To the extent that the Plan provides for the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any Exchange.

ARTICLE 4 - CHANGE IN CONTROL

Section 4.1 **Consequence of a Change in Control**. Subject to the provisions of Section 2.1(e) (relating to vesting and acceleration) and Section 3.4 (relating to the adjustment of shares), and except as otherwise provided in the Plan, as determined by the Committee and set forth in the terms of any Stock Option Agreement or as set forth in an employment, change in control, or severance agreement entered into by and between the Company and/or the Bank and an Employee:

(a) At the time of a Change in Control, all Stock Options then held by the Participant shall become fully earned and exercisable (subject to the expiration provisions otherwise applicable to the Stock Option). All Stock Options may be exercised for a period of one year following the Participant's Termination of Service, provided, however, that no Stock Option shall be eligible for treatment as an ISO in the event such Stock Option is exercised more than three (3) months following such termination.

Section 4.2 **Definition of Change in Control**. For purposes of this Agreement, the term "Change in Control" shall mean the consummation by the Company or the Bank, in a single transaction or series of related transactions, of any of the following:

(a) Merger: The Company or the Bank merges into or consolidates with another entity, or merges another bank or corporation into the Company or the Bank, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company or the Bank immediately before the merger or consolidation;

(b) Acquisition of Significant Share Ownership: A person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's or the Bank's Voting Securities; provided, however, this clause (b) shall not apply to beneficial ownership of the Company's or the Bank's voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding Voting Securities;

(c) Change in Board Composition: During any period of two consecutive years, individuals who constitute the Company's or the Bank's board of directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's or the Bank's board of directors; provided, however, that for purposes of this clause (c), each director who is first elected by the board (or first nominated by the board for election by the stockholders) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period or who is appointed as a director as a result of a directive, supervisory agreement or order issued by the primary federal regulator of the Company or the Bank or by the Federal Deposit Insurance Corporation shall be deemed to have also been a director at the beginning of such period; or

(d) Sale of Assets: The Company or the Bank sells to a third party all or substantially all of its assets.

Notwithstanding the foregoing, in the event that a Stock Option constitutes Deferred Compensation, and the settlement of, or distribution of benefits under, such Stock Option is to be triggered solely by a Change in Control, then with respect to such Stock Option, a Change in Control shall be defined as required under Code Section 409A, as in effect at the time of such transaction.

In addition, in no event shall a reorganization of Bay-Vanguard, MHC (i.e., the mutual holding company), the Company and the Bank solely within its corporate structure or a second-step conversion constitute a Change in Control for purposes of the Plan.

ARTICLE 5 - COMMITTEE

Section 5.1 Administration. The Plan shall be administered by the members of the Compensation Committee of the Company who are Disinterested Board Members. If the Committee consists of fewer than three Disinterested Board Members, then the Board of Directors shall appoint to the Committee such additional Disinterested Board Members as shall be necessary to provide for a Committee consisting of at least three Disinterested Board Members. Any members of the Committee who do not qualify as Disinterested Board Members shall abstain from participating in any discussion or decision to make or administer Stock Options that are made to Participants who at the time of consideration for such Stock Option: (i) are persons subject to the short-swing profit rules of Section 16 of the Exchange Act. The Board of Directors (or if necessary to maintain compliance with any applicable listing standards, those members of the Board of Directors who are “independent directors” under the corporate governance statutes or rules of any national Exchange on which the Company lists, has listed or seeks to list its securities) may, in its discretion, take any action and exercise any power, privilege or discretion conferred on the Committee under the Plan with the same force and effect under the Plan as if done or exercised by the Committee.

Section 5.2 Powers of Committee. The administration of the Plan by the Committee shall be subject to the following:

(a) The Committee will have the authority and discretion to select from among the Company’s and its Subsidiaries’ Employees and Directors those persons who shall receive Stock Options, to determine the time or times of receipt, to determine the types of Stock Options and the number of shares covered by the grants, to establish the terms, conditions, features (including automatic exercise in accordance with Section 7.18 hereof), restrictions (including without limitation, provisions relating to non-competition, non-solicitation and confidentiality), and other provisions of such Stock Options, to cancel or suspend Stock Options and to reduce, eliminate or accelerate any restrictions or vesting requirements applicable to a Stock Option at any time after the grant of the Stock Option or to extend the time period to exercise a Stock Option, provided that such extension is consistent with Code Section 409A and the terms of the Plan.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) The Committee will have the authority to define terms not otherwise defined herein.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the articles of incorporation and bylaws of the Company and applicable corporate law.

(f) The Committee will have the authority to: (i) suspend a Participant’s right to exercise a Stock Option during a blackout period (or similar restricted period) or to exercise in a particular manner (i.e., such as a "cashless exercise" or "broker-assisted exercise") to the extent that the Committee deems it necessary or in the best interests of the Company in order to comply with any applicable securities laws and regulations issued by the SEC (the "Blackout Period"); and (ii) to extend the period to exercise a Stock Option by a period of time equal to the Blackout Period, provided that such extension does not violate Section 409A of the Code, the ISO requirements or applicable laws and regulations.

Section 5.3 **Delegation by Committee**. Except to the extent prohibited by applicable law, the applicable rules of an Exchange upon which the Company lists its shares or the Plan, or as necessary to comply with the exemptive provisions of Rule 16b-3 promulgated under the Exchange Act, if applicable, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it, including: (a) delegating to a committee of one or more members of the Board of Directors who are not "non-employee directors," within the meaning of Rule 16b-3, the authority to grant Stock Options under the Plan to eligible persons who are not then subject to Section 16 of the Exchange Act; or (b) delegating to a committee of one or more members of the Board of Directors who would be eligible to serve on the Compensation Committee of the Company pursuant to the listing requirements imposed by any national securities exchange on which the Company lists, has listed or seeks to list its securities, the authority to grant Stock Options under the Plan. The acts of such delegates shall be treated hereunder as acts of the Committee and such delegates shall report regularly to the Committee regarding the delegated duties and responsibilities and any Stock Options so granted. Any such allocation or delegation may be revoked by the Committee at any time.

Section 5.4 **Information to be Furnished to Committee**. As may be permitted by applicable law, the Company and its Subsidiaries shall furnish the Committee with such data and information as the Committee determines may be required for it to discharge its duties. The records of the Company and its Subsidiaries as to a Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined by the Committee to be manifestly incorrect. Subject to applicable law, Participants and other persons entitled to benefits under the Plan must furnish the Committee with such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 5.5 **Committee Action**. The Committee shall hold such meetings, and may make such administrative rules and regulations, as it may deem proper. A majority of the members of the Committee shall constitute a quorum, and the action of a majority of the members of the Committee present at a meeting at which a quorum is present, as well as actions taken pursuant to the unanimous written consent of all of the members of the Committee without holding a meeting, shall be deemed to be actions of the Committee. Subject to Section 5.1, all actions of the Committee shall be final and conclusive and shall be binding upon the Company, Participants and all other interested parties. Any person dealing with the Committee shall be fully protected in relying upon any written notice, instruction, direction or other communication signed by a member of the Committee or by a representative of the Committee authorized to sign the same in its behalf.

ARTICLE 6 - AMENDMENT AND TERMINATION

Section 6.1 **General**. The Board of Directors may, as permitted by law, at any time, amend or terminate the Plan, and may amend any Stock Option Agreement, provided that no amendment or termination may cause the Stock Option to violate Code Section 409A, may cause the repricing of a Stock Option, or, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely impair the rights of any Participant or beneficiary under any Stock Option granted under the Plan prior to the date such amendment is adopted by the Board of Directors; *provided, however*, that, no amendment may (a) materially increase the benefits accruing to Participants under the Plan, (b) materially increase the aggregate number of securities that may be issued under the Plan, other than pursuant to Section 3.4, or (c) materially modify the requirements for participation in the Plan, unless the amendment is approved by the Company's stockholders.

Section 6.2 **Amendment to Conform to Law and Accounting Changes**. Notwithstanding any provision in this Plan or any Stock Option Agreement to the contrary, the Committee may amend the Plan or any Stock Option Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of: (i) conforming the Plan or the Stock Option Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A); or (ii) avoiding an accounting treatment resulting from an accounting pronouncement or interpretation thereof issued by the SEC or Financial Accounting Standards Board subsequent to the adoption of the Plan or the making of the Stock Option affected thereby, which, in the sole discretion of the Committee, may materially and adversely affect the financial condition or results of operations of the Company. By accepting a Stock Option grant under this Plan, each Participant agrees and consents to any amendment made pursuant to this Section 6.2 or Section 2.7 to any Stock Option granted under the Plan without further consideration or action.

ARTICLE 7 - GENERAL TERMS

Section 7.1 **No Implied Rights**.

(a) *No Rights to Specific Assets.* Neither a Participant nor any other person shall by reason of participation in the Plan acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including any specific funds, assets, or other property that the Company or any Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the shares of Stock or amounts, if any, payable or distributable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) *No Contractual Right to Employment or Future Grants.* The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating Employee the right to be retained in the employ of the Company or any Subsidiary or any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. No individual shall have the right to be selected to receive a Stock Option under the Plan, or, having been so selected, to receive a future Stock Option under the Plan.

(c) *No Rights as a Stockholder*. Except as otherwise provided in the Plan or in the Stock Option Agreement, no Stock Option under the Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

Section 7.2 **Transferability**. Except as otherwise so provided by the Committee, ISOs under the Plan are not transferable except: (i) as designated by the Participant by will or by the laws of descent and distribution; (ii) to a trust established by the Participant, if under Code Section 671 and applicable state law, the Participant is considered the sole beneficial owner of the Stock Option while held in trust; or (iii) between spouses incident to a divorce or pursuant to a domestic relations order, provided, however, in the case of a transfer within the meaning of this Section 7.2(iii), the Stock Option shall not qualify as an ISO as of the day of such transfer. The Committee shall have the discretion to permit the transfer of vested Stock Options (other than ISOs) under the Plan; *provided, however,* that such transfers shall be limited to Immediate Family Members of Participants, trusts and partnerships established for the primary benefit of such family members or to charitable organizations, and; *provided, further,* that such transfers are not made for consideration to the Participant.

Section 7.3 **Designation of Beneficiaries**. A Participant hereunder may file with the Company a written designation of a beneficiary or beneficiaries under this Plan and may from time to time revoke or amend any such designation ("Beneficiary Designation"). Any designation of beneficiary under this Plan shall be controlling over any other disposition, testamentary or otherwise (unless such disposition is pursuant to a domestic relations order); *provided, however,* that if the Committee is in doubt as to the entitlement of any such beneficiary to any Stock Option, the Committee may determine to recognize only the legal representative of the Participant, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

Section 7.4 **Non-Exclusivity**. Neither the adoption of this Plan by the Board of Directors nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board of Directors or the Committee to adopt such other incentive arrangements as either may deem desirable, including, without limitation, the granting of Stock Options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

Section 7.5 **Stock Option Agreement**. Each Stock Option granted under the Plan shall be evidenced by a Stock Option Agreement signed by the Participant. A copy of the Stock Option Agreement, in any medium chosen by the Committee, shall be provided (or made available electronically) to the Participant.

