

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-41764

BV FINANCIAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State of Other Jurisdiction of Incorporation or Organization)

14-1920944

(I.R.S. Employer Identification No.)

7114 North Point Road, Baltimore, MD, 21219

(Address of Principal Executive Offices) (Zip Code)

(410) 477-5000

(Registrant's Telephone Number, Including Area Code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of
Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	BVFL	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 12, 2024, the registrant had 11,387,723 shares of common stock outstanding.

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BV FINANCIAL, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

	June 30, 2024	December 31, 2023
	(unaudited)	(derived from audited financial statements)
(dollars in thousands, except per share amounts)		
Assets		
Cash	\$ 9,334	\$ 9,260
Interest-bearing deposits in other banks	81,305	64,482
Cash and cash equivalents	90,639	73,742
Equity investment	236	256
Securities available for sale	32,868	34,781
Securities held to maturity (fair value of \$9,046 and \$9,206, ACL of \$5 and \$6)	10,089	10,209
Total loans	702,373	704,802
Allowance for credit losses	(8,547)	(8,554)
Net loans	693,826	696,248
Foreclosed real estate	170	170
Premises and equipment, net	13,503	14,250
Federal Home Loan Bank of Atlanta stock, at cost	654	626
Investment in life insurance	19,856	19,657
Accrued interest receivable	3,344	3,279
Goodwill	14,420	14,420
Intangible assets, net	922	1,012
Deferred tax assets, net	8,810	8,969
Other assets	7,825	7,635
Total assets	\$ 897,162	\$ 885,254
Liabilities and Stockholders' Equity		
Liabilities		
Noninterest-bearing deposits	\$ 141,040	\$ 142,030
Interest-bearing deposits	499,260	492,090
Total deposits	640,300	634,120
Subordinated debentures	34,806	37,251
Other liabilities	16,584	14,818
Total liabilities	691,690	686,189
Stockholders' equity		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued or outstanding; Common stock, \$0.01 par value; 45,000,000 shares authorized at June 30, 2024 and December 31, 2023; 11,387,723 shares issued and outstanding as of June 30, 2024 and 11,375,803 issued and outstanding as of December 31, 2023	114	114
Paid-in capital	110,694	110,465
Retained earnings	103,745	97,772
Unearned common stock held by employee stock ownership plan	(7,244)	(7,328)
Accumulated other comprehensive loss	(1,837)	(1,958)
Total stockholders' equity	205,472	199,065
Total liabilities and stockholders' equity	\$ 897,162	\$ 885,254

See notes to consolidated financial statements.

BV FINANCIAL, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME**
(unaudited)

(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest Income				
Loans, including fees	\$ 10,177	\$ 9,327	\$ 19,959	\$ 18,100
Investment securities available for sale	306	277	612	543
Investment securities held to maturity	91	92	183	186
Other interest income	1,043	843	1,867	1,398
Total interest income	11,617	10,539	22,621	20,227
Interest Expense				
Interest on deposits	2,242	1,266	4,228	1,931
Interest on FHLB borrowings	—	495	—	783
Interest on subordinated debentures	466	541	1,521	1,075
Total interest expense	2,708	2,302	5,749	3,789
Net interest income	8,909	8,237	16,872	16,438
Recovery for credit losses	(111)	(150)	(92)	(147)
Net interest income after provision for credit losses	9,020	8,387	16,964	16,585
Noninterest Income				
Service fees on deposits	97	101	200	195
Fees from debit cards	182	188	354	360
Income from investment in life insurance	112	145	199	464
Gain on foreclosed real estate	—	678	—	678
Other income	205	258	421	481
Total noninterest income	596	1,370	1,174	2,178
Noninterest Expense				
Compensation and related benefits	3,091	2,859	6,220	5,738
Occupancy	409	366	847	782
Data processing	374	340	751	689
Advertising	6	14	11	28
Professional fees	244	176	356	376
Equipment	103	108	205	213
Foreclosed real estate and holding costs	11	32	16	159
Amortization of intangible assets	45	46	90	93
FDIC insurance premiums	81	64	164	118
Other	533	539	1,160	1,048
Total noninterest expense	4,897	4,544	9,820	9,244
Net income before tax	4,719	5,213	8,318	9,519
Income tax expense	1,320	1,314	2,345	2,505
Net income	\$ 3,399	\$ 3,899	\$ 5,973	\$ 7,014
Basic earnings per share	\$ 0.32	\$ 0.49	\$ 0.52	\$ 0.88
Diluted earnings per share	\$ 0.32	\$ 0.49	\$ 0.52	\$ 0.88

See notes to consolidated financial statements.

BV FINANCIAL, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(unaudited)

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 3,399	\$ 3,899	\$ 5,973	\$ 7,014
Other comprehensive income				
Unrealized gain (loss) on securities available for sale	165	(274)	168	95
Income tax relating to securities available for sale	(46)	75	(47)	(26)
Other comprehensive income (loss)	119	(199)	121	69
Total comprehensive income	<u>\$ 3,518</u>	<u>\$ 3,700</u>	<u>\$ 6,094</u>	<u>\$ 7,083</u>

See notes to consolidated financial statements.

BV FINANCIAL, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(unaudited)

For the Three Months Ended June 30, 2024 and 2023

(dollars in thousands)	Common stock	Paid-in capital	Unearned common stock held by ESOP	Retained earnings	Accumulated other comprehensiv e loss	Total
Balance, March 31, 2024						201,75
	\$ 114	\$110,534	\$ (7,286)	\$100,346	\$ (1,956)	\$ 2
Net income	—	—	—	3,399	—	3,399
Other comprehensive income						
(net of tax of (\$46))	—	—	—	—	119	119
Stock compensation	—	160	—	—	—	160
ESOP shares committed to be released	—	—	42	—	—	42
Balance, June 30, 2024	<u>\$ 114</u>	<u>\$110,694</u>	<u>\$ (7,244)</u>	<u>\$103,745</u>	<u>\$ (1,837)</u>	<u>205,47</u>
(dollars in thousands)	Common stock	Paid-in capital	Unearned common stock held by ESOP	Retained earnings	Accumulated other comprehensiv e loss	Total
Balance, March 31, 2023						100,65
	\$ 74	\$ 15,472	\$ —	\$ 87,180	\$ (2,073)	\$ 3
Net income	—	—	—	3,899	—	3,899
Other comprehensive loss						
(net of tax of \$75)	—	—	—	—	(199)	(199)
Stock compensation	—	127	—	—	—	127
Balance, June 30, 2023	<u>\$ 74</u>	<u>\$ 15,599</u>	<u>\$ —</u>	<u>\$ 91,079</u>	<u>\$ (2,272)</u>	<u>104,48</u>
						<u>\$ 0</u>

See notes to consolidated financial statements.

BV FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(unaudited)

For the Six Months Ended June 30, 2024 and 2023

(dollars in thousands)	Common stock	Paid-in capital	Unearned common stock held by ESOP	Retaine d earnin g s	Accumulated other comprehensiv e loss	Total
Balance, December 31, 2023						199,06
	\$ 114	\$110,465	\$ (7,328)	\$ 97,772	\$ (1,958)	\$ 5
Net income	—	—	—	5,973	—	5,973
Other comprehensive income						
(net of tax of (\$47))	—	—	—	—	121	121
Stock compensation	—	229	—	—	—	229
ESOP shares committed to be released	—	—	84	—	—	84
Balance, June 30, 2024				103,74		205,47
	<u>\$ 114</u>	<u>\$110,694</u>	<u>\$ (7,244)</u>	<u>\$ 5</u>	<u>\$ (1,837)</u>	<u>\$ 2</u>

(dollars in thousands)	Common stock	Paid-in capital	Unearned common stock held by ESOP	Retaine d earnin g s	Accumulated other comprehensiv e loss	Total
Balance, December 31, 2022	\$ 74	\$ 15,406	\$ —	\$ 84,612	\$ (2,341)	\$97,751
Net income	—	—	—	7,014	—	7,014
Other comprehensive income						
(net of tax of \$26)	—	—	—	—	69	69
Stock compensation	—	193	—	—	—	193
CECL ASU Transition	—	—	—	(547)	—	(547)
Balance, June 30, 2023						104,48
	<u>\$ 74</u>	<u>\$ 15,599</u>	<u>\$ —</u>	<u>\$ 91,079</u>	<u>\$ (2,272)</u>	<u>\$ 0</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(dollars in thousands)	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 5,973	\$ 7,014
Adjustments to reconcile net income to net cash provided by operating activities		
Net accretion of discounts and premiums	(2)	(37)
Recovery of credit losses	(92)	(147)
Gain on sale of foreclosed real estate	—	(678)
Amortization of deferred loan fees/costs	(207)	(261)
Amortization of intangible assets	90	93
Amortization of debt issuance costs	78	78
Write-off fair market value of subordinated debentures	566	—
Depreciation of premises and equipment	322	436
Deferred tax expense	112	225
Increase in cash surrender value of life insurance	(199)	(228)
Stock-based compensation expense	160	127
ESOP compensation expense	84	—
(Increase) decrease in accrued interest and other assets	(253)	379
(Increase) decrease in other liabilities	(564)	53,984
Net cash provided by operating activities	6,068	60,985
Cash flows from investing activities		
Proceeds from maturities and principal payments of investment securities available for sale	7,357	2,974
Purchases of investment securities available for sale	(5,328)	(4,002)
Proceeds from maturities and principal payments of investment securities held to maturity	119	127
Net decrease (increase) in loans	3,723	(35,251)
Purchase of premises and equipment	(490)	(129)
Proceeds from life insurance benefits	—	731
Purchase of participation foreclosed real estate	—	(57)
Proceeds from sale of foreclosed real estate	—	2,167
Proceeds from sale of Federal Home Loan Bank of Atlanta stock	—	8
Purchase of Federal Home Loan Bank of Atlanta stock	(28)	(1,083)
Net cash provided by (used in) investing activities	5,353	(34,515)
Cash flows provided by financing activities		
(Decrease) increase in official checks	(727)	1,751
Net increase (decrease) in deposits	6,240	(14,462)
Increase in advance payments by borrowers for taxes and insurance	3,056	2,356
Advances from the Federal Home Loan Bank of Atlanta	—	25,500
Repayment of subordinate debt	(3,093)	—
Net cash provided by financing activities	5,476	15,145
Net increase in cash and cash equivalents	16,897	41,615
Cash and cash equivalents at beginning of period	73,742	68,652
Cash and cash equivalents at end of period	\$ 90,639	\$ 110,267
Supplementary cash flows information		
Interest paid	\$ 5,333	\$ 4,108
Income taxes paid	\$ 1,970	\$ 2,505
Supplementary noncash transactions		
Impact of ASC 326 adoption	\$ —	\$ 547

See notes to consolidated financial statements.

BV FINANCIAL, INC. AND SUBSIDIARIES

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The unaudited consolidated financial statements and other financial information contained in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes, of BV Financial, Inc. (the "Company") included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Business

BV Financial, Inc. ("BV Financial," the "Company" or "we") was organized as a federal corporation and savings and loan holding company in January 2005 as part of the mutual holding company reorganization of Bay-Vanguard Federal Savings Bank. In February 2019, the Company became a Maryland-chartered corporation and a bank holding company.

Prior to consummation of its mutual to stock conversion in July 2023, BayVanguard, M.H.C., Inc. (the "MHC") was the Maryland-chartered mutual holding company of the Company. The MHC's only business was the ownership of at least a majority of the outstanding common stock of the Company. On January 19, 2023, the MHC adopted a Plan of Conversion and Reorganization pursuant to which the MHC undertook a "second-step" conversion and BayVanguard Bank (the "Bank"), the Company's wholly owned subsidiary, reorganized from the two-tier mutual holding company structure to the fully-public stock holding company structure (the "Conversion"). The Conversion was consummated on July 31, 2023 on which date the MHC ceased to exist. As part of the Conversion, the Company sold 9,798,980 shares of its common stock at a price of \$10.00 per share. Each outstanding share of Company common stock owned by the existing public stockholders of the Company were converted into new shares of Company common stock based on an exchange ratio of 1.5309-to-1. The Company had 11,375,803 shares of Company common stock outstanding as a result of the stock offering and Conversion.

