Celebrating 150 Years

BV Financial, Inc.

NOTICE OF 2023 ANNUAL MEETING
PROXY STATEMENT AND
ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2022

Corporate Profile

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

BayVanguard Bank is a Maryland chartered stock savings bank headquartered in Edgemere, Maryland. BayVanguard Bank is a community-oriented financial institution offering traditional deposit and loan products. BayVanguard has been in existence since 1873. It acquired Vanguard Federal Savings and Loan Association in 1996. BayVanguard Bank converted into the mutual holding company form of ownership in 2005. It acquired Vigilant Federal Savings Bank in 2013 and Kopernik Bank in 2019. It acquired MB Bancorp, Inc. and its subsidiary, Madison Bank, and Delmarva Bancshares and its subsidiary, 1880 Bank, in 2020. It acquired North Arundel Savings Bank on January 1, 2022. BayVanguard operates fifteen banking locations in Maryland.

Transfer Agent

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

Financial, Inc.

Dear Shareholder:

The Company is excited to announce that our subsidiary BayVanguard Bank is celebrating its 150-year anniversary during 2023. The Bank was founded as Light Street Savings and Building Association of Baltimore City in 1873. The Bank completed numerous mergers and had several name changes. The Bank survived the Great Depression, two World Wars, and several recessions to become the Bank you know today as BayVanguard Bank. As previously announced, the Company is converting from a mutual holding company structure to a full stock company in a process known as a second-step conversion. The second-step conversion and simultaneous stock offering are subject to regulatory, depositor and stockholder approvals. The Company is also pleased to announce that it had a second straight year of record earnings in 2022, posting net income of $10.5 million with basic earnings per share of $1.42 and fully diluted earnings per share of $1.41. The Bank was recognized by the Baltimore Business Journal as the fourth fastest growing company in Baltimore over the past three years.

Management and the Board spent much of the year preparing for the second-step conversion and stock offering and the additional rules, regulations, internal controls and overall responsibilities that come along with becoming a NASDAQ registered company.

On January 1, 2022, we acquired North Arundel Savings Bank ("NASB"). NASB was a one branch, $47 million, mutual thrift located in Pasadena, Maryland. We completed the data conversion on March 7, 2022. On June 30 2022, we consolidated our Pasadena branch into this new location.

In September 2022, we announced the consolidation of our Canton branch (formerly a Kopernik Bank branch) and our Bayview branch into one new branch in the to be completed Yard 56 property in Bayview.

Director Michael Snyder retired from the Board in May 2023. We thank Mr. Snyder for his years of service to the Company and wish him well. Due to Mr. Snyder's retirement, there was a vacancy on the Board and the Company has nominated P. David Bramble to serve as a Director. Mr. Bramble is active in Baltimore's community and is a commercial real estate investor.

Finally, we would like to thank all our shareholders for their continued support of the Company.

Sincerely,

David M. Flair
Co-President and Chief Executive Officer

Timothy L. Prindle
Co-President and Chief Executive Officer

7114 North Point Road, Edgemere, MD 21219
(410) 477-5000 * Fax (410) 477-3869

This Page Intentionally Left Blank

March 30, 2023

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of BV Financial, Inc. The meeting will be held at BayVanguard Bank’s main office, 7114 North Point Road, Baltimore, Maryland on Thursday, May 4, 2023 at 3:00 p.m., local time.

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

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

We look forward to seeing you at the meeting.

Sincerely,

David M. Flair
Co-President and Chief Executive Officer

Timothy L. Prindle
Co-President and Chief Executive Officer

This Page Intentionally Left Blank

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

Notice of Annual Meeting of Stockholders

On Thursday, May 4, 2023, BV Financial, Inc. (the “Company”) will hold its annual meeting of stockholders at BayVanguard Bank’s main office, 7114 North Point Road, Baltimore, Maryland. The meeting will begin at 3:00 p.m., local time. At the meeting, stockholders will consider and act on the following:

1. the election of three directors for a term of three years;

2. the approval of an amendment to the Company’s Articles of Incorporation to increase the number of shares of authorized common stock from 14,000,000 to 45,000,000;

3. the approval of an amendment to the Company’s Articles of Incorporation to limit the voting rights of shares beneficially owned in excess of 10% of the Company’s outstanding voting stock;

4. the ratification of the appointment of FORVIS, LLP as the independent registered public accounting firm for the Company for the 2023 fiscal year; and

such other business that may properly come before the meeting.

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

Only stockholders of record as of the close of business on March 17, 2023 are entitled to receive notice of and to vote at the meeting and any adjournment or postponement of the meeting.

Please vote via the Internet or by completing and signing the enclosed proxy card and mailing it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

Michael L. Snyder
Corporate Secretary

Baltimore, Maryland
March 30, 2023

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

This Page Intentionally Left Blank

BV FINANCIAL, INC.

PROXY STATEMENT

GENERAL INFORMATION

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of BV Financial, Inc. for the 2023 annual meeting of stockholders and for any adjournment or postponement of the meeting. In this proxy statement, BV Financial, Inc. may also be referred to as "BV Financial," the "Company," "we," "our" or "us."