Section 7.6 **Eligibility For Form and Time of Elections/Notification Under Code Section 83(b)**. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be filed with the Company at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require. Notwithstanding anything herein to the contrary, the Committee may, on the date of grant or at a later date, as applicable, prohibit an individual from making an election under Code Section 83(b). If the Committee has not prohibited an individual from making this election, an individual who makes this election shall notify the Committee of the election within ten (10) days of filing notice of the election with the Internal Revenue Service or as otherwise required by the Committee. This requirement is in addition to any filing and notification required under the regulations issued under the authority of Code Section 83(b).

Section 7.7 **Evidence**. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information upon which the person is acting considers pertinent and reliable, and signed, made or presented by the proper party or parties.

Section 7.8 **Tax Withholding**. Where a Participant is entitled to receive shares of Stock upon the exercise of a Stock Option, the Company shall have the right to require such Participant to pay to the Company the amount of any tax that the Company is required to withhold with respect to such exercise, or, in lieu thereof, to retain, or to sell without notice, a sufficient number of shares of Stock to cover the amount withheld. To the extent determined by the Committee and specified in a Stock Option Agreement, a Participant shall have the right to direct the Company to satisfy up to the maximum amount required for federal, state and local tax withholding by reducing the number of shares of Stock subject to the Stock Option (without issuance of such shares of Stock to the Stock Option holder) by a number equal to the quotient of (i) the total minimum amount of required tax withholding divided by (ii) the excess of the Fair Market Value of a share of Stock on the exercise date over the Exercise Price per share of Stock;. Provided there are no adverse accounting consequences to the Company (a requirement to have liability classification of an award under FASB ASC Topic 718 is an adverse consequence), a Participant who is not required to have taxes withheld may require the Company to withhold in accordance with the preceding sentence as if the Stock Option was subject to minimum tax withholding requirements.

Section 7.9 **Action by Company or Subsidiary**. Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its board of directors, or by action of one or more members of the Board of Directors (including a committee of the Board of Directors) who are duly authorized to act for the Board of Directors, or (except to the extent prohibited by applicable law or applicable rules of the Exchange on which the Company lists its securities) by a duly authorized officer of the Company or such Subsidiary.

Section 7.10 **Successors**. All obligations of the Company under the Plan shall be binding upon and inure to the benefit of any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business, stock, and/or assets of the Company.

Section 7.11 **Indemnification**. To the fullest extent permitted by law and the Company's governing documents, each person who is or shall have been a member of the Committee, or of the Board of Directors, or an officer of the Company to whom authority was delegated in accordance with Section 5.3, or an Employee of the Company, shall be indemnified and held harmless by the Company against and from any loss (including amounts paid in settlement), cost, liability or expense (including reasonable attorneys' fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute or regulation. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless. The foregoing right to indemnification shall include the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition, provided, however, that, if required by applicable law, an advancement of expenses shall be made only upon delivery to the Company of an undertaking, by or on behalf of such persons to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such person is not entitled to be indemnified for such expenses.

Section 7.12 **No Fractional Shares**. Unless otherwise permitted by the Committee, no fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Stock Option. The Committee shall determine whether cash or other property shall be issued or paid in lieu of fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated by rounding down.

Section 7.13 **Governing Law**. The Plan, all Stock Options granted hereunder, and all actions taken in connection herewith shall be governed by and construed in accordance with the laws of the State of Maryland without reference to principles of conflict of laws, except as superseded by applicable federal law. The federal and state courts located in the State of Maryland, shall have exclusive jurisdiction over any claim, action, complaint or lawsuit brought under the terms of the Plan. By accepting any grant under this Plan, each Participant and any other person claiming any rights under the Plan agrees to submit himself or herself and any legal action that the Participant brings under the Plan, to the sole jurisdiction of such courts for the adjudication and resolution of any such disputes.

Section 7.14 **Benefits Under Other Plans**. Except as otherwise provided by the Committee or as set forth in a Qualified Retirement Plan, Stock Options granted to a Participant (including the grant and the receipt of benefits) under the Plan shall be disregarded for purposes of determining the Participant's benefits under, or contributions to, any Qualified Retirement Plan, non-qualified plan and any other benefit plans maintained by the Participant's employer. The term "Qualified Retirement Plan" means any plan of the Company or a Subsidiary that is intended to be qualified under Code Section 401(a).

Section 7.15 **Validity**. If any provision of this Plan is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision has never been included herein.

Section 7.16 **Notice**. Unless otherwise provided in an Stock Option Agreement, all written notices and all other written communications to the Company provided for in the Plan or in any Stock Option Agreement, shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid (provided that international mail shall be sent via overnight or two-day delivery), or sent by facsimile, email or prepaid overnight courier to the Company at its principal executive office. Such notices, demands, claims and other communications shall be deemed given:

(a) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;

(b) in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; or

(c) in the case of facsimile or email, the date upon which the transmitting party received confirmation of receipt; *provided, however,* that in no event shall any such communications be deemed to be given later than the date they are actually received, provided they are actually received.

In the event a communication is not received, it shall only be deemed received upon the showing of an original of the applicable receipt, registration or confirmation from the applicable delivery service. Communications that are to be delivered by U.S. mail or by overnight service to the Company shall be directed to the attention of the Company's Corporate Secretary, unless otherwise provided in the Participant's Stock Option Agreement.

Section 7.17 **Forfeiture Events**.

(a) The Committee may specify in an Stock Option Agreement that the Participant's rights, payments, and benefits with respect to a Stock Option shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting conditions of a Stock Option. Such events include, but are not limited to, termination of employment for cause, termination of the Participant's provision of Services, violation of material Company or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct of the Participant that is detrimental to the business or reputation of the Company or any Subsidiary.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the federal securities laws, any Participant who is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 or who is subject to clawback under Section 954 of the Dodd-Frank Act shall reimburse the Company the amount of any payment in settlement of a Stock Option earned or accrued during the twelve month period following the first public issuance or filing with the SEC (whichever first occurred) of the financial document embodying such financial reporting requirement.

In addition, Stock Options granted hereunder are subject to any clawback policy adopted by the Board of Directors from time to time.

Section 7.18 **Automatic Exercise**. In the sole discretion of the Committee exercised in accordance with Section 5.2(a) above, any Stock Options that are exercisable but unexercised as of the day immediately before the tenth anniversary of the date of grant may be automatically exercised, in accordance with procedures established for this purpose by the Committee, but only if the exercise price is less than the Fair Market Value of a share of Stock on such date and the automatic exercise will result in the issuance of at least one (1) whole share of Stock to the Participant after payment of the exercise price and any applicable minimum tax withholding requirements. Payment of the exercise price and any applicable tax withholding requirements shall be made by a net settlement of the Stock Option whereby the number of shares of Stock to be issued upon exercise are reduced by a number of shares having a Fair Market Value on the date of exercise equal to the exercise price and any applicable minimum tax withholding.

Section 7.19 **Regulatory Requirements**. The grant and settlement of Stock Options under this Plan shall be conditioned upon and subject to compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. 1828(k), and the rules and regulations promulgated thereunder.

ARTICLE 8 - DEFINED TERMS; CONSTRUCTION

Section 8.1 In addition to the other definitions contained herein, unless otherwise specifically provided in a Stock Option Agreement, the following definitions shall apply:

(a) "10% Stockholder" means an individual who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

(b) "Board of Directors" means the Board of Directors of the Company.

(c) If the Participant is subject to a written employment agreement (or other similar written agreement) with the Company or a Subsidiary that provides a definition of termination for "Cause," then, for purposes of this Plan, the term "Cause" shall have meaning set forth in such agreement. In the absence of such a definition, "Cause" means termination because of a Participant's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, material breach of the Company's or the Bank's Code of Ethics, material violation of the Sarbanes-Oxley requirements for officers of public companies that in the reasonable opinion of the Chief Executive Officer of the Bank or the Board of Directors will likely cause substantial financial harm or substantial injury to the reputation of the Bank or the Company, willfully engaging in actions that in the reasonable opinion of the Board of Directors will likely cause substantial financial harm or substantial injury to the business reputation of the Bank or the Company, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than routine traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of the contract.

(d) "Change in Control" has the meaning ascribed to it in Section 4.2.

(e) "Code" means the Internal Revenue Code of 1986, as amended, and any rules, regulations and guidance promulgated thereunder, as modified from time to time.

(f) "Committee" means the Committee acting under Article 5.

(g) "Director" means a member of the Board of Directors or the board of directors of a Subsidiary.

(h) If the Participant is subject to a written employment agreement (or other similar written agreement) with the Company or a Subsidiary that provides a definition of "Disability" or "Disabled," then, for purposes of this Plan, the terms "Disability" or "Disabled" shall have meaning set forth in such agreement. In the absence of such a definition, "Disability" shall be defined in accordance with the Bank's long-term disability plan. To the extent that a Stock Option granted hereunder is subject to Code Section 409A, "Disability" or "Disabled" shall mean that a Participant: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Employees. Except to the extent prohibited under Code Section 409A, if applicable, the Committee shall have discretion to determine if a termination due to Disability has occurred.

(i) "Disinterested Board Member" means a member of the Board of Directors who: (i) is not a current Employee of the Company or a Subsidiary; (ii) is not a former employee of the Company or a Subsidiary who receives compensation for prior Services (other than benefits under a tax-qualified retirement plan) during the taxable year; (iii) has not been an officer of the Company or a Subsidiary; (iv) does not receive compensation from the Company or a Subsidiary, either directly or indirectly, for services as a consultant or in any capacity other than as a Director except in an amount for which disclosure would not be required pursuant to Item 404 of SEC Regulation S-K in accordance with the proxy solicitation rules of the SEC, as amended or any successor provision thereto; and (v) does not possess an interest in any other transaction, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(a) of SEC Regulation S-K under the proxy solicitation rules of the SEC, as amended or any successor provision thereto. The term Disinterested Board Member shall be interpreted in such manner as shall be necessary to conform to the requirements of Code Section 162(m), Rule 16b-3 promulgated under the Exchange Act and the corporate governance standards imposed on compensation committees under the listing requirements imposed by any Exchange on which the Company lists or seeks to list its securities.

(j) "Employee" means any person employed by the Company or a Subsidiary. Directors who are also employed by the Company or a Subsidiary shall be considered Employees under the Plan.

(k) "Exchange" means any national securities exchange on which the Stock may from time to time be listed or traded.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(m) "Exercise Price" means the price established with respect to a Stock Option pursuant to Section 2.1.

(n) "Fair Market Value" means the value of one share of the Stock on any relevant date, determined under the following rules:

(i) if the Stock is traded on an exchange, the reported “closing price” on the relevant date, if it is a trading day, otherwise on the next preceding trading day;

(ii) if the Stock is not traded on an exchange but is traded over-the-counter on a quotation system, the reported “closing price,” if reported, or if there is no reported “closing price,” the mean between the highest bid and the lowest asked prices on that quotation system on the relevant date if it is a trading day, otherwise on the next preceding trading day; or

(iii) if neither subparts (i) or (ii) of this definition apply, (a) with respect to any Stock Option that is subject to Code Section 409A or any Non-Qualified Option, fair market value shall be determined by the reasonable application of a reasonable valuation method within the meaning of Treasury Regulation Section 1.409A-1(b)(5)(iv)(B); and (b) with respect to any other Stock Option, fair market value shall be determined by the Committee in good faith and, with respect to Incentive Stock Options, consistent with rules prescribed under the Code.