The Company is a registered bank holding company subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

The Bank is headquartered in Baltimore, Maryland and is a full-service community-oriented financial institution dedicated to serving the financial service needs of consumers and businesses. 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, construction, multi-family, commercial real estate, farm, marine loans, 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. The Bank is a member of the Federal Home Loan Bank System.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank and the Bank's subsidiaries. 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 "GAAP". 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 credit losses, goodwill impairment, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

A significant portion of the Company's activities are with customers located within the Baltimore metropolitan area and on the Eastern Shore of Maryland. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, cash items in the process of clearing, and interest-bearing deposits with banks with original maturities of less than 90 days.

Securities

The Company classifies investment securities as held to maturity ("HTM") or available for sale ("AFS"). 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.

Equity securities are reported at fair value with unrealized gains and losses included in net gains/losses in noninterest 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. Premiums and discounts on callable debt securities are amortized through the earliest call date.

When the fair value of an AFS debt security has declined below its amortized cost basis, the Company is required to assess whether the decline is from a credit loss or other factors. For any security, either explicitly or implicitly guaranteed by the federal government, an analysis is performed on the individual security using the latest available information to determine if the decline in fair value is attributable to a credit loss. If such determination is made, the Company would record an allowance for credit loss for the debt instrument. As of June 30, 2024, we have recognized no credit losses on AFS securities.

For HTM debt securities, an allowance will be recognized when lifetime credit losses are expected, in an amount that reflects the expected contractual credit losses, even when the risk of such loss is remote. Any security, either explicitly or implicitly guaranteed by the U.S. Government is excluded from this analysis. This includes U.S. Treasury securities, securities issued by agencies of the U.S. Government and mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac.

The allowance for credit losses ("ACL") for HTM securities is computed using bond global default rates tracked by S&P with a loss given default of 45%. Accrued interest receivable on the HTM debt securities excluded from this analysis totaled \$42,000 at June 30, 2024.

Federal Home Loan Bank Stock

Federal law requires a member institution of the Federal Home Loan Bank System to hold stock of its district Federal Home Loan Bank (the "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 \$654,000 and \$626,000 of FHLB restricted stock at June 30, 2024 and December 31, 2023, respectively.

The restricted stock is carried at cost. Management evaluates whether this investment is impaired based on its assessment of the ultimate recoverability of the investment rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of the investment 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

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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, adjusted for premiums and discounts on loans purchased, the undisbursed portion of loans in process, net deferred loan origination fees and costs, fair value adjustments on loans acquired in a merger, and the allowance for credit 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. 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. 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 non-accrual status, unpaid interest credited to income is reversed. Interest received on non-accrual 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 Credit Losses

The ACL is an estimate of the expected credit losses for loans held for investment and for off-balance sheet exposures. ASC 326, "Financial Instruments-Credit Losses," requires an immediate recognition of the credit loss expected to occur over the lifetime of a financial asset whether originated or purchased. Charge-offs are recorded to the ACL when management believes the loan is uncollectible. Subsequent recoveries, if any, are credited to the ACL. Management believes the ACL is maintained in accordance with GAAP and is in compliance with appropriate regulatory guidelines.

The ACL includes quantitative estimates of losses for collectively and individually evaluated loans. The quantitative estimate for collectively evaluated loans (other than investor commercial real estate loans) is determined using the average charge-off method that utilizes historical losses for all Maryland banks with assets less than \$1 billion beginning in March 2000. The loss history is updated through the most recent quarter-end prior to the reporting period. The investor commercial real estate portfolio utilizes the national loss history for banks with assets less than \$1 billion over the same time period. Investor CRE loans are made nationwide, therefore, management deems it appropriate to utilize national loss rates when evaluating this portfolio. Adjustments are made to the historical loss factors under each scenario for economic conditions, portfolio concentrations, collateral values, the level and trend of delinquent and problem loans and internal changes in staffing, loan policies and monitoring of the portfolio. Loans are selected for individual evaluation primarily based on their payment status and whether the loan has been placed on non-accrual status. Loans on non-accrual status include all loans greater than 90 days delinquent and other loans with weaknesses sufficient for management to place these loans on non-accrual status.

The ACL is measured on a collective basis when similar risk factors exist as determined by internal loan coding and assignment to a portfolio segment.

The Company utilizes reasonable and supportable forecasts of future economic conditions when estimating the ACL on loans. The model's calculation also uses an adjustment for a 12-month forecast period utilizing the most recent 12-month economic forecast from the Federal Reserve Board for national gross domestic product ("GDP"). The model compares the average history of loss rates described above to the forecasted

GDP to determine the value of the forward looking adjustment.

The establishment of the ACL is significantly affected by management's judgment and by economic and other uncertainties, and different amounts may be reported under different conditions or assumptions. The Federal Deposit Insurance

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Corporation (the "FDIC") and the Maryland Office of the Commissioner of Financial Regulation, as an integral part of their examination process, periodically review the ACL for reasonableness and, as a result of such reviews, we may be required to increase our ACL or recognize loan charge-offs.

The calculation of ACL excludes accrued interest receivable balances because these balances are reversed in a timely manner against previously recognized interest income when a loan is placed on non-accrual status.

Loan Commitments and Allowance for Credit Losses on Off-Balance Sheet Credit Exposure

The Company's off-balance sheet credit instruments primarily consist of unfunded commitments on existing loans. In the ordinary course of business, the Company has entered into commitments to extend credit. Such financial instruments are recorded on the balance sheet when they are funded.

The Company records a reserve for unfunded commitments on off-balance sheet credit exposures through a charge to the provision for credit loss expense. The reserve is estimated by loan segment at each measurement date under the ASC 326 model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur, and is included in other liabilities on the Company's Consolidated Balance Sheets.

Mortgage Loans Held for Sale

Mortgages originated for sale are carried at the lower of aggregate cost or fair value of each outstanding loan. Sales of loans are recorded when the proceeds are received. Any gain or loss is recorded in noninterest income. There were no mortgage loans held for sale on June 30, 2024 or December 31, 2023.

The Company sells certain of its mortgage loans on a best effort basis to third-party investors on a servicing released basis. Upon sale and delivery, loans are legally isolated from the Company and the Company has no ability to restrict or constrain the ability of third-party investors to pledge or exchange the mortgage loans. The Company does not have the entitlement or ability to repurchase the mortgage loans or unilaterally cause third-party investors to put the mortgage loans back to the Company.

Foreclosed Real Estate

Foreclosed real estate and repossessed assets are composed of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. If the fair value of the asset, net of estimated selling costs, is less than the related loan balance at the time of acquisition, a charge against the allowance for credit losses is recorded. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value less 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.

Leases

The Company determines if an arrangement is a lease at inception. All of the Company's leases are currently classified as operating leases and are included in other assets and other liabilities on the Company's Consolidated Balance Sheets. Periodic operating lease costs are recorded in occupancy expenses of premises on the Company's Consolidated Statements of Income.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease arrangements. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the expected future lease payments over the remaining lease term. In determining the present value of future lease payments, the Company uses its

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incremental borrowing rate based on the information available at the lease commencement date. The operating ROU assets are adjusted for any lease payments made at or before the lease commencement date, initial direct costs, any lease incentives received and, for acquired leases, any favorable or unfavorable fair value adjustments. The present value of the lease liability may include the impact of options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options provided in the lease terms. Lease expense is recognized on a straight-line basis over the expected lease term. Lease agreements that include lease and non-lease components, such as common area maintenance charges, are accounted for separately.

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 at least annually and on an interim basis if an event or circumstance indicates it is likely an impairment has occurred. 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 an estimated useful life. Core deposit intangibles are evaluated annually for impairment. Any impairment of intangible assets would be recorded against income in the period of impairment.

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.

Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the appropriate period. Diluted earnings per share are 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. Unearned ESOP shares are removed from the weighted average number of shares in the calculations. As of June 30, 2024 and June 30, 2023, the Company had 55,648 and 36,350 shares, respectively, of unexercised stock options. As a result of the Conversion, the shares have been adjusted to reflect the 1.5309-to-1 exchange ratio. 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 presented in Note 12.

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.

Revenue Recognition

Management is required by accounting pronouncements governing the recognition of revenue to recognize revenue when the Company transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company records revenue from contracts with customers in accordance with ASC 606, "Revenue from Contracts with Customers." Under ASC 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation.

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of ASC 606. The Company evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity.

Accounting Standards Updates

ASU 2023-07, "Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures." The amendments in ASU 2023-07 are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. This ASU requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), an amount for other segment items by reportable segment and a description of its composition, all annual disclosures required by FASB ASU Topic 280 in interim periods as well, and the title and position of the CODM and how the CODM uses the reported measures. Additionally, this ASU requires that at least one of the reported segment profit and loss measures should be the measure that is most consistent with the measurement principles used in an entity's consolidated financial statements. Lastly, this ASU requires public business entities with a single reportable segment to provide all disclosures required by these amendments in this ASU and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively. The adoption of ASU 2023-07 is not expected to have a material impact on the Company's financial statements.

ASU 2023-09, "Income Taxes (Topic 740), Improvement to Income Tax Disclosures." The amendments in ASU 2023-09 require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity's applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption

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is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The adoption of ASU 2023-09 is not expected to have a material impact on the Company's financial statements.

NOTE 2 - SECURITIES

Securities available for sale at June 30, 2024 and December 31, 2023 consisted of the following:

	June 30, 2024			
(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<i>Available for sale</i>				
Agencies	\$ 626	\$ —	\$ —	\$ 626
Corporate securities	1,725	—	239	1,486
Mortgage-backed securities	27,673	9	2,293	25,389
Treasuries	5,377	—	10	5,367
Total	\$ 35,401	\$ 9	\$ 2,542	\$ 32,868

		December 31, 2023		
(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available for sale				
Agencies	\$ 4,728	\$ —	\$ 5	\$ 4,723
Corporate securities	1,722	—	304	1,418
Mortgage-backed securities	31,032	5	2,397	28,640
Total	\$ 37,482	\$ 5	\$ 2,706	\$ 34,781

Securities held to maturity at June 30, 2024 and December 31, 2023 consisted of the following:

	June 30, 2024				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
<i>Held to maturity</i>					
Agencies	\$ 4,001	\$ —	\$ 10	\$ 3,991	
Corporate securities ⁽¹⁾	3,195	—	572	2,623	
Mortgage-backed securities	2,893	1	462	2,432	
Total	\$ 10,089	\$ 1	\$ 1,044	\$ 9,046	

		December 31, 2023		
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>Held to maturity</i>				
Agencies	\$ 4,003	\$ —	\$ 22	\$ 3,981
Corporate securities ⁽¹⁾	3,194	—	570	2,624
Mortgage-backed securities	3,012	3	414	2,601
Total	\$ 10,209	\$ 3	\$ 1,006	\$ 9,206

(1) Amount is net of CECL credit reserve of \$5,000 at June 30, 2024 and \$6,000 at December 31, 2023.

The Company pledged securities with an amortized cost of \$34.1 million and a fair value of \$31.6 million at June 30, 2024 to secure deposits from municipalities. At December 31, 2023, the Company pledged securities with an amortized cost of \$41.4

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million and a fair value of \$38.6 million to secure deposits from municipalities. The amortized cost and fair value of securities as of June 30, 2024 and December 31, 2023, 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.

	June 30, 2024			
	Available for sale		Held to maturity	
(dollars in thousands)	Amortized cost	Fair value	Amortized cost	Fair value
Maturing				
Due under one year	\$ 20,652	\$ 20,472	\$ 4,180	\$ 4,168
Due after one year through five years	988	919	3,220	2,647
Due after five years through ten years	1,881	1,619	513	475
Due after ten years	11,880	9,858	2,176	1,756
Total	<u>\$ 35,401</u>	<u>\$ 32,868</u>	<u>\$ 10,089</u>	<u>\$ 9,046</u>

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

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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	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
June 30, 2024						
(dollars in thousands)						
<i>Available for sale</i>						
Agency securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate securities	\$ 59	\$ 691	\$ 180	\$ 795	239	1,486
Mortgage-backed securities	—	66	2,293	23,115	2,293	23,181
Treasuries	10	5,367	—	—	10	5,367
Total	<u>\$ 69</u>	<u>\$ 6,124</u>	<u>\$ 2,473</u>	<u>\$ 23,910</u>	<u>\$ 2,542</u>	<u>\$ 30,034</u>
<i>Held to maturity</i>						
Agency securities	\$ —	\$ —	\$ 10	\$ 3,991	\$ 10	\$ 3,991
Corporate securities ⁽¹⁾	\$ —	\$ —	\$ 572	\$ 2,623	572	2,623
Mortgage-backed securities	—	70	462	2,315	462	2,385
Total	<u>\$ —</u>	<u>\$ 70</u>	<u>\$ 1,044</u>	<u>\$ 8,929</u>	<u>\$ 1,044</u>	<u>\$ 8,999</u>
December 31, 2023						
(dollars in thousands)						
<i>Available for sale</i>						
Agency securities	\$ 5	\$ 4,723	\$ —	\$ —	\$ 5	\$ 4,723
Corporate securities	83	667	221	751	304	1,418
Mortgage-backed securities	1	478	2,396	26,152	2,397	26,630
Total	<u>\$ 89</u>	<u>\$ 5,868</u>	<u>\$ 2,617</u>	<u>\$ 26,903</u>	<u>\$ 2,706</u>	<u>\$ 32,771</u>
<i>Held to maturity</i>						
Agency securities	\$ —	\$ —	\$ 22	\$ 3,981	\$ 22	\$ 3,981
Corporate securities ⁽¹⁾	—	—	570	2,624	570	2,624
Mortgage-backed securities	—	14	414	2,482	414	2,496
Total	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ 1,006</u>	<u>\$ 9,087</u>	<u>\$ 1,006</u>	<u>\$ 9,101</u>

(1) Fair value amount is net of CECL credit reserve of \$5,000 at June 30, 2024 and \$6,000 at December 31, 2023.

As of June 30, 2024 and December 31, 2023, the Company determined that for its available-for-sale debt securities in an unrealized loss position, it did not intend to sell nor was it more likely than not that it would be required to sell the security and that the decline in fair value was not due to credit factors, but due to changes in interest rates and other factors. Accordingly, at June 30, 2024 and December 31, 2023, the Company did not record an allowance for credit losses for its available-for-sale debt securities.

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We monitor the credit quality of HTM debt securities through both internal analysis performed on a quarterly basis and credit ratings when available. The following table reflects the credit ratings for the HTM debt securities at June 30, 2024.

(dollars in thousands)	AAA	A-	BBB/BB B+	BBB-	Not Rated	Total
Agencies securities	\$ 4,001	\$ —	\$ —	\$ —	\$ —	\$ 4,001
Corporate securities	—	500	1,245	700	750	3,195
Mortgage-backed securities	2,893	—	—	—	—	2,893
	<u>\$ 6,894</u>	<u>\$ 500</u>	<u>\$ 1,245</u>	<u>\$ 700</u>	<u>\$ 750</u>	<u>\$ 10,089</u>

The following table provides a breakdown of our HTM debt securities by year of origination at June 30, 2024.

(dollars in thousands)	Total	2024	2023	2022	2021	2020	Prior
Agencies securities	\$ 4,001	\$ —	\$ —	\$ 4,001	\$ —	\$ —	\$ —
Corporate securities	3,195	—	—	750	2,445	—	—
Mortgage-backed securities	2,893	—	—	1,816	126	—	951
	<u>\$ 10,089</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,567</u>	<u>\$ 2,571</u>	<u>\$ —</u>	<u>\$ 951</u>

The following table is a roll forward of our allowance for credit losses on HTM debt securities at June 30, 2024 and 2023.

(dollars in thousands)	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Beginning Balance	\$ 5	\$ 6	\$ 7	\$ —
Impact of adopting ASC 326	—	—	—	10
(Recovery) for credit losses	—	(1)	—	(3)
Ending Balance	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 7</u>

NOTE 3 – LOANS RECEIVABLE

Portfolio loans, net of deferred costs and fees, are summarized by type as follows at June 30, 2024 and December 31, 2023:

(dollars in thousands)	Period Ended			
	June 30, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
Real estate				
One to four family - owner occupied	\$ 124,471	17.72 %	\$ 130,026	18.45 %
One to four family - non owner occupied	100,437	14.30 %	108,090	15.34 %
Commercial owner occupied	86,280	12.28 %	102,512	14.54 %
Commercial investor	306,819	43.69 %	287,194	40.76 %
Construction and land	23,325	3.32 %	21,865	3.10 %
Farm loans	14,292	2.03 %	14,877	2.11 %
Total real estate loans	655,624	93.34 %	664,564	94.30 %
Marine and other consumer loans	18,217	2.59 %	18,279	2.59 %
Guaranteed by U.S. Government	3,050	0.43 %	3,715	0.53 %
Commercial	25,482	3.64 %	18,244	2.58 %
Total consumer and commercial	46,749	6.66 %	40,238	5.70 %
Total loans	702,373	100.0 %	704,802	100.0 %
Allowance for credit losses	(8,547)		(8,554)	
Total loans, net of deferred costs and fees	<u>\$ 693,826</u>		<u>\$ 696,248</u>	

Net deferred loan origination fees at June 30, 2024 and December 31, 2023 totaled \$2.0 million and \$1.8 million, respectively.

In the normal course of banking business, risks related to specific loan categories are as follows:

Real Estate Loans – Real estate loans are typically made to consumers and businesses and are secured by real estate. Credit risk arises from the borrower's continuing financial stability, which can be adversely impacted by the economy as well as borrower-specific occurrences. Also impacting credit risk would be a shortfall in the value of the real estate in relation to the outstanding loan balance in the event of a default or subsequent liquidation of the collateral.

Residential lending repayment is generally dependent on economic and market conditions in the Company's lending area. 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.

Marine Loans – Marine loans are typically made to consumers and are secured by marine-based collateral. Credit risk is similar to real estate loans above as it is subject to the borrower's continuing financial stability and the value of the collateral securing the loan. Marine loans may entail greater risk than residential mortgage loans, as they are collateralized by assets that depreciate rapidly. Repossessed collateral for a defaulted loan may not provide an adequate source of repayment for the outstanding.

Other Consumer – Other consumer loans include installment loans and personal lines of credit which may be secured or unsecured. Credit risk is similar to real estate loans above as it is subject to the borrower's continuing financial stability and the value of the collateral securing the loan, if any. Consumer loans may entail greater risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower.

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Guaranteed by the U.S. Government – Loans guaranteed by the U.S. Government present similar risks as reflected in the other categories mentioned herein. However, the primary differentiating factor is that an explicit guarantee is provided by the government, therefore substantially mitigating any risk of loss in the event of credit deterioration.

Commercial – Commercial loans are secured or unsecured loans for business purposes. Loans are typically secured by accounts receivable, inventory, equipment and/or other assets of the business. Credit risk arises from the successful operation of the business, which may be affected by competition, rising interest rates, regulatory changes and adverse conditions in the local and regional economy.

Non-accrual loans as of June 30, 2024 and December 31, 2023 were as follows:

(dollars in thousands)	June 30, 2024			December 31, 2023		
	No Allowance	With an Allowance	Total	No Allowance	With an Allowance	Total
Real estate						
One to four family - owner occupied	\$ 1,165	\$ —	\$ 1,165	\$ 1,160	\$ —	\$ 1,160
One to four family - non owner occupied	180	—	180	273	—	273
Commercial owner occupied	710	—	710	739	—	739
Commercial investor	4,779	—	4,779	8,057	—	8,057
Construction and land	250	—	250	321	—	321
Commercial	380	—	380	—	—	—
Farm loans	764	—	764	—	—	—
Total real estate loans	8,228	—	8,228	10,550	—	10,550
Marine and other consumer loans	—	—	—	4	—	4
Total consumer and commercial loans	—	—	—	4	—	4
Total nonaccrual loans	<u>\$ 8,228</u>	<u>\$ —</u>	<u>\$ 8,228</u>	<u>\$ 10,554</u>	<u>\$ —</u>	<u>\$ 10,554</u>

During the quarter ended June 30, 2024, the principal balance of our largest non-accrual loan, a \$6.8 million investor commercial real estate loan, was reduced by a \$3.0 million cash payment. In July 2024, the remaining \$3.8 million balance paid off.

Loans can be current but classified as non-accrual due to customer operating results or payment history. All interest accrued but not collected from loans that are placed on non-accrual or charged-off is reversed against interest income. In accordance with the Company's policy, such interest income is recognized on a cash basis or cost-recovery method, until qualifying for return to accrual status.

The Company considers a loan to be past due or delinquent when the terms of the contractual obligation are not met by the borrower. An analysis of days past due loans as of June 30, 2024 follows:

	June 30, 2024						
(dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current Loans	Total Loans	
Real estate							
One to four family - owner occupied	\$ 376	\$ 927	\$ 758	\$ 2,061	\$ 122,410	\$ 124,471	
One to four family - non owner occupied	62	245	—	307	100,130	100,437	
Commercial owner occupied	4	112	173	289	85,991	86,280	
Commercial investor	359	2,990	—	3,349	303,470	306,819	
Construction and land	—	—	104	104	23,221	23,325	
Farm loans	337	—	—	337	13,955	14,292	
Total real estate loans	1,138	4,274	1,035	6,447	649,177	655,624	
Marine and other consumer loans	12	—	—	12	18,205	18,217	
Guaranteed by U.S. Government	—	—	—	—	3,050	3,050	
Commercial	11	—	380	391	25,091	25,482	
Total consumer and commercial loans	23	—	380	403	46,346	46,749	
Total loans	\$ 1,161	\$ 4,274	\$ 1,415	\$ 6,850	\$ 695,523	\$ 702,373	

The largest delinquent loan, a \$2.99 million commercial investor loan in the 60-89 day category, paid off in full in July 2024.

An analysis of days past due loans as of December 31, 2023 follows:

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(dollars in thousands)	December 31, 2023					
	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current Loans	Total Loans
Real estate						
One to four family - owner occupied	\$ 2,043	\$ 645	\$ 619	\$ 3,307	\$ 126,719	\$ 130,026
One to four family - non owner occupied	322	—	219	541	107,549	108,090
Commercial owner occupied	901	—	468	1,369	101,143	102,512
Commercial investor	371	—	6,907	7,278	279,916	287,194
Construction and land	826	—	258	1,084	20,781	21,865
Farm loans	—	—	—	—	14,877	14,877
Total real estate loans	4,463	645	8,471	13,579	650,985	664,564
Marine and other consumer loans	39	—	—	39	18,240	18,279
Guaranteed by U.S. Government	—	—	—	—	3,715	3,715
Commercial	—	401	—	401	17,843	18,244
Total consumer and commercial loans	39	401	—	440	39,798	40,238
Total loans	<u>\$ 4,502</u>	<u>\$ 1,046</u>	<u>\$ 8,471</u>	<u>\$ 14,019</u>	<u>\$ 690,783</u>	<u>\$ 704,802</u>

Allowance for Credit Losses ("ACL")

The following tables detail activity in the ACL at and for the three and six months ended June 30, 2024 and 2023. An allocation of the allowance to one category of loans does not prevent the Company from using that allowance to absorb losses in a different category.

Three Months Ended

(dollars in thousands)	June 30, 2024				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Recovery)	Ending Balance
Real estate					
One to four family - owner occupied	\$ 1,697	\$ —	\$ 57	\$ (127)	\$ 1,627
One to four family - non owner occupied	1,015	—	11	(24)	1,002
Commercial owner occupied	578	—	—	(64)	514
Commercial investor	3,570	—	—	139	3,709
Construction and land	763	—	1	(19)	745
Farm loans	174	—	—	83	257
Total real estate loans	7,797	—	69	(12)	7,854
Marine and other consumer loans	428	(2)	—	8	434
Commercial	281	—	—	(22)	259
Total consumer and commercial	709	(2)	—	(14)	693
Total loans	<u>\$ 8,506</u>	<u>\$ (2)</u>	<u>\$ 69</u>	<u>\$ (26)</u>	<u>\$ 8,547</u>

The following table summarized the ACL activity for the three months ended June 30, 2024.