(o) A termination of employment by an Employee Participant shall be deemed a termination of employment for “Good Reason” as a result of the Participant’s resignation from the employ of the Company or any Subsidiary upon the occurrence of any of the following events:

(i) a material diminution in Participant’s base compensation;

(ii) a material diminution in Participant’s authority, duties or responsibilities;

(iii) a change in the geographic location at which Participant must perform his duties that is more than thirty-five (35) miles from the location of Participant’s principal workplace on the date of this Agreement; or

(iv) in the event a Participant is a party to an employment, change in control, severance or similar agreement that provides a definition for “Good Reason” or a substantially similar term, then the occurrence of any event set forth in such definition.

(p) “Immediate Family Member” means with respect to any Participant: (i) any of the Participant’s children, stepchildren, grandchildren, parents, stepparents, grandparents, spouses, former spouses, siblings, nieces, nephews, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law or sisters-in-law, including relationships created by adoption; (ii) any natural person sharing the Participant’s household (other than as a tenant or employee, directly or indirectly, of the Participant); (iii) a trust in which any combination of the Participant and persons described in section (i) and (ii) above own more than fifty percent (50%) of the beneficial interests; (iv) a foundation in which any combination of the Participant and persons described in sections (i) and (ii) above control management of the assets; or (v) any other corporation, partnership, limited liability company or other entity in which any combination of the Participant and persons described in sections (i) and (ii) above control more than fifty percent (50%) of the voting interests.

(q) “Involuntary Termination” means the Termination of Service of a Participant by the Company or Subsidiary (other than termination for Cause) or termination of employment by an Employee Participant for Good Reason.

(r) “ISO” has the meaning ascribed to it in Section 2.1(a).

(s) “Non-Qualified Option” means the right to purchase shares of Stock that is either: (i) granted to a Participant who is not an Employee; or (ii) granted to an Employee and either is not designated by the Committee to be an ISO or does not satisfy the requirements of Section 422 of the Code.

(t) “Participant” means any individual who has received, and currently holds, an outstanding Stock Option granted under the Plan.

(u) "Retirement" means, unless otherwise specified in an Stock Option Agreement, retirement from employment or service on or after the attainment of age 65. An Employee who is also a Director shall not be deemed to have terminated due to Retirement for purposes of vesting of Stock Options and exercise of Stock Options until both Service as an Employee and Service as a Director has ceased. A non-employee Director will be deemed to have terminated due to Retirement under the provisions of this Plan only if the non-employee Director has terminated Service on the board(s) of directors of the Company and any Subsidiary or affiliate in accordance with applicable Company policy, following the provision of written notice to such board(s) of directors of the non-employee Director's intention to retire. A non-employee Director who continues in Service as a director emeritus or advisory director shall be deemed to be in Service of the Company or a Subsidiary for purposes of vesting and exercise of Stock Options.

(v) "SEC" means the United States Securities and Exchange Commission.

(w) "Securities Act" means the Securities Act of 1933, as amended from time to time.

(x) "Service" means service as an Employee or non-employee Director of the Company or a Subsidiary, as the case may be, and shall include service as a director emeritus or advisory director. Service shall not be deemed interrupted in the case of sick leave, military leave or any other absence approved by the Company or a Subsidiary, in the case of transferees between payroll locations or between the Company, a Subsidiary or a successor.

(y) "Stock" means the common stock of the Company, $0.01 par value per share.

(z) "Stock Option Agreement" means the document (in whatever medium prescribed by the Committee) that evidences the terms and conditions of a Stock Option under the Plan. Any document is referred to as an agreement, regardless of whether a Participant's signature is required.

(aa) "Stock Option" has the meaning ascribed to it in Section 2.1(a) and 2.2.

(bb) "Subsidiary" means any corporation, affiliate, bank or other entity that would be a subsidiary corporation with respect to the Company as defined in Code Section 424(f) and, other than with respect to an ISO, shall also mean any partnership or joint venture in which the Company and/or other Subsidiary owns more than fifty percent (50%) of the capital or profits interests.

(cc) "Termination of Service" means the first day occurring on or after a grant date on which the Participant ceases to be an Employee or Director (including a director emeritus or advisory director) of the Company or any Subsidiary, regardless of the reason for such cessation, subject to the following:

> (i) The Participant's cessation as an Employee shall not be deemed to occur by reason of the transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries.
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> (ii) The Participant's cessation as an Employee shall not be deemed to occur by reason of the Participant's being on a bona fide leave of absence from the Company or a Subsidiary approved by the Company or Subsidiary otherwise receiving the Participant's Services, provided such leave of absence does not exceed six months, or if longer, so long as the Employee retains a right to reemployment with the Company or Subsidiary under an applicable statute or by contract. For these purposes, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Employee will return to perform Services for the Company or Subsidiary. If the period of leave exceeds six months and the Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such six month period. For purposes of this sub-section, to the extent applicable, an Employee's leave of absence shall be interpreted by the Committee in a manner consistent with Treasury Regulation Section 1.409A-1(h)(1).
>
> (iii) If, as a result of a sale or other transaction, the Subsidiary for whom the Participant is employed (or to whom the Participant is providing Services) ceases to be a Subsidiary, and the Participant

is not, following the transaction, an Employee of the Company or an entity that is then a Subsidiary, then the occurrence of such transaction shall be treated as the Participant's Termination of Service caused by the Participant being discharged by the entity for whom the Participant is employed or to whom the Participant is providing Services.

(iv) Except to the extent Code Section 409A may be applicable to a Stock Option, and subject to the foregoing paragraphs of this sub-section, the Committee shall have discretion to determine if a Termination of Service has occurred and the date on which it occurred. In the event that any Stock Option granted under the Plan constitutes Deferred Compensation (as defined in Section 2.7 hereof), the term Termination of Service shall be interpreted by the Committee in a manner consistent with the definition of "Separation from Service" as defined under Code Section 409A and under Treasury Regulation Section 1.409A-1(h)(ii). For purposes of this Plan, a "Separation from Service" shall have occurred if the employer and the Participant reasonably anticipate that no further Services will be performed by the Participant after the date of the Termination of Service (whether as an employee or as an independent contractor) or the level of further Services performed will be less than fifty percent (50%) of the average level of bona fide Services in the 36 months immediately preceding the Termination of Service. If a Participant is a "Specified Employee," as defined in Code Section 409A and any payment to be made hereunder shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, the payment or a portion of the payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Participant's Separation from Service.

(v) With respect to a Participant who is a Director, cessation as a Director will not be deemed to have occurred if the Participant continues as a director emeritus or advisory director. With respect to a Participant who is both an Employee and a Director, termination of employment as an Employee shall not constitute a Termination of Service for purposes of the Plan so long as the Participant continues to provide Service as a Director or director emeritus or advisory director.

(dd) "Voting Securities" means any securities which ordinarily possess the power to vote in the election of directors without the happening of any pre-condition or contingency.

Section 8.2 In this Plan, unless otherwise stated or the context otherwise requires, the following uses apply:

(a) actions permitted under this Plan may be taken at any time and from time to time in the actor's reasonable discretion;

(b) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or its successor, as in effect at the relevant time;

(c) in computing periods from a specified date to a later specified date, the words "from" and "commencing on" (and the like) mean "from and including," and the words "to," "until" and "ending on" (and the like) mean "to, but excluding";

(d) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority or instrumentality;

(e) indications of time of day mean Eastern Time;

(f) "including" means "including, but not limited to";

(g) all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Plan unless otherwise specified;

(h) all words used in this Plan will be construed to be of such gender or number as the circumstances and context require;

(i) the captions and headings of articles, sections, schedules and exhibits appearing in or attached to this Plan have been inserted solely for convenience of reference and shall not be considered a part of this Plan nor shall any of them affect the meaning or interpretation of this Plan or any of its provisions;

(j) any reference to a document or set of documents in this Plan, and the rights and obligations of the parties under any such documents, shall mean such document or documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof; and

(k) all accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ROWLES
& Company, LLP
Certified Public Accountants

To the Board of Directors
BV Financial, Inc.
Baltimore, Maryland

Report of Independent Auditors

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BV Financial, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rowles & Company, LLP

Baltimore, Maryland
September 20, 2017

8100 Sandpiper Circle, Suite 308, Baltimore, Maryland 21236
443-725-5395 Fax 443-725-5074
Website: www.Rowles.com

Consolidated Balance Sheets

June 30,	2017	2016
	(In thousands except share amounts)	
Assets		
Cash	$ 4,457	$ 8,193
Interest-bearing deposits in other banks	5,374	3,483
Cash and cash equivalents	9,831	11,676
Time deposits in other banks	250	1,460
Securities available for sale	12,977	10,332
Securities held to maturity (fair value of **$7,963** and $7,077)	7,873	6,921
Loans receivable, net of allowance for loan losses of **$2,090** and $2,111	126,095	125,502
Foreclosed real estate and repossessed assets	293	659
Premises and equipment, net	4,286	4,565
Federal Home Loan Bank of Atlanta stock, at cost	376	376
Investment in life insurance	5,061	3,482
Accrued interest receivable	574	572
Goodwill	120	120
Intangible assets, net	28	35
Deferred tax assets, net	2,582	2,896
Other assets	741	554
Total assets	$ 171,087	$ 169,150
Liabilities and Stockholders' Equity		
Liabilities		
Noninterest-bearing deposits	$ 16,528	$ 12,070
Interest-bearing deposits	126,075	129,194
Total deposits	142,603	141,264
Official checks	387	307
Advances from the Federal Home Loan Bank of Atlanta	3,057	3,111
Advance payments by borrowers for taxes and insurance	1,924	1,903
Other liabilities	1,494	1,582
Total liabilities	149,465	148,167
Stockholders' equity		
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; 3,240,238 shares issued; and 2,999,124 shares outstanding as of June 30, 2017 and 2016	32	32
Paid-in capital	10,848	10,861
Unearned employee stock ownership plan shares	(134)	(203)
Treasury stock, at cost; 241,114 shares as of June 30, 2017 and 2016	(1,979)	(1,979)
Retained earnings	12,910	12,257
Accumulated other comprehensive (loss) income	(55)	15
Total stockholders' equity	21,622	20,983
Total liabilities and stockholders' equity	$ 171,087	$ 169,150

See notes to consolidated financial statements.

Consolidated Statements of Income

Years Ended June 30,	2017	2016
	(In thousands except per share amount	
Interest income		
Loans, including fees	**$ 6,584**	$ 6,579
Investment securities	**292**	245
Other	**29**	27
Total interest income	**6,905**	6,851
Interest expense		
Deposits	**739**	702
Borrowings	**45**	46
Total interest expense	**784**	748
Net interest income	**6,121**	6,103
Provision for loan losses	**401**	1,446
Net interest income after provision for loan losses	**5,720**	4,657
Noninterest income		
Service fees on deposits	**124**	122
Income from investment in life insurance	**79**	70
Loss on sale of premises and equipment	**(53)**	-
Net gain on sale of foreclosed real estate and repossessed assets	**20**	53
Other income	**171**	163
Total noninterest income	**341**	408
Noninterest expenses		
Compensation and related expenses	**2,657**	2,680
Occupancy	**413**	412
Data processing	**439**	435
Advertising	**64**	73
Professional fees	**389**	423
Equipment	**178**	161
Foreclosed real estate and repossessed assets holding costs	**73**	95
Write-downs of foreclosed real estate and repossessed assets	**99**	111
Amortization of intangible assets	**7**	8
FDIC insurance premiums	**96**	219
Other	**621**	669
Total noninterest expenses	**5,036**	5,286
Income (loss) before income taxes	**1,025**	(221)
Income tax expense (benefit)	**372**	(101)
Net income (loss)	**$ 653**	$ (120)
Basic earnings (loss) per share	**$ 0.22**	$ (0.04)
Diluted earnings (loss) per share	**$ 0.22**	$ (0.04)
Dividends declared per share	**$ -**	$ -

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years Ended June 30,	**2017**	2016
	(In thousands)	
Net income (loss)	**$ 653**	$ (120)
Other comprehensive (loss) income		
Unrealized (loss) gain on securities available for sale	**(114)**	15
Income tax relating to securities available for sale	**44**	(5)
Other comprehensive (loss) income	**(70)**	10
Total comprehensive income (loss)	**$ 583**	$ (110)

See notes to consolidated financial statements.

BV Financial, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

	Common stock	Paid-in capital	Unearned employee stock ownership plan shares	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, June 30, 2015	$ 32	$ 10,897	$ (272)	$ (1,979)	$ 12,377	$ 5	$ 21,060
Net loss	-	-	-	-	(120)	-	(120)
Change in unrealized holding gains (net of tax of $5)	-	-	-	-	-	10	10
Employee Stock Ownership Plan compensation including taxes	-	(36)	69	-	-	-	33
Balance, June 30, 2016	**32**	**10,861**	**(203)**	**(1,979)**	**12,257**	**15**	**20,983**
Net Income	-	-	-	-	**653**	-	**653**
Change in unrealized holding gains (loss) (net of tax of **$44**)	-	-	-	-	-	**(70)**	**(70)**
Employee Stock Ownership Plan compensation including taxes	-	**(13)**	**69**	-	-	-	**56**
Balance, June 30, 2017	**$ 32**	**$ 10,848**	**$ (134)**	**$ (1,979)**	**$ 12,910**	**$ (55)**	**$ 21,622**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,	2017	2016
	(In thousands)	
Cash flows from operating activities		
Net income (loss)	$ 653	$ (120)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Net amortization of discounts and premiums	102	(302)
Provision for loan losses	401	1,446
(Gain) loss on sale of foreclosed real estate and other repossessed assets	(20)	42
Write-downs of foreclosed real estate and other repossessed assets	99	111
Loss on sale of premises and equipment	53	-
Amortization of deferred loan fees/costs	15	(150)
Depreciation of premises and equipment	228	233
Amortization of intangible assets	7	8
Deferred tax expense (benefit)	357	(59)
Increase in cash surrender value of life insurance	(79)	(70)
Stock-based compensation expense	56	33
(Increase) decrease in accrued interest and other assets	(189)	97
(Decrease) in other liabilities	(88)	(215)
Net cash provided by operating activities	1,595	1,054
Cash flows from investing activities		
Decrease in time deposits in other banks	1,210	1,741
Purchases of securities held to maturity	(2,529)	(2,607)
Purchases of securities available for sale	(5,497)	(11,490)
Proceeds from maturities and calls of available for sale securities	2,000	2,000
Proceeds from maturities and calls of held to maturity securities	25	7,722
Principal collected on mortgage-backed securities	2,124	1,079
Net (increase) decrease in loans	(1,604)	137
Purchase of premises and equipment	(102)	(82)
Proceeds from sale of premises and equipment	100	-
Proceeds from sale of foreclosed real estate and other repossessed assets	456	360
Purchase of life insurance	(1,500)	-
Proceeds from sale of impaired loans	426	-
Proceeds from the sale of Federal Home Loan Bank stock	-	3
Net cash (used in) investing activities	(4,891)	(1,137)
Cash flows from financing activities		
Increase (decrease) in official checks	80	(441)
Net increase in deposits	1,350	304
Increase in advance payments by borrowers for taxes and insurance	21	149
Net cash provided by financing activities	1,451	12
Net decrease in cash and cash equivalents	(1,845)	(71)
Cash and cash equivalents at beginning of year	11,676	11,747
Cash and cash equivalents at end of year	$ 9,831	$ 11,676
Supplementary cash flows information		
Interest paid	$ 782	$ 748
Income taxes paid	$ 25	$ 106
Supplementary noncash transactions		
Net loans transferred to foreclosed real estate and repossessed assets	$ 169	$ 222

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. In addition, in May 2013, the Company issued 595,238 shares to the M.H.C. in connection with the acquisition of Vigilant Federal Savings Bank ("Vigilant"). At June 30, 2017 and 2016, the M.H.C. owned **68.35%** of the common stock of the Company.

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 and using such funds to originate one-to-four family real estate, mobile home, marine, farm loans guaranteed by the U.S. Department of Agriculture ("USDA."), construction, multi-family, commercial real estate, commercial and consumer loans.

The Bank's deposits 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 through foreclosure or repossession.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank and 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 balance sheet 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, goodwill and 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, available for sale, or trading. 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 premiums or accretion of discounts). 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 determined by both asset size and borrowings from the FHLB. Purchases and sales of stock are made directly with the FHLB at par value.

The Bank held **$376,000** of FHLB restricted stock at June 30, 2017 and 2016. This restricted stock is carried at cost. 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 FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB 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 FHLB.

Loans Receivable

Loans receivable are stated at unpaid principal balances, plus premiums on loans purchased, less the undisbursed portion of loans in process, net deferred loan origination fees and costs, discounts on loans acquired in a merger, 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 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. Certain discounts on acquired impaired loans are considered non-accretable until the loan is paid in full.

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 collectability of principal or interest, even though the loan is currently performing.

Note 1 – Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

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 collectability 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 collectability of the total contractual principal and interest is no longer in doubt. Interest payments on impaired loans are recorded in the same manner as interest 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 and size 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.

Management reviews the allowance for loan losses on no less than a quarterly basis in order to identify the inherent losses and to assess the overall collectability of the loan portfolio by reviewing the portfolio by various segments. The evaluation process by portfolio segment includes, among other things, an analysis of delinquency trends, nonperforming loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the value of collateral securing the loan, the borrower's ability to repay, repayment performance, and local economic conditions.

The establishment of the allowance for loan losses is significantly affected by management's judgment and uncertainties, and there is a likelihood that different amounts would be reported under different conditions or assumptions. The Office of the Comptroller of the Currency, as an integral part of its examination process, periodically reviews the allowance for loan losses and may require the Company to make additional provisions for estimated loan losses based upon judgments different from those of management.

The Company will continue to monitor and modify its allowance for loan losses as conditions dictate. No assurances can be given that the level of the allowance for loan losses will cover all of the inherent losses on the loans or that future adjustments to the allowance for loan losses will not be necessary if economic and other conditions differ substantially from the economic and other conditions used by management to determine the current level of the allowance for loan losses.

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.

Note 1 – Summary of Significant Accounting Policies (CONTINUED)

Allowance for Loan Losses (Continued)

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.

Foreclosed Real Estate and Repossessed Assets

Foreclosed real estate and repossessed 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 noninterest income and expenses.

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 estimated useful lives of the respective assets. Expenditures for improvements are capitalized while costs for maintenance and repairs are expensed as incurred.

Investment in Life Insurance

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is evaluated for impairment annually. Any impairment of goodwill would be recorded against income in the period of impairment.

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 period of seven to ten years. Any impairment of intangible assets would be recorded against income in the period of impairment.

Note 1 – Summary of Significant Accounting Policies (CONTINUED)

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.

Statements 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 balance sheet when they are funded.

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 (the "ESOP") are not included in outstanding shares for earnings per share purposes. 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 based on the treasury stock method. As of June 30, 2017 and 2016, the Company had **10,000** shares of unexercised stock options. Options with an exercise price greater than the average market price of the common shares are excluded from the calculation as their effect would be anti-dilutive. Information related to the calculation of earnings per share is summarized as follows:

	Basic	**Diluted**	Basic	Diluted
	(In thousands, except per share data)			
Net income (loss)	**$ 653**	**$ 653**	$ (120)	$ (120)
Weighted average common shares outstanding	**2,982**	**2,982**	2,974	2,974
Dilutive securities				
Stock options	**-**	**5**	-	-
Adjusted weighted average shares outstanding	**2,982**	**2,987**	2,974	2,974
Earnings (loss) per share amount	**$ 0.22**	**$ 0.22**	$ (0.04)	$ (0.04)

The dilutive effect of stock options is not considered in loss periods.

Note 1 – Summary of Significant Accounting Policies (CONTINUED)

Stock Based Compensation

The Company accounts for stock based compensation under the fair value method of accounting. For stock options, the Company uses a Black-Scholes valuation model to measure stock-based compensation expense at the date of grant. Compensation expense related to stock-based awards is recognized over the period during which an individual is required to provide service in exchange for such award.

Employee Stock Ownership Plan

The cost of shares issued to the ESOP but not yet allocated to participants is presented in the consolidated balance sheet 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. Any dividends on unallocated ESOP shares are reflected as a reduction of the debt from the Company to Bay-Vanguard Federal.

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, 2017, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through **September 20, 2017**, the date these financial statements were available to be issued.

NOTE 2 – SECURITIES

Securities available for sale at June 30, 2017 and 2016, consisted of the following:

June 30, 2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Available for sale				
U.S. government agency securities	**$ 6,997**	**$ -**	**$ 57**	**$ 6,940**
Mortgage-backed securities	**6,068**	**7**	**38**	**6,037**
	$13,065	**$ 7**	**$ 95**	**$12,977**
June 30, 2016				
Available for sale				
U.S. government agency securities	$ 5,999	$ 5	$ -	$ 6,004
Mortgage-backed securities	4,309	21	2	4,328
	$ 10,308	$ 26	$ 2	$ 10,332

NOTE 2 – SECURITIES (CONTINUED)

Securities held to maturity at June 30, 2017 and 2016, consisted of the following:

June 30, 2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
		(In thousands)		
Held to maturity				
U.S. government agency securities	**$ 399**	**$ -**	**$ 3**	**$ 396**
Mortgage-backed securities	**7,454**	**102**	**9**	**7,547**
CDA municipal securities	**20**	**-**	**-**	**20**
	$ 7,873	**$ 102**	**$ 12**	**$ 7,963**
June 30, 2016				
Held to maturity				
U.S. government agency securities	$ 399	$ 1	$ -	$ 400
Mortgage-backed securities	6,477	165	9	6,633
CDA municipal securities	45	-	1	44
	$ 6,921	$ 166	$ 10	$ 7,077

The amortized cost and fair value of securities as of June 30, 2017 and 2016, 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.