(dollars in thousands)	
Provision for credit losses - loans	\$ (26)
Provision for allowance for securities - HTM	(1)
Provision for allowance for credit losses - unfunded commitments	(84)
Provision for credit losses per the consolidated statements of income	<u>\$ (111)</u>

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Three Months Ended

	June 30, 2023				
(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provisions (recovery)	Ending Balance
Real estate					
One to four family - owner occupied	\$ 1,470	\$ —	\$ 17	\$ (145)	\$ 1,342
One to four family - non owner occupied	939	—	11	262	1,212
Commercial owner occupied	444	—	—	15	459
Commercial investor	3,791	—	—	(7)	3,784
Construction and land	594	—	148	(262)	480
Farm loans	152	—	—	(7)	145
Total real estate loans	7,390	—	176	(144)	7,422
Marine and other consumer loans	406	(59)	10	94	451
Commercial	299	—	2	(11)	290
Total consumer and commercial	705	(59)	12	83	741
Total loans	<u>\$ 8,095</u>	<u>\$ (59)</u>	<u>\$ 188</u>	<u>\$ (61)</u>	<u>\$ 8,163</u>

The following table summarized the ACL activity for the three months ended June 30, 2023.

(dollars in thousands)	
Provision for credit losses - loans	\$ (61)
Reduction in allowance for securities - HTM	(1)
Reduction in allowance for credit losses - unfunded commitments	(88)
Provision for credit losses per the consolidated statement of income	<u>\$ (150)</u>

Six Months Ended

	June 30, 2024				
(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provisions (recovery)	Ending Balance
Real estate					
One to four family - owner occupied	\$ 1,728	\$ —	\$ 109	\$ (210)	\$ 1,627
One to four family - non owner occupied	1,030	(1)	40	(67)	1,002
Commercial owner occupied	563	—	3	(52)	514
Commercial investor	3,725	—	—	(16)	3,709
Construction and land	772	—	2	(29)	745
Farm loans	179	—	—	78	257
Total real estate loans	7,997	(1)	154	(296)	7,854
Marine and other consumer loans	403	(2)	1	32	434
Commercial	154	—	—	105	259
Total consumer and commercial	557	(2)	1	137	693
Total loans	<u>\$ 8,554</u>	<u>\$ (3)</u>	<u>\$ 155</u>	<u>\$ (159)</u>	<u>\$ 8,547</u>

The following table summarized the ACL activity for the six months ended June 30, 2024.

(dollars in thousands)	
Reduction for Credit Losses - loans	\$ (159)
Reduction in allowance for securities - HTM	(1)
Provision for allowance for credit losses - unfunded commitments	68
Reduction for credit losses per the consolidated statement of income	<u>\$ (92)</u>

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Six Months Ended

	June 30, 2023					
	Beginning Balance	Impact of ASC 326 Adoption	Charge-offs	Recoveries	Provisions (recovery)	Ending Balance
(dollars in thousands)						
Real estate						
One to four family - owner occupied	\$ 344	\$ 1,117	\$ —	\$ 26	\$ (145)	\$ 1,342
One to four family - non owner occupied	562	356	—	31	263	1,212
Commercial owner occupied	366	78	—	—	15	459
Commercial investor	2,272	1,506	—	—	6	3,784
Construction and land	93	496	—	153	(262)	480
Farm loans	17	135	—	—	(7)	145
Total real estate loans	3,654	3,688	—	210	(130)	7,422
Marine and other consumer loans	68	336	(59)	13	93	451
Commercial	91	208	—	2	(11)	290
Total consumer and commercial	159	544	(59)	15	82	741
Total loans	<u>\$ 3,813</u>	<u>\$ 4,232</u>	<u>\$ (59)</u>	<u>\$ 225</u>	<u>\$ (48)</u>	<u>\$ 8,163</u>

The following table summarized the ACL activity for the six months ended June 30, 2023.

(dollars in thousands)	
Provision for Credit Losses - loans	\$ (48)
Reduction in allowance for securities - HTM	(4)
Reduction in allowance for credit losses - unfunded commitments	(95)
Provision for credit losses per the consolidated statement of income	<u>\$ (147)</u>

BV FINANCIAL, INC. AND SUBSIDIARIES**Term Loans by Origination Year**

(dollars in thousands)									
Balance at June 30, 2024									
	2024	Term Loans Amortized Cost Basis by Origination Year					Prior	Revolving	Total
		2023	2022	2021	2020				
One to four family - owner occupied									
Pass	\$ 1,245	\$ 3,593	\$ 7,814	\$ 13,064	\$ 9,756	\$ 76,407	\$ 11,760	\$ 123,639	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	342	—	456	34	832	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total One to four family - owner occupied	\$ 1,245	\$ 3,593	\$ 7,814	\$ 13,406	\$ 9,756	\$ 76,863	\$ 11,794	\$ 124,471	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
One to four family - non owner occupied									
Pass	\$ 2,918	\$ 13,588	\$ 29,290	\$ 16,920	\$ 10,039	\$ 27,061	\$ —	\$ 99,816	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	621	—	621	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total One to four family - non owner occupied	\$ 2,918	\$ 13,588	\$ 29,290	\$ 16,920	\$ 10,039	\$ 27,682	\$ —	\$ 100,437	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	(1)	\$ —	(1)	
Commercial owner occupied									
Pass	\$ 2,343	\$ 20,596	\$ 10,853	\$ 9,749	\$ 5,493	\$ 31,439	\$ —	\$ 80,473	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	925	4,882	—	5,807	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Commercial owner occupied	\$ 2,343	\$ 20,596	\$ 10,853	\$ 9,749	\$ 6,418	\$ 36,321	\$ —	\$ 86,280	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Commercial investor									
Pass	\$ 11,081	\$ 65,907	\$ 101,505	\$ 71,929	\$ 16,112	\$ 35,147	\$ —	\$ 301,681	
Special Mention	—	—	—	—	—	359	—	359	
Substandard	—	—	—	—	3,754	1,025	—	4,779	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Commercial investor	\$ 11,081	\$ 65,907	\$ 101,505	\$ 71,929	\$ 19,866	\$ 36,531	\$ —	\$ 306,819	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Construction and land									
Pass	\$ 8,958	\$ 8,334	\$ 1,492	\$ 2,184	\$ —	\$ 734	\$ —	\$ 21,702	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	1,518	105	—	1,623	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Construction and land	\$ 8,958	\$ 8,334	\$ 1,492	\$ 2,184	\$ 1,518	\$ 839	\$ —	\$ 23,325	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Farm loans									
Pass	\$ 328	\$ —	\$ 4,069	\$ 1,805	\$ 257	\$ 7,068	\$ —	\$ 13,527	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	765	—	765	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Farm loans	\$ 328	\$ —	\$ 4,069	\$ 1,805	\$ 257	\$ 7,833	\$ —	\$ 14,292	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Marine and other consumer loans									
Pass	\$ 1,491	\$ 3,301	\$ 2,111	\$ 5,720	\$ 1,714	\$ 3,880	\$ —	\$ 18,217	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Marine and other consumer loans	\$ 1,491	\$ 3,301	\$ 2,111	\$ 5,720	\$ 1,714	\$ 3,880	\$ —	\$ 18,217	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	2	\$ —	2	
Guaranteed by U.S. Government									
Pass	\$ —	\$ —	\$ —	\$ —	\$ 23	\$ 3,027	\$ —	\$ 3,050	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Guaranteed by U.S. Government	\$ —	\$ —	\$ —	\$ —	\$ 23	\$ 3,027	\$ —	\$ 3,050	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Commercial									
Pass	\$ 8,577	\$ 443	\$ 3,633	\$ 7,882	\$ 489	\$ 3,396	\$ —	\$ 24,420	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	380	—	—	682	—	1,062	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total Commercial	\$ 8,577	\$ 443	\$ 4,013	\$ 7,882	\$ 489	\$ 4,078	\$ —	\$ 25,482	
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

(dollars in thousands)									
Balance at June 30, 2024									
	2024	2023	2022	2021	2020	Prior	Revolving	Total	
Total Loans									
Pass	\$ 36,941	\$ 115,762	\$ 160,767	\$ 129,253	\$ 43,883	\$ 188,159	\$ 11,760	\$ 686,525	
Special Mention	—	—	—	—	—	359	—	359	
Substandard	—	—	380	342	6,197	8,536	34	15,489	

Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total loans	<u>\$ 36,941</u>	<u>\$ 115,762</u>	<u>\$ 161,147</u>	<u>\$ 129,595</u>	<u>\$ 50,080</u>	<u>\$ 197,054</u>	<u>\$ 11,794</u>	<u>\$ 702,373</u>

Balance at December 31, 2023

Balance at December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving	Total
One to four family - owner occupied								
Pass	\$ 6,387	\$ 7,906	\$ 13,727	\$ 9,974	\$ 9,707	\$ 71,463	\$ 10,492	\$ 129,656
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	331	39	370
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total One to four family - owner occupied	\$ 6,387	\$ 7,906	\$ 13,727	\$ 9,974	\$ 9,707	\$ 71,794	\$ 10,531	\$ 130,026
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2)	\$ —	\$ (2)
One to four family - non owner occupied								
Pass	\$ 13,810	\$ 30,603	\$ 20,582	\$ 10,742	\$ 7,611	\$ 22,795	\$ —	\$ 106,143
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	1,947	—	1,947
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total One to four family - non owner occupied	\$ 13,810	\$ 30,603	\$ 20,582	\$ 10,742	\$ 7,611	\$ 24,742	\$ —	\$ 108,090
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial owner occupied								
Pass	\$ 20,967	\$ 16,071	\$ 16,642	\$ 5,998	\$ 5,071	\$ 31,536	\$ —	\$ 96,285
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	943	1,502	3,782	—	6,227
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Commercial owner occupied	\$ 20,967	\$ 16,071	\$ 16,642	\$ 6,941	\$ 6,573	\$ 35,318	\$ —	\$ 102,512
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3)	\$ —	\$ (3)
Commercial investor								
Pass	\$ 68,682	\$ 89,812	\$ 65,624	\$ 16,205	\$ 9,991	\$ 28,823	\$ —	\$ 279,137
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	6,907	—	1,150	—	8,057
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Commercial investor	\$ 68,682	\$ 89,812	\$ 65,624	\$ 23,112	\$ 9,991	\$ 29,973	\$ —	\$ 287,194
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Construction and land								
Pass	\$ 6,901	\$ 9,650	\$ 2,271	\$ 650	\$ —	\$ 704	\$ —	\$ 20,176
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	1,400	—	289	—	1,689
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Construction and land	\$ 6,901	\$ 9,650	\$ 2,271	\$ 2,050	\$ —	\$ 993	\$ —	\$ 21,865
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Farm loans								
Pass	\$ —	\$ 4,141	\$ 2,281	\$ 261	\$ 2,641	\$ 5,553	\$ —	\$ 14,877
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Farm loans	\$ —	\$ 4,141	\$ 2,281	\$ 261	\$ 2,641	\$ 5,553	\$ —	\$ 14,877
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Marine and other consumer loans								
Pass	\$ 3,542	\$ 2,187	\$ 6,417	\$ 1,788	\$ 396	\$ 3,945	\$ —	\$ 18,275
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	4	—	4
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Marine and other consumer loans	\$ 3,542	\$ 2,187	\$ 6,417	\$ 1,788	\$ 396	\$ 3,949	\$ —	\$ 18,279
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (80)	\$ —	\$ (80)
Guaranteed by U.S. Government								
Pass	\$ —	\$ —	\$ —	\$ 26	\$ 417	\$ 3,272	\$ —	\$ 3,715
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Guaranteed by U.S. Government	\$ —	\$ —	\$ —	\$ 26	\$ 417	\$ 3,272	\$ —	\$ 3,715
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial								
Pass	\$ 501	\$ 4,299	\$ 6,236	\$ 2,000	\$ 628	\$ 3,483	\$ —	\$ 17,147
Special Mention	—	400	—	—	—	—	—	400
Substandard	—	—	—	—	—	697	—	697
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Commercial	\$ 501	\$ 4,699	\$ 6,236	\$ 2,000	\$ 628	\$ 4,180	\$ —	\$ 18,244
Current Period Gross Write-off	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Balance at December 31, 2023

	2022	2021	2020	2019
--	------	------	------	------

[illegible]

Loss

	—	—	—	—	—	—	—	—
Total loans	\$ 120,790	\$ 165,069	\$ 133,780	\$ 56,894	\$ 37,964	\$ 179,774	\$ 10,531	\$ 704,802

BV FINANCIAL, INC. AND SUBSIDIARIES

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered to be of lesser quality, as “substandard,” “doubtful” or “loss.” An asset 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” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets 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.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss allowance is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as “special mention” by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, such that additional general or specific loss allowances may be required.