	Available for sale		Held to maturity	
June 30, 2017	Amortized cost	Fair value	Amortized cost	Fair value
		(In thousands)		
Maturing				
Due after one year through five years	**$ 6,997**	**$ 6,940**	**$ 399**	**$ 396**
Due after five years through ten years	**-**	**-**	**20**	**20**
Due after ten years	**-**	**-**	**-**	**-**
Mortgage-backed securities	**6,068**	**6,037**	**7,454**	**7,547**
	$13,065	**$12,977**	**$ 7,873**	**$ 7,963**
June 30, 2016				
Maturing				
Due after one year through five years	$ 5,999	$ 6,004	$ 399	$ 400
Due after five years through ten years	-	-	20	20
Due after ten years	-	-	25	24
Mortgage-backed securities	4,309	4,328	6,477	6,633
	$ 10,308	$ 10,332	$ 6,921	$ 7,077

NOTE 2 – SECURITIES (CONTINUED)

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

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

	Less than 12 months		Over 12 months		Total	
June 30, 2017	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
			(In thousands)			
Available for sale						
U.S. government agency securities	**$ 57**	**$ 6,940**	**$ -**	**$ -**	**$ 57**	**$ 6,940**
Mortgage-backed securities	**22**	**1,915**	**16**	**1,368**	**38**	**3,283**
	$ 79	**$ 8,855**	**$ 16**	**$ 1,368**	**$ 95**	**$10,223**
Held to maturity						
U.S. government agency securities	**$ 3**	**$ 396**	**$ -**	**$ -**	**$ 3**	**$ 396**
Mortgage-backed securities	**9**	**2,889**	**-**	**12**	**9**	**2,901**
CDA municipal securities	**-**	**-**	**-**	**-**	**-**	**-**
	$ 12	**$3,285**	**$ -**	**$ 12**	**$ 12**	**$ 3,297**
June 30, 2016						
Available for sale						
U.S. government agency securities	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities	2	1,488	-	-	2	1,488
	$ 2	$ 1,488	$ -	$ -	$ 2	$ 1,488
Held to maturity						
U.S. government agency securities	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities	9	1,447	-	16	9	1,463
CDA municipal securities	-	-	1	24	1	24
	$ 9	$ 1,447	$ 1	$ 40	$ 10	$ 1,487

Management has the ability and intent to hold these investment securities until maturity. The decline in fair value is the result of changes in 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, 2017 and 2016, consisted of the following:

	2017	2016
	(In thousands)	
Real estate loans		
One-to-four family owner occupied	**$ 47,994**	$ 52,941
One-to-four family nonowner occupied	**27,852**	30,204
Multi-family and commercial	**26,139**	22,229
Land	**315**	397
Farm loans guaranteed by the USDA	**6,784**	5,511
Construction	**1,759**	1,389
Mobile homes	**3,845**	4,574
Marine	**9,250**	6,335
Other consumer	**283**	296
Commercial	**3,358**	3,116
Gross loans	**127,579**	126,992
Deferred loan originations costs, net	**606**	621
Allowance for loan losses	**(2,090)**	(2,111)
Total loans receivable, net	**$ 126,095**	$ 125,502

Residential lending repayment is generally dependent on economic and market conditions in the Company's lending area. Multi-family, commercial real estate, commercial 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.

The majority of the Company's loans receivable are 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 a customer's creditworthiness and other relevant factors on a case-by-case basis. The Company 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 Company has 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 Company 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 Company 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.

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

A summary of transactions in the allowance for loan losses during the year ended June 30, 2017, follows:

	family Owner occupied	family Nonowner occupied	Multi-family and commercial	Land	Farm	Construction	Mobile homes	Marine	Other consumer	Commercial	Unallocated	Total
Allowance												
Beginning balance	$ 530	$ 807	$ 374	$ 1	$ -	$ 10	$ 137	$ 48	$ 2	$ 27	$ 175	$ 2,111
Charge offs	(95)	(455)	(5)	-	-	-	(33)	-	-	-	-	(588)
Recoveries	6	78	-	-	-	-	82	-	-	-	-	166
Provision (credit)	43	604	(41)	-	-	3	(95)	31	-	2	(146)	401
Ending balance	$ 484	$ 1,034	$ 328	$ 1	$ -	$ 13	$ 91	$ 79	$ 2	$ 29	$ 29	$ 2,090
Ending balance individually evaluated for impairment	$ 70	$ 151	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 222
Ending balance collectively evaluated for impairment	$ 414	$ 883	$ 327	$ 1	$ -	$ 13	$ 91	$ 79	$ 2	$ 29	$ 29	$ 1,868
Loans												
Ending balance individually evaluated for impairment	$ 2,135	$ 2,098	$ 395	$ -	$ -	$ -	$ 56	$ -	$ -	$ -	$ -	$ 4,684
Ending balance collectively evaluated for impairment	45,859	25,754	25,744	315	6,784	1,759	3,789	9,250	283	3,358	-	122,895
	$47,994	$ 27,852	$26,139	$315	$ 6,784	$ 1,759	$ 3,845	$ 9,250	$ 283	$ 3,358	$ -	$ 127,579

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

A summary of transactions in the allowance for loan losses during the year ended June 30, 2016, follows:

	Year Ended June 30, 2016 (In thousands)											
	Real estate											
	One-to-four family Owner occupied	One-to-four family Nonowner occupied	Multi-family and commercial	Land	Farm	Construction	Mobile homes	Marine	Other consumer	Commercial	Unallocated	Total
Allowance												
Beginning balance	$ 418	$ 587	$ 359	$ 3	$ -	$ 18	$ 147	$ 73	$ 1	$ 14	$ 202	$ 1,822
Charge offs	(181)	(913)	(3)	-	-	-	(138)	-	-	-	-	(1,235)
Recoveries	4	36	2	-	-	-	36	-	-	-	-	78
Provision (credit)	289	1,097	16	(2)	-	(8)	92	(25)	1	13	(27)	1,446
Ending balance	$ 530	$ 807	$ 374	$ 1	$ -	$ 10	$ 137	$ 48	$ 2	$ 27	$ 175	$ 2,111
Ending balance individually evaluated for impairment	$ 48	$ 102	$ 1	$ -	$ -	$ -	$ 4	$ -	$ -	$ -	$ -	$ 155
Ending balance collectively evaluated for impairment	$ 482	$ 705	$ 373	$ 1	$ -	$ 10	$ 133	$ 48	$ 2	$ 27	$ 175	$ 1,956
Loans												
Ending balance individually evaluated for impairment	$ 3,990	$ 2,752	$ 502	$ -	$ -	$ -	$ 74	$ -	$ -	$ -	$ -	$ 7,318
Ending balance collectively evaluated for impairment	48,951	27,452	21,727	397	5,511	1,389	4,500	6,335	296	3,116	-	119,674
	$52,941	$ 30,204	$22,229	$397	$5,511	$1,389	$ 4,574	$6,335	$296	$ 3,116	$ -	$126,992

The loans acquired in the Vigilant merger were recorded at estimated fair value on the merger date with no carryover of the related allowance for loan losses. In estimating the fair value of loans acquired, certain factors were considered, including remaining lives of the acquired loans, payment history, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, and the net present value of cash flows expected. Discounts on loans that were not considered impaired at acquisition were recorded as an accretable discount, which will be recognized in interest income over the terms of the related loans. For loans considered to be impaired, the difference between the contractually required payments and expected cash flows was recorded as a nonaccretable discount. Generally, the nonaccretable discount will be recognized after collection of the discounted fair value of the related loan. The remaining accretable and nonaccretable discounts on loans acquired were **$219,000** and **$337,000**, respectively, as of June 30, 2017. The remaining accretable and nonaccretable discounts on loans acquired were $279,000 and $351,000, respectively, as of June 30, 2016. During the years ended June 30, 2017 and 2016, the Company recorded accretion related to the accretable discount on the loans acquired in the Vigilant merger of **$57,000** and $41,000, respectively. The remaining outstanding principal balance of loans acquired in the Vigilant merger were **$17.1** million and $21.3 million as of June 30 2017 and 2016, respectively.

In addition to the credit quality adjustment, the Company recorded a premium on the Vigilant loans acquired related to the interest rate and maturities of the performing loans in the Vigilant portfolio. As of June 30, 2017 and 2016, the remaining premium, which will be amortized into income over the lives of the related loans, was **$125,000** and $158,000, respectively.

Note 3 – Loans Receivable (Continued)

The Company's policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans include those loans characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Loans (or portions of loans) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Loans that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve close attention, are required to be designated as special mention.

In the Company's allowance for loan losses analysis, higher reserve factors are applied to loans identified as special mention, substandard, or doubtful. Determinations as to the classification of loans and the amount of loss allowances are subject to review by our principal federal regulator, the Office of the Comptroller of the Currency, which can require that we establish additional loss allowances. The Company regularly reviews its loan portfolio to determine whether any loans require classification in accordance with applicable regulations.

The following table summarizes the classification of the loan portfolio at June 30, 2017:

	June 30, 2017 (In thousands)				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate					
One-to-four family owner occupied	**$ 47,715**	**$ -**	**$ 279**	**$ -**	**$ 47,994**
One-to-four family nonowner occupied	**23,477**	**75**	**4,300**	**-**	**27,852**
Multi-family and commercial	**25,129**	**403**	**607**	**-**	**26,139**
Land	**315**	**-**	**-**	**-**	**315**
Farm	**6,784**	**-**	**-**	**-**	**6,784**
Construction	**1,759**	**-**	**-**	**-**	**1,759**
Total real estate loans	**105,179**	**478**	**5,186**	**-**	**110,843**
Mobile homes	**3,777**	**-**	**68**	**-**	**3,845**
Marine	**9,250**	**-**	**-**	**-**	**9,250**
Other consumer	**283**	**-**	**-**	**-**	**283**
Commercial	**3,281**	**77**	**-**	**-**	**3,358**
Total consumer and commercial	**16,591**	**77**	**68**	**-**	**16,736**
Total loans	**$121,770**	**$ 555**	**$ 5,254**	**$ -**	**$127,579**

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The following table summarizes classification of the loan portfolio at June 30, 2016:

	June 30, 2016 (In thousands)				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate					
One-to-four family owner occupied	$ 50,560	$ -	$ 2,381	$ -	$ 52,941
One-to-four family nonowner occupied	24,715	-	5,489	-	30,204
Multi-family and commercial	20,848	301	1,080	-	22,229
Land	397	-	-	-	397
Farm	5,511	-	-	-	5,511
Construction	1,389	-	-	-	1,389
Total real estate loans	103,420	301	8,950	-	112,671
Mobile homes	4,373	-	201	-	4,574
Marine	6,335	-	-	-	6,335
Other consumer	296	-	-	-	296
Commercial	3,030	-	86	-	3,116
Total consumer and commercial	14,034	-	287	-	14,321
Total loans	$ 117,454	$ 301	$ 9,237	$ -	$ 126,992