In connection with the filing of our periodic reports with the FDIC and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations.

Through our loan evaluation process, we have identified certain loans for which the primary source of loan repayment may no longer be a viable option. The Company is dependent on the liquidation of the collateral to provide funds for repayment of the loan. The following table shows the loans determined by management to be collateral dependent at June 30, 2024.

	Loan Balance	Estimated Collateral Values	Loan Balance	Estimated Collateral Values
	Real Estate	Real Estate	Business\Other Assets	Business\Other Assets
(dollars in thousands)				
One to four family - owner occupied	\$ 1,165	\$ 5,241	\$ —	\$ —
One to four family - non-owner occupied	180	451	—	—
Commercial owner occupied real estate	710	1,640	—	—
Commercial investor real estate	4,779	10,070	—	—
Construction and land	249	895	—	—
Commercial	380	976	—	124
Farm loans	765	1,710	—	—
Total	<u>\$ 8,228</u>	<u>\$ 20,983</u>	<u>\$ —</u>	<u>\$ 124</u>

BV FINANCIAL, INC. AND SUBSIDIARIES

Borrowers experiencing financial difficulty ("BEFD") modifications included in the collateral dependent schedule above, as of June 30, 2024 were as follows:

(dollars in thousands)	Number of Loans	Amortized Cost
One to four family - owner occupied	5	\$ 386
One to four family - non owner occupied	1	129
Commercial owner occupied	1	425
Commercial investor real estate	2	4,779
Farm loans	1	765
Total BEFD modification loans	10	\$ 6,484
Modifications on non-accrual	4	\$ 5,969

All BEFD modifications were loan term extensions. There were no BEFD modifications past due as of June 30, 2024. There were four loans, on non-accrual status, that had payment defaults in the past 12 months.

The following table details the amortized cost basis for loans made to borrowers experiencing financial difficulty as of the period ended June 30, 2024.

(dollars in thousands)	Six Months Ended June 30, 2024			
	Term Extensions	Payment Deferral and Term Extensions	Total	Percentage of Total Loans
One to four family - owner occupied	\$ 386	\$ —	\$ 386	0.05 %
One to four family - non-owner occupied	129	—	129	0.02 %
Commercial owner occupied real estate	425	—	425	0.06 %
Commercial investor real estate	4,779	—	4,779	0.68 %
Farm loans	765	—	765	0.11 %
Total	<u>\$ 6,484</u>	<u>\$ —</u>	<u>\$ 6,484</u>	<u>0.92 %</u>

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are presented in the tables below.

(dollars in thousands)	As of June 30, 2024			As of December 31, 2023		
Goodwill	<u>\$ 14,420</u>			<u>\$ 14,420</u>		
	Carrying Amount	June 30, 2024 Accumulated Amortization	Net	Carrying Amount	December 31, 2023 Accumulated Amortization	Net
Core deposit intangible	\$ 1,868	\$ 946	\$ 922	\$ 1,868	\$ 856	\$ 1,012

As of June 30, 2024 future estimated annual amortization expense is as follows:

Year ending (dollars in thousands)	
2024	\$ 90
2025	180
2026	180
2027	180
2028	180
Thereafter	112
Total Estimated Amortization Expense	<u>\$ 922</u>

Management performed its annual analysis of goodwill and core deposit intangibles ("CDI") during the fourth quarter of 2023 and concluded that there was no impairment at December 31, 2023. At June 30, 2024, management's analysis concluded that there were no changes in the Company's financial statements or operations subsequent to the third quarter

BV FINANCIAL, INC. AND SUBSIDIARIES

2023 annual analysis that would indicate that it was more likely than not that goodwill or CDI was impaired.

NOTE 5 – FORECLOSED REAL ESTATE

Foreclosed real estate assets are presented net of the valuation allowance. The Company considers foreclosed real estate as classified assets for regulatory and financial reporting. Foreclosed real estate carrying amounts reflect management's estimate of the realizable value of these properties incorporating current appraised values, local real estate market conditions and related selling costs. The Company had foreclosed real estate of \$170,000 and \$170,000 at June 30, 2024 and December 31, 2023, respectively.

During the three and six months ended June 30, 2024 and June 30, 2023, the Company incurred foreclosed real estate expenses of \$16,000 and \$159,000, respectively.

The Company had \$369,000 and \$174,000 in loans secured by residential real estate for which formal foreclosure proceedings were in process as of June 30, 2024 and December 31, 2023, respectively.

The table below shows the foreclosed real estate roll forward balance as of June 30, 2024.

(dollars in thousands)	June 30, 2024		December 31, 2023	
Beginning of period balance	\$	170	\$	1,987
Improvements and additions		—		57
Proceeds from sale		—		(2,583)
Gain on sale		—		709
End of period balance	\$	<u>170</u>	\$	<u>170</u>

NOTE 6 - DEPOSITS

Deposits consisted of the following:

(dollars in thousands)	June 30, 2024		December 31, 2023	
	Balance	Percentage	Balance	Percentage
Noninterest-bearing checking accounts	\$ 141,040	22.03%	\$ 142,030	22.40%
Interest-bearing checking accounts	85,217	13.31%	83,656	13.19%
Money market accounts	104,763	16.36%	87,310	13.77%
Savings accounts	135,850	21.22%	147,608	23.28%
Certificates of deposit	173,430	27.08%	173,516	27.36%
Total deposits	<u>\$ 640,300</u>	100.00%	<u>\$ 634,120</u>	100.00%

At June 30, 2024, the Bank had two account relationships from local government entities that comprised 3.1% and 1.6% of total deposits, respectively. At June 30, 2024, the Company had \$10.0 million of brokered certificates of deposits. The Company had no brokered deposits at December 31, 2023.

At June 30, 2024 and December 31, 2023, the Bank had \$33.6 million and \$32.1 million in certificates of deposits of \$250,000 or more, respectively. Deposits in excess of \$250,000 may not be insured by the FDIC.

BV FINANCIAL, INC. AND SUBSIDIARIES

At June 30, 2024 scheduled maturities of certificates of deposits are as follows:

(dollars in thousands)	June 30, 2024
Within one year	\$ 129,704
Year 2	26,793
Year 3	5,017
Year 4	8,932
Year 5	2,984
Thereafter	—
Total certificates of deposit	<u>\$ 173,430</u>

NOTE 7 - BORROWINGS AND SUBORDINATED DEBT

A summary of the Company's borrowings and subordinated debt at June 30, 2024 and December 31, 2023 are indicated as follows:

(dollars in thousands)	Maturity	June 30, 2024		December 31, 2023	
		Balance	Rate	Balance	Rate
BV Financial Inc. Series 2020 Notes	2030	\$ 35,000	4.88%	\$ 35,000	4.88%
Easton Capital Trust I	2034	—	—	3,093	SOFR + 2.85%
Total Borrowings, gross		35,000		38,093	
Less: Debt issuance costs		(194)		(272)	
Less: net fair value adjustment		—		(570)	
Total Borrowings, net		<u>\$ 34,806</u>		<u>\$ 37,251</u>	

NOTE 8 – LEASE COMMITMENTS AND CONTINGENCIES**Operating Leases**

The Company determines if an arrangement is a lease at inception. All of the Company's leases are currently classified as operating leases and are included in other assets and other liabilities on the Company's Consolidated Balance Sheets. Periodic operating lease costs are recorded in occupancy expenses of premises on the Company's Consolidated Statements of Income.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease arrangements. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the expected future lease payments over the remaining lease term. In determining the present value of future lease payments, the Company uses its incremental borrowing rate based on the information available at the lease commencement date. The operating ROU assets are adjusted for any lease payments made at or before the lease commencement date, initial direct costs, any lease incentives received and, for acquired leases, any favorable or unfavorable fair value adjustments. The present value of the lease liability may include the impact of options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options provided in the lease terms. Lease expense is recognized on a straight-line basis over the expected lease term. Lease agreements that include lease and non-lease components, such as common area maintenance charges, are accounted for separately.

BV FINANCIAL, INC. AND SUBSIDIARIES

The table below details the right of use asset (net of accumulated amortization), lease liability and other information related to the Company's operating leases:

(dollars in thousands)	Consolidated Balance Sheet Classification	June 30, 2024	December 31, 2023
Operating lease right of use asset	Other assets	\$ 1,029	\$ 1,128
Operating lease liabilities	Other liabilities	\$ 1,068	\$ 1,162
Other information related to leases:			
Weighted average remaining lease term of operating leases		5.2 years	5.5 years
Weighted average discount rate of operating leases		4.40 %	4.26 %

The table below details the Company's lease cost, which is included in occupancy expense in the Consolidated Statements of Income.

(dollars in thousands)	Three Months Ended June 30, 2024	June 30, 2023	Six Months Ended June 30, 2024	June 30, 2023
Operating lease cost	\$ 75	\$ 60	\$ 147	\$ 114
Cash paid for lease liability	\$ 57	\$ 44	\$ 114	\$ 88

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

(dollars in thousands)	As of June 30, 2024
Lease payments due:	
Within one year	\$ 244
After one but within two years	421
After two but within three years	80
After three but within four years	64
After four but within five years	64
After five years	197
Total undiscounted lease payments	1,070
Less: imputed interest	(2)
Present value of operating lease liabilities	\$ 1,068

NOTE 9 – 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).

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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.

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 maintenance of a capital conservation buffer of 2.5% is also required. 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.

As of March 31, 2024	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(dollars in thousands)						
Tier 1 Leverage ratio	\$ 166,788	19.19%	\$ 34,770	4.00%	\$ 43,462	5.00%
Tier 1 capital (to risk-weighted assets)	\$ 166,788	24.22%	\$ 41,318	6.00%	\$ 55,090	8.00%
Common Equity Tier 1 Capital Ratio (to risk-weighted assets)	\$ 166,788	24.22%	\$ 30,988	4.50%	\$ 44,761	6.50%
Total Capital ratio (to risk-weighted assets)	\$ 175,398	25.47%	\$ 55,090	8.00%	\$ 68,863	10.00%

As of December 31, 2023	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(dollars in thousands)						
Tier 1 Leverage ratio	\$ 162,125	18.50%	\$ 35,055	4.00%	\$ 43,819	5.00%
Tier 1 capital (to risk-weighted assets)	\$ 162,125	24.00%	\$ 40,523	6.00%	\$ 54,031	8.00%
Common Equity Tier 1 Capital Ratio (to risk-weighted assets)	\$ 162,125	24.00%	\$ 30,393	4.50%	\$ 43,900	6.50%
Total Capital ratio (to risk-weighted assets)	\$ 170,571	25.26%	\$ 54,031	8.00%	\$ 67,539	10.00%

NOTE 10 – FAIR VALUE MEASUREMENTS

The Company adopted ASC Topic 820, "*Fair Value Measurements*" and ASC Topic 825, "*The Fair Value Option for Financial Assets and Financial Liabilities*," which provides a framework for measuring and disclosing fair value under U.S. GAAP. ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the consolidated balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, AFS investment securities) or on a nonrecurring basis (for example, individually evaluated loans).

ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. AFS securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis such as loans held for investment and certain

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other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Under ASC Topic 820, the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine the fair value. These hierarchy levels are:

Level 1 inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company's quarterly valuation process. Intra-quarter transfers in and out of level 3 assets and liabilities recorded at fair value on a recurring basis are disclosed. There were no such transfers during the quarter ended June 30, 2024 or the year ended December 31, 2023.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Securities Available for Sale

AFS investment securities are recorded at fair value on a recurring basis. Standard inputs include quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include agency and mortgage-backed securities issued by government sponsored entities ("GSEs"), municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Equity Securities Carried at Fair Value Through Income

Equity securities carried at fair value through income are recorded at fair value on a recurring basis. Standard inputs include quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 equity securities include those traded on an active exchange, such as the New York Stock Exchange. Level 2 equity securities include mutual funds with asset-backed securities issued by GSEs as the underlying investment supporting the fund. Equity securities classified as Level 3 include mutual funds with asset-backed securities in less liquid markets.

Loans Receivable

The Company does not record loans at fair value on a recurring basis; however, from time to time, a loan is individually evaluated and an ACL is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are segregated individually. Management estimates the fair value of individually evaluated loans using one of several methods, including the collateral value, market value of similar debt, or discounted cash flows. Individually evaluated loans not requiring an allowance are those for which the fair value of expected

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repayments or collateral exceed the recorded investment in such loans.

In accordance with FASB ASC 820, loans where an allowance is established based on the fair value of collateral (loans with impairment) require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price (e.g., contracted sales price), the Company records the loan as nonrecurring Level 2. When the fair value of the collateral dependent loan is derived from an appraisal, the Company records the loan as nonrecurring Level 3. Fair value is re-assessed at least quarterly or more frequently when circumstances occur that indicate a change in the fair value. The fair values of collateral dependent loans that are not measured based on collateral values are measured using discounted cash flows and considered to be Level 3 inputs.

Foreclosed Real Estate

Foreclosed real estate is adjusted for fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed real estate is reported at the lower of carrying value or fair value. Fair value is based on independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price (e.g., contracted sales price), the Company records the foreclosed asset as nonrecurring Level 2 when the fair value is derived from an appraisal, the Company records the foreclosed asset at nonrecurring Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the recorded amount of assets as of June 30, 2024 and December 31, 2023 measured at fair value on a recurring basis.

		Level 1 Quoted prices in active markets for identical assets (dollars in thousands)	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs
As of June 30, 2024		Total		
Securities available for sale				
Agency Securities	\$	626	\$ —	\$ 626
Corporate securities		1,486	—	1,486
Mortgage-backed securities		25,389	—	25,389
Treasuries		5,367	—	5,367
	\$	32,868	\$ —	\$ 32,868

		Level 1 Quoted prices in active markets for identical assets (dollars in thousands)	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs
As of December 31, 2023		Total		
Securities available for sale				
Agencies	\$	4,723	\$ —	\$ 4,723
Corporate securities		1,418	—	1,418
Mortgage-backed securities		28,640	—	28,640
	\$	<u>34,781</u>	\$ —	\$ <u>34,781</u>

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The Company may be required to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. GAAP. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis as of June 30, 2024 and December 31, 2023 were included in the tables below.

		Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs
As of June 30, 2024	Total			
(dollars in thousands)				
Individually evaluated loans	\$ 8,228	\$ —	\$ —	\$ 8,228
Foreclosed real estate and repossessed assets	170	—	—	170
	<u>\$ 8,398</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,398</u>

		Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs
As of December 31, 2023	Total			
(dollars in thousands)				
Individually evaluated loans	\$ 10,554	\$ —	\$ —	\$ 10,554
Foreclosed real estate and repossessed assets	170	—	—	170
	<u>\$ 10,724</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,724</u>

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments require disclosure of fair value information, whether or not recognized in the consolidated balance sheets, when it is practical to estimate the fair value. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contractual obligation which requires the exchange of cash. Certain items are specifically excluded from the financial instrument fair value disclosure requirements, including the Company's common stock, foreclosed real estate, premises and equipment and other assets and liabilities.

The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Therefore, any aggregate unrealized gains or losses should not be interpreted as a forecast of future earnings or cash flows. Furthermore, the fair values disclosed should not be interpreted as the aggregate current value of the Company.

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The Company's estimated fair values of financial instruments are presented in the following table.

		June 30, 2024		December 31, 2023	
(dollars in thousands)	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	Level 1	\$ 90,639	\$ 90,639	\$ 73,742	\$ 73,742
Equity investment	Level 2	236	236	256	256
Securities held to maturity	Level 2	10,089	9,046	10,209	9,206
Securities held to available for sale	Level 2	32,868	32,868	34,781	34,781
Federal Home Loan Bank of Atlanta stock	Level 2	654	654	626	626
Net loans	Level 3	693,826	679,697	696,248	686,879
Accrued interest receivable	Level 2	3,344	3,344	3,279	3,279
Financial liabilities					
Deposits	Level 3	\$ 640,300	\$ 637,566	\$ 634,120	\$ 631,720
Subordinated Debentures	Level 3	34,806	29,186	37,251	31,018
Accrued interest payable	Level 2	609	609	193	193

NOTE 12 – EARNINGS PER SHARE (“EPS”)

Basic earnings per common share represent income available to common shareholders, divided by the weighted average number of common shares outstanding during the period. As a result of the Conversion, previously outstanding shares held by public stockholders were adjusted to reflect the 1.5309-to-1 exchange ratio. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may have been issued by the Company related to outstanding unvested restricted stock unit and performance stock unit awards were determined using the treasury stock method and included in the calculation of dilutive common stock equivalents. The Company has not granted any stock options since 2017.

As of three and six months ended June 30, 2024, and 2023, there were no, unvested restricted stock or performance stock unit awards which were excluded from the calculation as their effect would be anti-dilutive. Basic and diluted earnings per share have been computed based on weighted-average common and common equivalent shares outstanding as follows:

(dollars in thousands, except per share data)	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023		Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income	<u>\$ 3,399</u>	<u>\$ 3,399</u>	<u>\$ 3,899</u>	<u>\$ 3,899</u>	<u>\$ 5,973</u>	<u>\$ 5,973</u>	<u>\$ 7,014</u>	<u>\$ 7,014</u>
Weighted average common shares outstanding	10,652	10,652	7,977	7,977	11,391	11,391	7,973	7,973
Dilutive securities								
Stock options	—	29	—	21	—	26	—	23
Adjusted weighted average shares outstanding	<u>10,652</u>	<u>10,681</u>	<u>7,977</u>	<u>7,998</u>	<u>11,391</u>	<u>11,417</u>	<u>7,973</u>	<u>7,996</u>
Earnings -per share amount	<u>\$ 0.32</u>	<u>\$ 0.32</u>	<u>\$ 0.49</u>	<u>\$ 0.49</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>	<u>\$ 0.88</u>	<u>\$ 0.88</u>

NOTE 13 – INCOME TAXES

The Company files a consolidated federal income tax return with its subsidiaries. Deferred tax assets and liabilities are determined using the liability (or balance sheet) method which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. If it is more likely than not that some portion or the entire deferred tax asset will not be realized, deferred tax assets will be reduced by a valuation allowance. It is the Company's policy to recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense.

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Current expense				
Federal	\$ 996	\$ 623	\$ 1,514	\$ 1,430
State	481	310	719	669
Total current expense	1,477	933	2,233	2,099
Deferred expense	(157)	381	112	406
Income tax expense	\$ 1,320	\$ 1,314	\$ 2,345	\$ 2,505

NOTE 14 – SUBSEQUENT EVENTS

On July 30, 2024, the Company announced that it has adopted, and received the non-objection of the Federal Reserve Bank of Richmond (the "Federal Reserve") to initiate a stock repurchase program for up to 10% of the Company's outstanding shares of common stock (approximately 1,138,772 shares). This will be the Company's first stock repurchase program since completing its mutual-to-stock conversion and related stock offering on July 31, 2023. As noted in the Company's prospectus for the mutual-to-stock conversion, federal regulations prohibit the Company from repurchasing shares of its common stock during the first year following the completion of the conversion. As such, the repurchase program will go into effect no earlier than August 1, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis is intended to enhance your understanding of our financial condition and results of operations. The financial information in this section is derived from the accompanying financial statements. You should read the financial information in this section in conjunction with the business and financial information contained in this Quarterly Report on Form 10-Q and in the Company's 2023 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 22, 2024.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "intend," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not undertake any obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected, including as a result of unemployment levels and labor shortages, and any potential recession or slowed economic growth;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for credit losses;
- changes in the economic assumptions used to calculate the allowance for credit losses;
- our ability to access cost-effective funding;
- changes in liquidity, including the size and composition of our deposit portfolio and the percentage of uninsured deposits in the portfolio;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- our continued ability to originate loans outside of our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, the fair value of financial instruments or our level of loan originations or prepayments on loans we have made and make;
- adverse changes in the securities markets;

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- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements and insurance premiums;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- system failure or cyber-security breaches of our information technology infrastructure;
- the failure to maintain current technologies and/or successfully implement future information technology enhancements;
- the inability of third-party providers to perform as expected;
- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire, and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Except as required by law or regulation, we do not undertake, and we specifically disclaim any obligation to release publicly the results of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Critical Accounting Policies and Use of Critical Accounting Estimates

Our accounting policies are integral to understanding the results reported. We consider accounting policies that require management to exercise significant judgment or discretion or to make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies.

Allowance for Credit Losses

The ACL is an estimate of the expected credit losses for loans held for investment and for off-balance sheet exposures. ASC 326, "Financial Instruments-Credit Losses," requires an immediate recognition of the credit loss expected to occur over the lifetime of a financial asset whether originated or purchased. Charge-offs are recorded to the ACL when management believes a loan is uncollectible. Subsequent recoveries, if any, are credited to the ACL. Management believes the ACL is maintained in accordance with GAAP and in compliance with appropriate regulatory guidelines. The ACL includes quantitative estimates of losses for collectively and individually evaluated loans. The quantitative estimate for collectively evaluated loans (other than investor commercial real estate loans) is determined using the average charge-off method that utilizes historical losses for all Maryland banks with assets less than \$1 billion beginning in March 2000. The investor commercial real estate portfolio utilizes the national loss history for banks with assets less than \$1 billion over the same time period. Investor CRE loans are made nationwide, therefore, management deems it appropriate to utilize national loss rates when evaluating this portfolio. Adjustments are made to the historical loss factors under each scenario for economic conditions, portfolio concentrations, collateral values, the level and trend of delinquent and problem loans and internal changes in staffing, loan policies and monitoring of the portfolio. Loans are selected for individual evaluation primarily

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based on their payment status and whether the loan has been placed on non-accrual status. Loans on non-accrual status include all loans greater than 90 days delinquent and other loans with weaknesses sufficient for management to place these loans on non-accrual status. The ACL is measured on a collective basis when similar risk factors exist as determined by internal loan coding and assignment to a portfolio segment. The Company utilizes reasonable and supportable forecasts of future economic conditions when estimating the ACL on loans. The model's calculation also uses an adjustment for a 12-month forecast period utilizing the most recent 12-month economic forecast from the Federal Reserve Board for national gross domestic product ("GDP"). The model compares the average history of loss rates described above to the forecasted GDP to determine the value of the forward-looking adjustment. The establishment of the ACL is significantly affected by management's judgment and by economic and other uncertainties, and different amounts may be reported under different conditions or assumptions. The Federal Deposit Insurance Corporation and the Maryland Office of the Commissioner of Financial Regulation, as an integral part of their examination process, periodically review the ACL for reasonableness and, as a result of such reviews, we may be required to increase our ACL or recognize loan charge-offs. The calculation of ACL excludes accrued interest receivable balances because these balances are reversed in a timely manner against previously recognized interest income when a loan is placed on non-accrual.

Goodwill

The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates it is likely impairment has occurred. Goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying amount. In any given year the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value of the reporting unit is in excess of the carrying value, or if the Company elects to bypass the qualitative assessment, a quantitative impairment test is performed. In performing a quantitative test for impairment, the fair value of net assets is estimated based on analyses of the Company's market value, discounted cash flows, and peer values. The determination of goodwill impairment is sensitive to market-based economics and other key assumptions used in determining or allocating fair value. Variability in the market and changes in assumptions or subjective measurements used to estimate fair value are reasonably possible and may have a material impact on our consolidated financial statements or results of operations. Our annual goodwill impairment test is performed each year as of September 30. The Company performed its 2023 goodwill impairment qualitative assessment and determined its goodwill was not considered impaired.

Deferred Income Taxes

At June 30, 2024, we had a net deferred tax asset totaling \$8.8 million. In accordance with ASC Topic 740 "Income Taxes," we use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If currently available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established if it is not more likely than not realizable. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting deferred tax assets and liabilities. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets are inherently subjective and are reviewed on a regular basis as regulatory or business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. A valuation allowance that results in additional income tax expense in the period in which it is recognized would negatively affect income. Management believes, based upon current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize its federal and state deferred tax asset.