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The following tables set forth certain information with respect to our loan portfolio delinquencies by loan class:

	June 30, 2017 (In thousands)						
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans greater than 90 days and accruing
Real estate loans							
One-to-four family owner occupied	**$ 820**	**$ 18**	**$ 155**	**$ 993**	**$ 47,001**	**$ 47,994**	**$ -**
One-to-four family nonowner occupied	**398**	**-**	**887**	**1,285**	**26,567**	**27,852**	**-**
Multi-family and commercial	**389**	**-**	**75**	**464**	**25,675**	**26,139**	**-**
Land	**-**	**-**	**-**	**-**	**315**	**315**	**-**
Farm	**-**	**-**	**-**	**-**	**6,784**	**6,784**	**-**
Construction	**-**	**-**	**-**	**-**	**1,759**	**1,759**	**-**
Total real estate loans	**1,607**	**18**	**1,117**	**2,742**	**108,101**	**110,843**	**-**
Mobile homes	**112**	**20**	**18**	**150**	**3,695**	**3,845**	**-**
Marine	**-**	**-**	**-**	**-**	**9,250**	**9,250**	**-**
Other consumer	**1**	**-**	**-**	**1**	**282**	**283**	**-**
Commercial	**-**	**-**	**-**	**-**	**3,358**	**3,358**	**-**
Total consumer and commercial	**113**	**20**	**18**	**151**	**16,585**	**16,736**	**-**
Total loans	**$ 1,720**	**$ 38**	**$ 1,135**	**$ 2,893**	**$ 124,686**	**$ 127,579**	**$ -**

	June 30, 2016 (In thousands)						
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans greater than 90 days and accruing
Real estate loans							
One-to-four family owner occupied	$ 310	$ 186	$ 1,914	$ 2,410	$ 50,531	$ 52,941	$ -
One-to-four family nonowner occupied	381	794	746	1,921	28,283	30,204	-
Multi-family and commercial	388	88	182	658	21,571	22,229	-
Land	-	-	-	-	397	397	-
Farm	-	-	-	-	5,511	5,511	-
Construction	-	-	-	-	1,389	1,389	-
Total real estate loans	1,079	1,068	2,842	4,989	107,682	112,671	-
Mobile homes	107	-	24	131	4,443	4,574	-
Marine	-	-	-	-	6,335	6,335	-
Other consumer	-	-	-	-	296	296	-
Commercial	-	-	-	-	3,116	3,116	-
Total consumer and commercial	107	-	24	131	14,190	14,321	-
Total loans	$ 1,186	$ 1,068	$ 2,866	$ 5,120	$ 121,872	$ 126,992	$ -

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The following is a summary of nonaccrual loans by class as of the dates indicated:

	2017	2016
	(In thousands)	
Real estate loans		
One-to-four family owner occupied	**$ 154**	$ 2,182
One-to-four family nonowner occupied	**906**	2,149
Multi-family and commercial	**75**	182
Land	**-**	-
Farm	**-**	-
Construction	**-**	-
Total real estate loans	**1,135**	4,513
Mobile homes	**22**	38
Marine	**-**	-
Other consumer	**-**	-
Commercial	**-**	-
Total consumer and commercial loans	**22**	38
Total nonaccrual loans	**$1,157**	$ 4,551

Interest that would have been accrued under the terms of the nonaccrual loans was approximately **$181,000** at June 30, 2017, and $297,000 at June 30, 2016.

At June 30 2017 and 2016, the Company had **$154,000** and $1.4 million in residential mortgages in the process of foreclosure.

An impaired loan generally is one for which it is probable, based on current information, that the lender will not collect all the amounts due under the contractual terms of the loan. Loans are individually evaluated for impairment. When the Company classifies a problem loan as impaired, it records an impairment for that portion of the asset that is deemed uncollectible, based on the present value of the expected future cash flows discounted at the loan's original effective interest rate or based on the fair value of the collateral if the loan is collateral dependent.

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The following is a summary of impaired loans by class of loans as of June 30, 2017:

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
			(In thousands)		
With an allowance recorded					
Real estate loans					
One-to-four family owner occupied	$ 1,350	$ 1,350	$ 70	$ 1,238	$ 50
One-to-four family nonowner occupied	1,492	1,659	151	887	44
Multi-family and commercial	320	366	1	320	19
Land	-	-	-	-	-
Farm	-	-	-	-	-
Construction	-	-	-	-	-
Mobile homes	-	-	-		-
Marine	-	-	-	-	-
Other consumer	-	-	-	-	-
Commercial	-	-	-	-	-
	3,162	3,375	222	2,445	113
With no allowance recorded					
Real estate loans					
One-to-four family owner occupied	785	785	-	1,583	45
One-to-four family nonowner occupied	606	700	-	1,344	7
Multi-family and commercial	75	403	-	171	-
Land	-	-	-	-	-
Farm	-	-	-	-	-
Construction	-	-	-	-	-
Mobile homes	56	56	-	56	2
Marine	-	-	-	-	-
Other consumer	-	-	-	-	-
Commercial	-	-	-	-	-
	1,522	1,944	-	3,154	54
Total					
Real estate loans					
One-to-four family owner occupied	2,135	2,135	70	2,821	95
One-to-four family nonowner occupied	2,098	2,359	151	2,231	51
Multi-family and commercial	395	769	1	491	19
Land	-	-	-	-	-
Farm	-	-	-	-	-
Construction	-	-	-	-	-
Mobile homes	56	56	-	56	2
Marine	-	-	-	-	-
Other consumer	-	-	-	-	-
Commercial	-	-	-	-	-
	$ 4,684	$ 5,319	$ 222	$ 5,599	$ 167

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The following is a summary of impaired loans by class of loans as of June 30, 2016:

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
			(In thousands)		
With an allowance recorded					
Real estate loans					
One-to-four family owner occupied	$ 1,139	$ 1,139	$ 48	$ 991	$ 37
One-to-four family nonowner occupied	933	1,020	102	450	33
Multi-family and commercial	320	366	1	333	19
Land	-	-	-	-	-
Farm	-	-	-	-	-
Construction	-	-	-	-	-
Mobile homes	-	-	4		-
Marine	-	-	-	-	-
Other consumer	-	-	-	-	-
Commercial	-	-	-	-	-
	2,392	2,525	155	1,774	89
With no allowance recorded					
Real estate loans					
One-to-four family owner occupied	2,851	3,076	-	378	44
One-to-four family nonowner occupied	1,819	2,348	-	953	8
Multi-family and commercial	182	505	-	412	-
Land	-	-	-	-	-
Farm	-	-	-	-	-
Construction	-	-	-	-	-
Mobile homes	74	74	-	14	3
Marine	-	-	-	13	-
Other consumer	-	-	-	-	-
Commercial	-	-	-	-	-
	4,926	6,003	-	1,770	55
Total					
Real estate loans					
One-to-four family owner occupied	3,990	4,215	48	1,369	81
One-to-four family nonowner occupied	2,752	3,368	102	1,403	41
Multi-family and commercial	502	871	1	745	19
Land	-	-	-	-	-
Farm	-	-	-	-	-
Construction	-	-	-	-	-
Mobile homes	74	74	4	14	3
Marine	-	-	-	13	-
Other consumer	-	-	-	-	-
Commercial	-	-	-	-	-
	$ 7,318	$ 8,528	$ 155	$ 3,544	$ 144

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

Loans may be periodically modified in a troubled debt restructuring ("TDR") to make concessions to help a borrower remain current and/or to avoid foreclosure. Generally, we do not forgive principal or interest on a loan or modify the interest rate on loans that are below market rates. When we modify loans in a TDR, we evaluate any possible impairment similar to other impaired loans. If we determine that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized. The Company has no commitments to lend additional funds to borrowers whose loans have been modified.

The status of TDRs as of June 30, 2017 and 2016, follows:

		June 30, 2017		
	Number of	recorded investment		
	contracts	Performing	Nonperforming	Total
		(In thousands)		
Real estate				
One-to-four family owner occupied	16	$ 1,984	$ 126	$ 2,110
One-to-four family nonowner occupied	10	1,192	453	1,645
Multi-family and commercial	3	319	75	394
Land	-	-	-	-
Farm	-	-	-	-
Construction	-	-	-	-
Mobile homes	1	34	-	34
Marine	-	-	-	-
Other consumer	-	-	-	-
Commercial	-	-	-	-
	30	$ 3,529	$ 654	$ 4,183

		June 30, 2016		
	Number of	recorded investment		
	contracts	Performing	Nonperforming	Total
		(In thousands)		
Real estate				
One-to-four family owner occupied	15	$ 1,809	$ 576	$ 2,385
One-to-four family nonowner occupied	9	603	490	1,093
Multi-family and commercial	3	320	80	400
Land	-	-	-	-
Farm	-	-	-	-
Construction	-	-	-	-
Mobile homes	2	36	-	36
Marine	-	-	-	-
Other consumer	-	-	-	-
Commercial	-	-	-	-
	29	$ 2,768	$ 1,146	$ 3,914

NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The following TDRs were modified during the year ended June 30, 2017:

		June 30, 2017 recorded investment		
	Number of contracts	Performing	Nonperforming	Total
		(In thousands)		
Real estate				
One-to-four family owner occupied	2	$ 413	$ -	$ 413
One-to-four family nonowner occupied	2	609	-	609
Multi-family and commercial	-	-	-	-
Land	-	-	-	-
Farm	-	-	-	-
Construction	-	-	-	-
Mobile homes	-	-	-	-
Marine	-	-	-	-
Other consumer	-	-	-	-
Commercial	-	-	-	-
	4	$ 1,022	$ -	$1,022

There were no TDRs modified during the year ended June 30, 2016.

The Company 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 balance sheet. The Company's exposure to credit loss from nonperformance by the other party to the above mentioned financial instruments is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company generally requires collateral or other security to support financial instruments with off-balance sheet credit risk.

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.

Financial instruments whose contract amounts represent credit risk	Contract amount at June 30, 2017	2016
	(In thousands)	
Construction loan commitments	**$ 734**	$ 1,144
Unused lines of credit	**3,699**	2,932
Mortgage and consumer loan commitments	**1,897**	3,189
Total	**$ 6,330**	$ 7,265

Commitments to fund new mortgage and consumer loans of **$1.9 million** include **$228,000** in loans secured by owner-occupied residential properties with rates between 3.00% and 4.75%, **$683,000** in commercial and commercial real estate loans with rates between 5.00% and 7.25% and **$986,000** in marine loans with rates between 3.50% and 6.25%. Loan commitments to fund new loans of $3.2 million not reflected in the accompanying financial statements at June 30, 2016 include $558,000 in loans secured by owner-occupied residential properties with rates between 4.25% and 5.00%, a $1.0 million construction loan with a rate of 7.00%, $1.1 million in commercial and commercial real estate loans with rates between 5.25% and 5.50% and $502,000 in marine loans with rates between 4.99% and 7.50%.