Comparison of Financial Condition at June 30, 2024 (unaudited) and December 31, 2023

Assets. Assets were \$897.2 million at June 30, 2024, an increase of \$11.9 million, or 1.4%, from \$885.3 million at December 31, 2023. The increase was due primarily to a \$16.9 million increase in cash and cash equivalents offset by decreases of \$2.4 million of loans and \$1.9 million in securities available for sale.

Cash and Cash Equivalents. Cash and cash equivalents increased \$16.9 million, or 22.9%, to \$90.6 million at June 30, 2024 from \$73.7 million at December 31, 2023 primarily due to the increase in deposits and proceeds from the maturity and prepayment of securities coupled with a lower level of loan originations.

Loans. Loans receivable decreased \$2.4 million, or 0.34%, to \$702.4 million at June 30, 2024 from \$704.8 million at December 31, 2023. Decreases in one- to four-family real estate loans of \$13.2 million and owner-occupied commercial real estate loans of \$16.2 million were partially offset by increases in investor commercial real estate loans and commercial loans of \$26.9 million.

Allowance for Credit Losses.

Our allowance for credit losses – loans was relatively unchanged at \$8.5 million at June 30, 2024. The slight decrease in the ACL resulted from lower historical loss rates and lower life of loan calculations. The ratio of our allowance for credit losses to total loans was 1.22% at June 30, 2024 compared to 1.16% at June 30, 2023, while the allowance for credit losses to non-performing loans was 103.88% at June 30, 2024 compared to 179.14% at June 30, 2023.

Securities. Securities available for sale decreased \$1.9 million, or 5.5%, to \$32.9 million at June 30, 2024 from \$34.8 million at December 31, 2023. The decrease was due to new purchases not fully replacing maturities and paydowns in the portfolio. Securities held-to-maturity were relatively unchanged at \$10.1 million.

Liabilities. Liabilities increased \$5.5 million, or 0.8%, to \$691.7 million at June 30, 2024 from \$686.2 million at December 31, 2023. The increase was primarily due to an increase in deposits of \$6.2 million, and an increase in escrow accounts and other accrued balances of \$1.8 million, offset by the pay-off of \$3.0 million junior subordinated debt of \$3.0 million that the Company had assumed in a prior transaction.

Deposits. Total deposits increased \$6.2 million, or 1.0%, to \$640.3 million at June 30, 2024 from \$634.1 million at December 31, 2023. Interest-bearing deposits increased \$7.2 million, or 1.5%, to \$499.3 million at June 30, 2024 from \$492.1 million at December 31, 2023. Noninterest bearing deposits decreased \$1.0 million, or 0.7%, to \$141.0 million at June 30, 2024 from \$142.0 million at December 31, 2023. During the first quarter of 2024, the Company replaced \$10.0 million in retail certificates of deposit with \$10.0 million of brokered deposits at a lower cost than what would have been required to retain the retail certificates.

Stockholders' Equity. Stockholders' equity increased \$6.4 million, or 3.2%, to \$205.5 million at June 30, 2024, primarily due to net income of \$7.0 million.

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Comparison of Operating Results for the Three and Six Months Ended June 30, 2024 and 2023

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. Non-accrual loans are included in the computation of average balances only. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. Average balances exclude loans held for sale, if applicable. Net deferred loan origination fees totaled \$2.0 million and \$1.6 million at June 30, 2024 and 2023, respectively.

	For the Three Months Ended June 30,					
	2024			2023		
(dollars in thousands)	Average Outstandi ng Balance	Interest	Average Yield/Rate ⁽¹⁾ (Unaudited)	Average Outstandi ng Balance	Interest	Average Yield/Rate ⁽¹⁾
Interest-earning assets:						
Loans	\$ 705,516	\$ 10,177	5.79%	\$ 679,179	\$ 9,327	5.51%
Securities available-for-sale	33,445	306	3.67%	35,240	277	3.15%
Securities held-to-maturity	10,777	91	3.39%	12,415	92	2.99%
Cash, cash equivalents and other interest-earning assets	75,031	1,043	5.59%	61,780	843	5.49%
Total interest-earning assets	824,769	11,617	5.65%	788,614	10,539	5.36%
Noninterest-earning assets	67,088			87,991		
Total assets	<u>\$ 891,857</u>			<u>\$ 876,605</u>		
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 86,892	237	1.09%	\$ 87,647	143	0.65%
Savings deposits	139,980	96	0.28%	159,790	52	0.13%
Money market deposits	93,787	475	2.03%	91,957	140	0.61%
Certificates of deposit	177,859	1,434	3.23%	168,064	931	2.22%
Total interest-bearing deposits	498,518	2,242	1.80%	507,458	1,266	1.00%
Federal Home Loan Bank advances	—	—	—	37,500	495	5.29%
Subordinated debentures	34,789	466	5.36%	37,122	541	5.85%
Total borrowings	34,789	466	5.37%	74,622	1,036	5.57%
Total interest-bearing liabilities	533,307	2,708	2.04%	582,080	2,302	1.59%
Noninterest-bearing demand deposits	139,070			149,444		
Other noninterest-bearing liabilities	16,627			42,715		
Total liabilities	689,004			774,239		
Equity	202,853			102,366		
Total liabilities and equity	<u>\$ 891,857</u>			<u>\$ 876,605</u>		
Net interest income		<u>\$ 8,909</u>			<u>\$ 8,237</u>	
Net interest rate spread(2)			3.61%			3.77%
Net interest-earning assets(3)	<u>\$ 291,462</u>			<u>\$ 206,534</u>		
Net interest margin(4)			4.33%			4.19%
Average interest-earning assets to interest-bearing liabilities	154.65 %			135.48 %		

(1)Annualized.

(2)Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(3)Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4)Net interest margin represents net interest income divided by average total interest-earning assets.

BV FINANCIAL, INC. AND SUBSIDIARIES

The following table sets forth the effects of changing rates and volumes on our net interest income for the three months ended June 30, 2024 and 2023. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by current rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately based on the changes due to rate and volume.

For the Three Months Ended June 30, 2024			
Interest Income Increase (Decrease) Due to			
(In thousands)			
	Volume	Rate	Total
Interest income:			
Loans receivable	\$ 380	\$ 470	\$ 850
Investment securities AFS	(16)	45	29
Investment securities HTM	(14)	13	(1)
Total Investment securities	(30)	58	28
Short-term investments and other interest-earning assets	184	16	200
Total interest-earning assets	<u>\$ 534</u>	<u>\$ 544</u>	<u>\$ 1,078</u>
Interest expense:			
Deposits	\$ (102)	\$ 1,078	\$ 976
FHLB Borrowings	—	(495)	(495)
Subordinated Debentures	(31)	(44)	(75)
Total Borrowings	(31)	(539)	(570)
Total interest-bearing liabilities	(133)	539	406
Change in net interest income	<u>\$ 667</u>	<u>\$ 5</u>	<u>\$ 672</u>

For the Six Months Ended June 30,						
2024			2023			
(dollars in thousands)	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾
(Unaudited)						
Interest-earning assets:						
Loans	\$ 706,942	\$ 19,959	5.54%	\$ 673,564	\$ 18,100	5.42%
Securities available-for-sale	33,745	612	3.61%	35,685	543	3.07%
Securities held-to-maturity	10,796	183	3.41%	12,166	186	3.08%
Cash, cash equivalents and other interest-earning assets	68,856	1,867	5.28%	56,362	1,398	5.02%
Total interest-earning assets	820,339	22,621	5.41%	777,777	20,227	5.24%
Noninterest-earning assets	67,273			87,176		
Total assets	\$ 887,612			\$ 864,953		
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 85,721	473	1.12%	\$ 89,733	161	0.36%
Savings deposits	143,304	161	0.18%	162,290	92	0.11%
Money market deposits	90,762	827	1.61%	95,749	236	0.50%
Certificates of deposit	175,477	2,767	3.09%	160,207	1,441	1.81%
Total interest-bearing deposits	495,264	4,228	1.62%	507,979	1,930	0.77%
Federal Home Loan Bank advances	—	—	—	30,862	783	5.12%
Subordinated debentures	35,297	1,521	8.64%	37,096	1,076	5.85%
Total borrowings	35,297	1,521	8.64%	67,958	1,859	5.52%
Total interest-bearing liabilities	530,561	5,749	2.31%	575,937	3,789	1.33%
Noninterest-bearing demand deposits	139,381			154,521		
Other noninterest-bearing liabilities	16,384			33,598		
Total liabilities	686,326			764,056		
Equity	201,286			100,897		
Total liabilities and equity	\$ 887,612			\$ 864,953		
Net interest income		<u>\$ 16,872</u>			<u>\$ 16,438</u>	
Net interest rate spread(2)			3.10%			3.91%
Net interest-earning assets(3)	\$ 289,778			\$ 201,840		
Net interest margin(4)			4.12%			4.26%
Average interest-earning assets to interest-bearing liabilities	154.62 %			135.05 %		

BV FINANCIAL, INC. AND SUBSIDIARIES

The following table sets forth the effects of changing rates and volumes on our net interest income for the six months ended June 30, 2024 and 2023. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by current rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately based on the changes due to rate and volume.

For the Six Months Ended June 30, 2024			
Interest Income Increase (Decrease) Due to			
(In thousands)			
	<u>Volume</u>	<u>Rate</u>	<u>Total</u>
Interest income:			
Loans receivable	\$ 942	\$ 917	\$ 1,859
Investment securities AFS	(35)	104	69
Investment securities HTM	(23)	20	(3)
Total Investment securities	(58)	124	66
Short-term investments and other			
interest-earning assets	339	130	469
Total interest-earning assets	<u>\$ 1,223</u>	<u>\$ 1,171</u>	<u>\$ 2,394</u>
Interest expense:			
Deposits	\$ (190)	\$ 2,488	\$ 2,298
FHLB Borrowings	(447)	(336)	(783)
Subordinated Debentures	(77)	522	445
Total Borrowings	(524)	186	(338)
Total interest-bearing liabilities	(714)	2,674	1,960
Change in net interest income	<u>\$ 1,937</u>	<u>\$ (1,503)</u>	<u>\$ 434</u>

BV FINANCIAL, INC. AND SUBSIDIARIES

Net Income. Net income was \$3.4 million, or \$0.32 per diluted share, for the three months ended June 30, 2024 compared to \$3.9 million, or \$0.49 per diluted share, for the three months ended June 30, 2023. In the three months ended June 30, 2023, the Company recognized a gain on the sale of foreclosed real estate of \$678,000. Net income was \$6.0 million, or \$0.52 per diluted share, for the six months ended June 30, 2024 compared to \$7.0 million, or \$0.88 per diluted share, for the six months ended June 30, 2023. In the six months ended June 30, 2023, the Company received \$225,000 in life insurance proceeds in addition to the gain on the sale of foreclosed real estate of \$678,000 recognized in the second quarter.

Interest Income. Interest income increased \$1.1 million, or 10.2%, to \$11.6 million for the three months ended June 30, 2024 from \$10.5 million for the three months ended June 30, 2023. The increase was due primarily to increases in interest income on loans, and interest income on cash, cash equivalents and other interest-earning assets. Interest income on loans increased \$850,000 or 9.1%, to \$10.2 million for the three months ended June 30, 2024 from \$9.3 million for the three months ended June 30, 2023 due to increases in the average balance of loans and the average yield on loans. The average balance of loans increased \$26.3 million, or 3.9%, to \$705.5 million for the three months ended June 30, 2024 from \$679.2 million for the three months ended June 30, 2023. The weighted average yield on loans increased 28 basis points to 5.79% for the three months ended June 30, 2024 compared to 5.51% for the three months ended June 30, 2023, as variable rate loans reset to higher interest rates and the rates on new loans exceeded the rates on paid off loans due to the higher interest rate environment. Interest income on cash, cash equivalents and other interest-earning assets increased \$200,000 to \$1.0 million for the three months ended June 30, 2024 from \$843,000 for the three months ended June 30, 2023 due to an increase in the average balance of cash, cash equivalents and other interest-earning assets and a 10 basis point increase in the average yield.

Interest income increased \$2.4 million, or 11.8%, to \$22.6 million for the six months ended June 30, 2024 from \$20.2 million for the six months ended June 30, 2023. The increase was due primarily to increases in interest income on loans, and interest income on cash, cash equivalents and other interest-earning assets. Interest income on loans increased \$1.9 million, or 10.3%, to \$20.0 million for the six months ended June 30, 2024 from \$18.1 million for the six months ended June 30, 2023 due to increases in the average balance of loans and the average yield on loans. The average balance of loans increased \$33.4 million, or 5.0%, to \$706.9 million for the six months ended June 30, 2024 from \$673.6 million for the six months ended June 30, 2023. The weighted average yield on loans increased 12 basis points to 5.54% for the six months ended June 30, 2024 compared to 5.42% for the six months ended June 30, 2023, as variable rate loans reset to higher interest rates and the rates on new loans exceeded the rates on paid off loans due to the higher interest rate environment. Interest income on cash, cash equivalents and other interest-earning assets increased \$469,000 to \$1.9 million for the six months ended June 30, 2024 from \$1.4 million for the six months ended June 30, 2023 due to an increase in the average balance of cash, cash equivalents and other interest-earning assets and a 26 basis point increase in the average yield.

Interest Expense. Interest expense increased \$406,000, or 17.7%, to \$2.7 million for the three months ended June 30, 2024 compared to \$2.3 million for the three months ended June 30, 2023, due to a \$976,000 increase in interest expense on deposits as rates paid increased and depositors moved money into higher-cost certificates of deposit, partially offset by a decrease in interest expense on borrowed money of \$495,000 as there were no advances outstanding from the FHLB in the quarter ended June 30, 2024.

The increase in interest expense on deposits was due to a 80 basis point increase in the average rate, offset by a \$9.0 million decrease in the average balance of interest-bearing deposits to \$498.5 million at June 30, 2024 from \$507.5 million for the three months ended June 30, 2023. The average rate on interest-bearing deposits was 1.80% for the three months ended June 30, 2024 compared to 1.00% for the three months ended June 30, 2023.

We had no interest expense on FHLB advances for the three months ended June 30, 2024 compared to \$495,000 for the three months ended June 30, 2023 as all advances were paid off.

Interest expense on subordinated debentures decreased \$76,000, or 14.0%, to \$466,000 for the three months ended June 30, 2024 compared to \$541,000 for the three months ended June 30, 2023. The decrease was due primarily to the pay-off of \$3.0 million in junior subordinated debt assumed in a prior acquisition.

Interest expense increased \$2.0 million or 51.7% to \$5.7 million for the six months ended June 30, 2024 compared to \$3.8 million for the six months ended June 30, 2023 primarily due to a \$2.3 million increase in interest expense on deposits as rates paid increased and depositors moved money into higher-cost certificate of deposit accounts, and an increase of \$445,000 in interest expense on subordinated debt, offset by a \$783,000 decrease in interest expense on borrowed money as there were no advances outstanding from the FHLB during the six months ended June 30, 2024.

BV FINANCIAL, INC. AND SUBSIDIARIES

The increase in interest expense on deposits was due to a 85 basis point increase in the average rate, offset by a \$12.7 million decrease in the average balance of interest-bearing deposits to \$495.3 million at June 30, 2024 from \$508.0 million for the six months ended June 30, 2023. The average rate on interest-bearing deposits was 1.62% for the six months ended June 30, 2024 compared to 0.77% for the six months ended June 30, 2023.

We had no interest expense on FHLB advances for the six months ended June 30, 2024 compared to \$783,000 for the six months ended June 30, 2023 as all advances were paid off.

Interest expense on subordinated debentures increased \$445,000, or 41.4%, to \$1.5 million for the six months ended June 30, 2024 compared to \$1.1 million for the six months ended June 30, 2023. The average rate on subordinated debentures increased 279 basis points to 8.64% for the six months ended June 30, 2024 compared to 5.85% for the six months ended June 30, 2023. The increase was due primarily to the write-off (increase in interest expense) of the remaining purchase accounting fair market value adjustment of \$566,000 upon the pay-off of \$3.0 million in junior subordinated debt assumed in a prior acquisition.

Net Interest Income. Net interest income was \$8.9 million for the three months ended June 30, 2024 compared to \$8.2 million in the three months ended June 30, 2023. The net interest margin for the three months ended June 30, 2024 was 4.33% compared to 4.19% for the three months ended June 30, 2023. The increase in net interest income was due to higher average balances of interest-earning assets and higher yields on these assets offsetting the increase in interest expense due to higher rates paid on deposits.

Net interest income was \$16.9 million for the six months ended June 30, 2024 compared to \$16.4 million for the six months ended June 30, 2023. The net interest margin for the six months ended June 30, 2024 was 4.12% compared to 4.26% for the six months ended June 30, 2023. The increase in net interest income was due to higher average balances of interest-earning assets and higher yields on these assets offsetting the increase in interest expense due to higher rates paid on deposits.

Provision for Credit Losses.

We recorded a recovery for credit losses of \$111,000 for the three months ended June 30, 2024 compared to a recovery for credit losses of \$150,000 for the three months ended June 30, 2023. We recorded a recovery for credit losses of \$92,000 for the six months ended June 30, 2024 compared to a recovery for credit losses of \$147,000 for the six months ended June 30, 2023. Our allowance for credit losses was \$8.5 million at June 30, 2024 compared to \$8.2 million at June 30, 2023. The ratio of our allowance for credit losses to total loans was 1.22% at June 30, 2024 compared to 1.16% at June 30, 2023, while the allowance for credit losses to non-performing loans was 103.9% at June 30, 2024 compared to 179.1% at June 30, 2023. The Company had net recoveries on previously charged off loans of \$67,000 in the quarter ended June 30, 2024 as compared to net recoveries of \$129,000 in the quarter ended June 30, 2023 and net recoveries of \$152,000 in the six months ended June 30, 2024 as compared to net recoveries of \$166,000 in the six months ended June 30, 2023.

Non-interest Income. For the three months ended June 30, 2024, noninterest income totaled \$596,000 compared to \$1.4 million for the quarter ended June 30, 2023. In the quarter ended June 30, 2023, the Company recognized a gain of \$678,000 on the sale of foreclosed real estate.

For the six months ended June 30, 2024, noninterest income totaled \$1.2 million as compared to \$2.2 million for the six months ended June 30, 2023. In the six months ended June 30, 2023, the Company recognized a gain of \$678,000 on the sale of foreclosed real estate and \$225,000 in life insurance proceeds.

Non-interest Expense. For the three months ended June 30, 2024, noninterest expense totaled \$4.9 million compared to \$4.5 million for the three months ended June 30, 2023. Increases in compensation and benefits increased by \$232,000, or 8.1%, due to increases in staffing and salary levels, occupancy expense increased by \$43,000, or 11.7%, due to higher rent and maintenance expenses, data processing expense increased by \$334,000, or 10.0%, due to annual increases and project expenses and professional fees increased due to price increases and the costs of being a public company.

For the six months ended June 30, 2024, noninterest expense totaled \$9.8 million as compared to \$9.2 million for the six months ended June 30, 2023. Compensation and benefits increased by \$482,000, or 8.4%, due to increases in staffing and salary levels, occupancy expense increased by \$65,000, or 8.3%, due to higher rent and maintenance expenses, data processing expense increased by \$62,000, or 9.0%, due to annual increases and project expenses.

BV FINANCIAL, INC. AND SUBSIDIARIES

Income Tax Expense. We recognized income tax expense of \$1.3 million and \$1.3 million for the three months ended June 30, 2024 and 2023, respectively, resulting in effective rates of 28.0% and 25.2%, respectively. In the six months ended June 30, 2024 and 2023, we recognized income tax expense of \$2.3 million and \$2.5 million, respectively, resulting in effective tax rates of 28.2% and 26.3%, respectively.

Asset Quality. Non-performing assets at June 30, 2024 totaled \$8.4 million consisting of \$8.2 million in nonperforming loans and \$170,000 in other real estate owned, compared to \$10.9 million at December 31, 2023, consisting of \$10.7 million in non-performing loans and \$170,000 in other real estate owned. During the quarter, our largest non-accrual loan, a \$6.8 million investor commercial real estate loan, was reduced by a \$3.0 million cash payment. In July, the remaining \$3.8 million balance paid off. At June 30, 2024, the allowance for credit losses on loans was \$8.5 million, which represented 1.22% of total loans and 103.9% of non-performing loans compared to \$8.5 million at December 31, 2023, which represented 1.21% of total loans and 81.0% of non-performing loans.

Liquidity and Capital Resources

Liquidity. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities and proceeds from maturities of securities. We also have the ability to borrow from the FHLB of Atlanta. At June 30, 2024, we had \$162.5 million available under a line of credit with the FHLB of Atlanta, and had \$25.0 million of FHLB in unfunded letters of credit used to secure municipal deposits outstanding against the line of credit with the FHLB of Atlanta. This resulted in additional borrowing availability from the FHLB of \$137.5 million, none of which was outstanding at June 30, 2024. The Company also has a short-term unsecured facility from a correspondent bank in the amount of \$20.0 million.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. We are committed to maintaining a strong liquidity position.

We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained. However, if a substantial portion of these deposits is not retained, we may utilize FHLB advances, brokered deposits or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense. At June 30, 2024, the Company had \$10.0 million in brokered deposits and no brokered deposits at June 30, 2023. In addition, we had \$57.4 million of municipal deposits at June 30, 2024, which represented 9.0% of total deposits. The Bank's uninsured deposits totaled \$198.3 million, or 29.0% of total deposits, of which \$50.6 million were secured using the market value of pledged collateral or letters of credit issued by FHLB, and an additional \$44.5 million were deposits of the Company at the Bank.

Capital Resources. At June 30, 2024, the Bank exceeded all of its regulatory capital requirements and was categorized as well capitalized. Management is not aware of any conditions or events since the most recent notification that would change our category.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Company is a smaller reporting company.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2024. Based on that evaluation, the Company's management, including the Co-Chief Executive Officers and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the quarter ended June 30, 2024, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

The Company is subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed under the heading "Risk Factors" contained in the Annual Report on Form 10-K for the year ended December 31, 2023. The Company's evaluation of the risk factors applicable to it has not changed materially from those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2024, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

BV FINANCIAL, INC. AND SUBSIDIARIES

Item 6. Exhibits

- 3.1 [Amended and Restated Articles of Incorporation of BV Financial, Inc.](#) ⁽¹⁾
- 3.2 [Amended and Restated Bylaws of BV Financial Bancorp, Inc.](#) ⁽²⁾
- 31.1 [Certification of Co- Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Co- Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.3 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32 [Certification of Co-Chief Executive Officers and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 The following materials for the quarter ended June 30, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

(1)Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 8-A (Commission File No. 001-41764), filed on July 31, 2023.

(2)Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-270496), filed on March 13, 2023.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BV FINANCIAL, INC.

Date: August 13, 2024

/s/ Timothy L. Prindle
Timothy L. Prindle
Co-President and Chief Executive Officer

Date: August 13, 2024

/s/ David M. Flair
David M. Flair
Co-President and Chief Executive
Officer

Date: August 13, 2024

/s/ Michael J. Dee
Michael J. Dee
Executive Vice President and Chief Financial
Officer

**Certification of Co-Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David M. Flair, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BV Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant is made known to me by others within the entity, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ David M. Flair

David M. Flair

Co-President and Chief Executive Officer

**Certification of Co-Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Timothy L. Prindle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BV Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant is made known to me by others within the entity, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Timothy L. Prindle

Timothy L. Prindle

Co-President and Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael J. Dee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BV Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant is made known to me by others within the entity, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Michael J. Dee

Michael J. Dee
Executive Vice President and Chief Financial Officer

**Certification of Co-Chief Executive Officers and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

David M. Flair, Co-President and Chief Executive Officer of BV Financial, Inc. (the "Company"), Timothy L. Prindle, Co-President and Chief Executive Officer of the Company, and Michael J. Dee, Executive Vice President and Chief Financial Officer of the Company, each certify in their capacity as an officer of the Company that they have reviewed the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report") and that, to the best of their knowledge:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2024

/s/ David M. Flair

David M. Flair

Co-President and Chief Executive Officer

Date: August 13, 2024

/s/ Timothy L. Prindle

Timothy L. Prindle

Co-President and Chief Executive Officer

Date: August 13, 2024

/s/ Michael J. Dee

Michael J. Dee

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