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2017 and 2016, are summarized by major classification as follows:

	Useful life in years	2017	2016
		(In thousands)	
Land	-	**$ 636**	$ 636
Buildings	15 - 40	**4,133**	4,234
Leasehold improvements	5 - 10	**231**	231
Furniture, fixtures, and equipment	3 - 10	**1,183**	1,191
		6,183	6,292
Accumulated depreciation		**(1,897)**	(1,727)
		$ 4,286	$ 4,565

Depreciation expense for the years ended June 30, 2017 and 2016, was **$228,000** and $233,000, respectively.

NOTE 5 – GOODWILL AND INTANGIBLE ASSETS

In May 2013, the Company acquired Vigilant Federal Savings Bank. As a result of this transaction, the Company recorded goodwill totaling $120,000 and a core deposit intangible totaling $66,000. The goodwill and core deposit intangible are not deductible for tax purposes due to the structure of the transaction. The goodwill and core deposit intangible are evaluated annually for impairment.

In August 2007, the Company acquired a branch in Pasadena, Maryland. The goodwill of $3.9 million was determined to be fully impaired, and was written off during the year ended June 30, 2009. The core deposit intangible has been fully amortized as of June 30, 2017.

The activity in acquired intangible assets related to the Vigilant merger and Pasadena branch purchase for the years ended June 30, 2017 and 2016, is as follows:

June 30,	2017	2016
	(In thousands)	
Net carrying amount at beginning of year	$ 35	$ 43
Amortization	(7)	(8)
Net carrying amount at end of the year	$ 28	$ 35

At June 30, 2017, future estimated annual amortization expense is as follows (in thousands):

Year ending June 30,	
2018	$ 5
2019	4
2020	2
Thereafter through 2023	17
	$ 28

NOTE 6 – DEPOSITS

Deposits are summarized as follows:

June 30,	2017	2016
	(In thousands)	
Noninterest-bearing accounts	$ 16,528	$ 12,070
Interest-bearing checking accounts	7,056	7,489
Money market accounts	37,155	37,979
Savings accounts	30,613	29,332
Certificates of deposit	51,251	54,394
	$ 142,603	$ 141,264

NOTE 6 – DEPOSITS (CONTINUED)

Interest expense on deposits for the years ended June 30, 2017 and 2016, is summarized as follows:

June 30,	2017	2016
	(In thousands)	
Interes-bearing checking accounts	**$ 4**	$ 4
Money market accounts	**117**	113
Savings accounts	**44**	42
Certificates of deposit	**574**	543
	$ 739	$ 702

At June 30, 2017 and 2016, the Bank had **$4.3 million** and $3.5 million in certificates of deposit of $250,000 or more, respectively. Deposits in excess of $250,000 may not be insured by the FDIC.

At June 30, 2017 scheduled maturities of certificates of deposit are as follows (in thousands):

2018	$ 21,550
2019	11,994
2020	3,678
2021	9,164
2022	4,865
	$ 51,251

NOTE 7 – BORROWINGS

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, 2017 and 2016, the Bank had credit availability of **$39.5** million and $39.3 million, respectively. At June 30, 2017 and 2016, the Bank had a **$3.0 million** FHLB advance outstanding with a rate of **3.23%** and a maturity date of July 11, 2018, as a result of the Vigilant merger. Due to the merger, the advance was recorded at estimated fair value and the Bank recorded a premium of $270,000, which is being amortized over the remaining term of the advance. At June 30 2017 and 2016, the remaining premium balance was **$57,000** and $111,000, respectively. The Bank is required to maintain qualified mortgage loans as collateral for its FHLB advances in an amount equal to 125% of the outstanding advances. As of June 30, 2017, the Bank had pledged **$40.9 million** of loans to the FHLB for advances. Additionally, at June 30, 2017 and 2016, the Bank had a **$2.0 million** unsecured demand line of credit facility with M&T Bank which had no outstanding balance. The Bank would be required to pledge securities in its portfolio to receive advances under this line of credit.

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. For the years ended June 30, 2017 and 2016, there were no expenses for the profit sharing plan and expenses of **$34,000** and $30,000 for the 401(k) plan, respectively.

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

The Bank has supplemental executive retirement agreements with two of its retired 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 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. Both executives covered by these agreements are receiving benefits under the terms of the agreements. During the years ended June 30, 2017 and 2016, benefits of **$114,000** were paid in accordance with the agreements.

Effective as of January 1, 2008, and in the place of a prior supplemental retirement plan, the existing directors 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 ten years following his or her 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 ten 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.

As a result of the merger, the Bank agreed to maintain post-retirement agreements with two former directors of Vigilant. The agreements call for the Bank to pay the premiums for supplemental health insurance for the directors and their spouses for life.

In April 2017, The Bank entered into a salary continuation agreement with the CEO of the Company and the Bank. Under the agreement, the executive will receive a stated annual benefit in monthly installments for 15 years following his separation from service after attaining a normal retirement age of 68. If the executive dies after monthly payments have commenced under the agreement, the executive's beneficiary will receive the present value of the remaining installments.

The accrued liabilities for the aforementioned plans were **$812,000** and $867,000 for the executive plans and **$260,000** and $269,000 for the directors' plans at June 30, 2017 and 2016, respectively. The Company recognized compensation expense related to these plans in the amount of **$72,000** and $80,000 during the years ended June 30, 2017 and 2016, respectively.

Accounting standards require the recognition of a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Bank-owned life insurance policies purchased for this purpose do not effectively settle the Company's obligation to the employee in this regard and thus the Company records a benefit cost and a related liability. As of June 30, 2017, and 2016, the Company has recorded a liability of **$37,000**, and $35,000, respectively, for this benefit.

NOTE 9 – COMMON STOCK AND EMPLOYEE STOCK OWNERSHIP PLAN

At the same time as the reorganization and conversion in 2005, the Bank established an 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, $1.0 million 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 recognizes compensation expense as shares are committed for release from collateral at their fair market value. 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 **$54,000** and $55,000 of compensation expense for the years ended June 30, 2017 and 2016, 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, 2017 and 2016. The unearned ESOP shares totaled **13,828** and 20,740 at June 30, 2017 and 2016, respectively. The fair value of the unearned shares at June 30, 2017 and 2016, was **$109,103** and $134,810, respectively.

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.

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 March 21, 2012, the Company granted stock options covering 10,000 shares of common stock to an officer of the Company, of which **10,000** and 8,000 were exercisable at June 30, 2017 and 2016, respectively. The options were granted with an exercise price at the then fair market value of the stock of $3.25, vest over five years and expire ten years from the date of grant.

NOTE 10 – EQUITY INCENTIVE PLAN (CONTINUED)

Outstanding stock options had an intrinsic value of **$46,400** and $32,500 at June 30, 2017 and 2016, respectively. Exercisable stock options had an intrinsic value of **$46,400** and $26,000 at June 30, 2017 and 2016, respectively. The Company recognized no expense during the years ended June 30, 2017 and 2016, relating to the granting of stock options. The only activity in the stock options in the years ended June 30 2017 and 2016 was the expiration of **42,800** shares during the year ended June 30, 2016.

The estimated fair value of the 10,000 options granted during the year ended June 30, 2012, were $0.25 per share. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

Estimated life	6.5 years
Risk free interest rate	1.14%
Implied volatility	1.86%
Dividend yield	0.00%

As of June 30, 2017, there is no future compensation expense associated with any outstanding stock options.

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.

The Basel III Capital Rules became effective for the Bank on January 1, 2015 (subject to a phase-in period for certain provisions). Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital, Tier 1 capital, and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined).

In connection with the adoption of the Basel III Capital Rules, the Bank elected to opt-out of the requirement to include accumulated other comprehensive income in Common Equity Tier 1 capital. Common Equity Tier 1 capital for the Bank is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities and subject to transition provisions.

NOTE 11 – REGULATORY MATTERS (CONTINUED)

Under the revised prompt corrective action requirements, as of January 1, 2015, insured depository institutions are required to meet the following in order to qualify as "well capitalized:" (1) a common equity Tier 1 risk-based capital ratio of 6.5%; (2) a Tier 1 risk-based capital ratio of 8%; (3) a total risk-based capital ratio of 10%; and (4) a Tier 1 leverage ratio of 5%

The implementation of a capital conservation buffer began on January 1, 2016, requiring a regulatory capital buffer of 0.625% over the regulatory minimums (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). Management believes that, as of June 30, 2017, the Bank met all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect.

The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to the Bank. The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

The following table presents actual and required capital ratios as of June 30, 2017 and June 30, 2016, for the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of June 30, 2017, and June 30, 2016 based on the phase-in provisions of the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

As of June 30, 2017, the most recent notification from the OCC 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 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 OCC, through formal or informal agreement, has the authority to require an institution to maintain higher capital ratios than those provided by statute, to be categorized as well capitalized under the regulatory framework for prompt corrective action.

NOTE 11 – REGULATORY MATTERS (CONTINUED)

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	
June 30, 2017	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In thousands)			
Tier 1 Leverage ratio	**$20,176**	**11.80%**	**$6,837**	**4.00%**	**$ 8,547**	**5.00%**
Tier 1 capital (to risk-weighted assets)	**$20,176**	**19.58%**	**$7,472**	**7.25%**	**$ 8,245**	**8.00%**
Common Equity Tier 1 Capital Ratio (to risk-weighted assets)	**$20,176**	**19.58%**	**$5,926**	**5.75%**	**$ 6,699**	**6.50%**
Total Capital ratio (to risk-weighted assets)	**$21,475**	**20.84%**	**$9,533**	**9.25%**	**$10,306**	**10.00%**
June 30, 2016						
Tier 1 Leverage ratio	$ 19,422	11.50%	$ 6,757	4.00%	$ 8,447	5.00%
Tier 1 capital (to risk-weighted assets)	$ 19,422	19.46%	$ 6,612	6.63%	$ 7,984	8.00%
Common Equity Tier 1 Capital Ratio (to risk-weighted assets)	$ 19,422	19.46%	$ 5,115	5.13%	$ 6,487	6.50%
Total Capital ratio (to risk-weighted assets)	$ 20,682	20.72%	$ 8,608	8.63%	$ 9,981	10.00%

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

June 30,	**2017**	2016
	(In thousands)	
Total stockholders' equity on consolidated balance sheet	**$ 21,622**	$ 20,983
Adjustments to regulatory capital		
Accumulated other comprehensive income	**55**	(15)
Intangible assets (core deposit intangible and goodwill)	**(142)**	(141)
Disallowed deferred tax assets, net	**(381)**	(424)
Equity of BV Financial, Inc.	**(978)**	(981)
Tangible, Tier 1, and core capital	**20,176**	19,422
Allowance for loan losses (limited)	**1,299**	1,260
Total capital	**$ 21,475**	$ 20,682

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, 2017 and 2016, includes **$1.5 million** for which no provision for income tax has been provided. The unrecorded deferred income tax liability on the above amount was approximately **$593,000**.

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 OCC is required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under OCC 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 OCC.

The Board of Directors of the M.H.C. determines whether the M.H.C. will waive or receive dividends declared by the Company each time the Company declares a dividend. The M.H.C. may elect to receive dividends and utilize such funds to pay general corporate expenses. The 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. The Board of Governors of the Federal Reserve System has issued an interim final rule providing that it will not object to dividend waivers under certain circumstances where the waiver is not detrimental to the safe and sound operation of the savings association and a majority of the mutual holding company's members have approved the waiver of dividends by the mutual holding company within the previous six months. If a waiver is granted, dividends waived by the M.H.C. will be excluded from the Company's capital accounts for purposes of calculating dividend payments to minority shareholders. Through June 30, 2017, the M.H.C. waived the right to receive its portion of the cash dividends paid which totaled $1.0 million on a cumulative basis.

Banks are required to carry noninterest-bearing cash reserves at specified percentages of deposit balances. The Bank's normal amount of cash on hand and on deposit with other banks is sufficient to satisfy the reserve requirements.

NOTE 12– INCOME TAXES

The income tax provision consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
	(In thousands)	
Current expense (benefit)		
Federal	**$ 13**	$ (18)
State	**2**	(24)
	15	(42)
Deferred expense (benefit)	**357**	(59)
	$ 372	$ (101)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2017 and 2016, are presented below:

	2017	2016
	(In thousands)	
Deferred tax assets		
Deferred compensation	**$ 423**	$ 448
Allowance for loan losses	**824**	833
Credit fair value adjustment on loans acquired in merger	**219**	248
Core deposit intangible	**55**	65
Goodwill impairment	**527**	630
Foreclosed real estate write-downs and deferred gain	**45**	55
Net operating loss carryover	**349**	418
Nonaccrual interest	**186**	255
Unrealized losses on available for sale securities	**35**	-
Other	**59**	92
Total deferred tax assets	**2,722**	3,044
Deferred tax liabilities		
Prepaid expenses	**71**	56
Merger fair value adjustments	**51**	60
Depreciation	**18**	23
Unrealized gains on available for sale securities	**-**	9
Total deferred tax liabilities	**140**	148
Total deferred tax assets, net	**$ 2,582**	$ 2,896

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:

	Year Ended June 30, 2017		2016	
	Amount	Percent of pretax income	Amount	Percent of pretax income
	(In thousands)			
Statutory federal income tax rate	**$ 348**	**34.0 %**	$ (75)	34.0 %
State tax, net of federal income tax provision	**50**	**4.9**	(24)	10.9
Income from investment in life insurance	**(27)**	**(2.7)**	(25)	11.3
Nondeductible merger expenses	**3**	**0.4**	4	(1.8)
Change in valuation allowance	**-**	**0.0**	(29)	13.1
Other	**(2)**	**(0.1)**	48	(21.7)
	$ 372	**36.4 %**	$ (101)	45.8 %

Management has determined that no deferred tax asset valuation was warranted for its goodwill impairment write-down or net operating loss carryover due to the expectation of taxable income going forward and the availability of tax planning strategies to generate future income to offset operating losses. The Company acquired a net operating loss carryover of $1.2 million from Vigilant in connection with the merger. Use of the net operating loss acquired was limited to $176,000 for the fiscal year ended June 30, 2017. The Company did not utilize any of the operating loss carryover in the fiscal year ended June 30, 2016. The Company's use of the net operating loss acquired will be limited to $88,000 per year in future periods. The Company’s NOL carryforwards will expire in the year ending June 30, 2033.

The Company's income tax returns are subject to review and examination by federal and state taxing authorities. They are currently open to audit under the applicable statutes of limitations by the Internal Revenue Service for the years ended June 30, 2014 through 2017.

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 during the years ended June 30, 2017 and 2016:

June 30,	**2017**	2016
	(In thousands)	
Balance, beginning	**$ 696**	$ 831
Advances	**116**	15
Less: retired directors	**(3)**	-
Repayments	**(268)**	(150)
Balance, ending	**$ 541**	$ 696

Deposits of related parties totaled **$751,500** and $1,360,000 as of June 30, 2017 and 2016, respectively.

One of the Company's directors was a partner in Gallagher Evelius & Jones, LLP that has performed legal services for Bay-Vanguard Federal. Bay-Vanguard Federal paid a total of **$108,000** and $147,000 in legal fees to Gallagher Evelius & Jones LLP during the years ended June 30, 2017 and 2016, respectively.

NOTE 14 – LEASING ARRANGEMENTS

In September 2014, the Bank entered into an eight-year, non-cancelable operating lease for a branch location in Pasadena, Maryland. The lease also contains a five-year renewal option. In addition to minimum rent payments, the lease contains provisions for additional payments to cover real estate taxes and common area maintenance.

In March 2016, the Bank entered into a non-cancelable operating lease, whose renewal term expires in July 2021, for a 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 five-year period. In addition to minimum rentals, the lease contains escalation clauses based upon price indices and includes provisions for additional payments to cover real estate taxes and common area maintenance.

At June 30, 2017, the total minimum rental commitments under these leases are outlined below (in thousands):

Year ending June 30,	
2018	$ 127
2019	131
2020	135
2021	97
2022	96
Thereafter	16
Total	$ 602

Rent expense for the years ended June 30, 2017 and 2016, was **$148,000** and $139,000, 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, 2017 and 2016, the Bank had **$975,000** and $1.8 million, respectively, on deposit at the FHLB 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. Additionally, as of June 30, 2017 and 2016, the Bank had **$2.8 million** and $6.7 million on deposit at its correspondent bank.

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. 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.

Accounting standards establish 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 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.

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, 2017 and 2016, are as follows:

June 30, 2017	Total	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				
U.S. government agency securities	**$ 6,940**	**$ -**	**$ 6,940**	**$ -**
Mortgage-backed securities	**6,037**	**-**	**6,037**	**-**
	$12,977	**$ -**	**$ 12,977**	**$ -**
June 30, 2016				
Securities available for sale				
U.S. government agency securities	$ 6,004	$ -	$ 6,004	$ -
Mortgage-backed securities	4,328	-	4,328	-
	$ 10,332	$ -	$ 10,332	$ -

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, 2017 and 2016.

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 nonrecurring basis by level within the fair value hierarchy used at June 30, 2017 and 2016, are as follows:

June 30, 2017		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	**$4,462**	**$ -**	**$ -**	**$ 4,462**
Foreclosed real estate and repossessed assets	**293**	**-**	**-**	**293**
	$4,755	**$ -**	**$ -**	**$ 4,755**
June 30, 2016				
Impaired loans	$ 7,163	$ -	$ -	$ 7,163
Foreclosed real estate and repossessed assets	659	-	-	659
	$ 7,822	$ -	$ -	$ 7,822

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following valuation techniques were used to measure the fair value of assets in the tables above on a nonrecurring basis as of June 30, 2017 and 2016.

Impaired loans - Loans included in the table have been measured for 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. These loans are 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.

There were no transfers in or out of the Level 3 category after the loans were classified as impaired loans.

Foreclosed real estate and repossessed assets - Fair value of foreclosed assets was based on the Company's appraisal of the property less costs to sell. 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 years ended June 30, 2017 and 2016, were as follows (in thousands):

	2017	2016
	(In thousands)	
Beginning of year balance	**$ 659**	$ 950
Improvements and additions	**169**	222
Write-downs	**(99)**	(111)
Proceeds from sale	**(456)**	(360)
Gain (loss) on sale	**20**	(42)
End of year balance	**$ 293**	$ 659

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Time Deposits in Other Banks

The fair value of time deposits in other banks is estimated using the rates currently available for deposits of similar remaining maturities.

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.

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 nonperforming 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 noninterest 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.

Advances from the Federal Home Loan Bank of Atlanta

The fair value of advances is estimated discounting the contractual cash flows using rates currently offered for advances with similar terms and remaining maturities.

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, 2017 or 2016.

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the carrying amounts and fair values of financial instruments at June 30, 2017 and 2016:

	June 30, 2017		June 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Financial assets				
Cash and cash equivalents	**$ 9,831**	**$ 9,831**	$ 11,676	$ 11,676
Time deposits in other banks	**250**	**250**	1,460	1,460
Securities held to maturity	**7,873**	**7,963**	6,921	7,077
Federal Home Loan Bank of Atlanta stock	**376**	**376**	376	376
Loans receivable	**126,095**	**122,663**	125,502	121,624
Financial liabilities				
Deposits	**$142,603**	**$138,088**	$ 141,264	$ 139,568
Advances from the Federal Home Loan Bank of Atlanta	**3,057**	**3,240**	3,111	3,379

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, 2017 and 2016, are summarized below.

June 30,	2017	2016
	(In thousands)	
Assets		
Cash	**$ 755**	$ 683
Employee stock ownership plan loan	**183**	268
Investment in subsidiary	**20,653**	20,002
Other assets	**31**	30
Total Assets	**$21,622**	$20,983
Liabilities and Stockholders' Equity		
Other liabilities	**$ -**	$ -
Total stockholders' equity	**21,622**	20,983
Total Liabilities & Equity	**$21,622**	$20,983

NOTE 17 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY) (CONTINUED)

Statements of Income

Years Ended June 30,	**2017**	2016
	(In thousands)	
Interest income	**$ 14**	$ 18
Noninterest expense	**26**	24
Loss before income tax benefit	**(12)**	(6)
Income tax benefit	**-**	-
Loss before equity in net income of subsidiary	**(12)**	(6)
Equity in net income of subsidiary	**665**	(114)
Net income	**$ 653**	$ (120)

Statements of Cash Flows

Years Ended June 30,	**2017**	2016
	(In thousands)	
Cash flows from operating activities		
Net income	**$ 653**	$ (120)
Adjustments to reconcile net income to net cash used by operating activities		
Equity in net income of subsidiary	**(665)**	114
Increase in other assets	**(1)**	-
Increase in other liabilities	**-**	(9)
Net cash used by operating activities	**(13)**	(15)
Cash flows from investing activities		
Principal collected on ESOP loan	**85**	81
Net cash provided by investing activities	**85**	81
Cash flows from financing activities		
Increase in cash and cash equivalents	**72**	66
Cash and cash equivalents at beginning of period	**683**	617
Cash and cash equivalents at end of period	**$ 755**	$ 683

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BV Financial, Inc. & Bay-Vanguard FSB

Board of Directors

Edmund T. Leonard
Chairman

William Streett Baldwin

Michael J. Birmingham III

David M. Flair

Joseph S. Galli

Robert R. Kern, Jr.

Veronica Koch

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Carolyn M. Mroz

Steven Lang

George Philippou

Bank Officers

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President and Chief Executive Officer

Christine P. Barton
Senior Vice President, Compliance

Glenda Szyl
Vice President, Savings Operations

Rose M. Searcy
Vice President, Personnel and Information Technology

Robert R. Kern, Jr.
Secretary

Michael J. Dee
Senior Vice President, Chief Financial Officer

Jeffrey S. Collier
Senior Vice President, Lending

Claudia L. Kraft
Vice President, Controller

Kelly Bowman
Vice President, Marketing

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