BV Financial is the holding company for BayVanguard Bank. In this proxy statement, BayVanguard Bank may also be referred to as the "Bank" or "BayVanguard."

We are holding the 2023 annual meeting at BayVanguard Bank's main office, 7114 North Point Road, Baltimore, Maryland on Thursday, May 4, 2023 at 3:00 p.m., local time.

We intend to mail this proxy statement and the enclosed proxy card to stockholders of record beginning on or about March 30, 2023.

INFORMATION ABOUT VOTING

Who Can Vote at the Meeting

You are entitled to vote your shares of BV Financial common stock that you owned as of March 17, 2023. As of the close of business on that date, 7,418,575 shares of BV Financial common stock were outstanding, including 6,400,814 shares of common stock held by Bay-Vanguard, M.H.C., Inc. Each share of common stock has one vote.

Ownership of Shares; Attending the Meeting

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

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

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

If you hold your shares in street name, your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote by filling out a voting instruction form that accompanies your proxy materials. Your broker, bank or other holder of record may allow you to provide voting instructions by telephone or by the Internet. Please see the instruction form provided by your broker, bank or other holder of record that accompanies this proxy statement. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of BV Financial common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

Quorum and Vote Required

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

Votes Required for Proposals. At this year's annual meeting, stockholders will be asked to: (1) elect three directors for a term of three years; (2) to approve the amendment to the Company's Articles of Incorporation to increase the number of shares of authorized common stock from 14,000,000 to 45,000,000; (3) to approve the amendment to the Company's Articles of Incorporation to limit the voting rights of shares beneficially owned in excess of 10% of the Company's outstanding voting stock and (4) ratify the appointment of FORVIS, LLP as the Company's independent registered public accounting firm for fiscal 2023. In voting on the election of directors, you may vote in favor of the nominees, withhold votes as to the nominees or withhold votes as to any nominee. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the greatest number of votes will be elected.

In voting on the amendments to the Company's Articles of Incorporation and the ratification of the appointment of FORVIS, LLP as the Company's independent registered public accounting firm, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To amend the Company's Articles of Incorporation, the affirmative vote of a majority of the shares entitled to be cast at the annual meeting is required. To ratify the appointment of FORVIS, LLP as our independent registered public accounting firm for fiscal 2023, the affirmative vote of a majority of the shares cast at the annual meeting is required.

Routine and Non-Routine Proposals. The rules of the New York Stock Exchange determine for all companies whether proposals presented at stockholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote on the proposal without receiving voting instructions from the owner. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when a broker or other entity is unable to vote on a particular proposal because the broker or other entity has not received voting instructions from the beneficial owner. The election of directors and the amendments to the Articles of Incorporation are each currently considered a non-routine matter, while the ratification of FORVIS, LLP as our independent registered public accounting firm for fiscal 2023 is currently considered a routine matter.

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

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

In counting votes on the proposals to amend the Company's Articles of Incorporation, abstentions and broker non-votes will have the same effect as a negative vote.

In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, abstentions and broker non-votes will have no effect on the proposal.

Because Bay-Vanguard, M.H.C., Inc. owns more than half of the outstanding shares of BV Financial common stock, the votes it casts will ensure the presence of a quorum and determine the outcome of Item 1 (Election of Directors), Items 2 and 3 (Amendments to the Company's Articles of Incorporation) and Item 4 (Appointment of Independent Registered Public Accounting Firm).

Voting by Proxy

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

- **FOR** each of the nominees for director;

- **FOR** the amendment to the Company's Articles of Incorporation to increase the number of shares of authorized common stock from 14,000,000 to 45,000,000;

- **FOR** the amendment to the Company's Articles of Incorporation to limit the voting rights of shares beneficially owned in excess of 10% of the Company's outstanding voting stock; and

- **FOR** ratification of the appointment of FORVIS, LLP as the Company's independent registered public accounting firm for the 2023 fiscal year.

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

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

Instead of voting by mailing a proxy card, registered stockholders can vote their shares of Company common stock via the Internet. The Internet voting procedures are designed to authenticate stockholders' identities, allow stockholders to provide their voting instructions and confirm that their instructions have been recorded properly. Specific instructions for Internet voting are set forth on the enclosed proxy card. **The deadline for voting via the Internet is 1:00 a.m., Eastern Time, on May 4, 2023.**

Participants in the ESOP or 401(k) Plan

If you participate in the ESOP or if you invest in the BV Financial Stock Fund in our 401(k) Plan, you will receive a voting form for each plan that reflects the shares you may direct the trustees to vote on your behalf under the respective plans. Under the terms of the ESOP, all allocated shares of BV Financial common stock held by the ESOP are voted by the ESOP trustee, as directed by plan participants. All allocated shares for which no timely voting instructions are received are voted by the ESOP trustee in the same proportion as shares for which the trustee has received timely voting instructions, subject to the exercise of its fiduciary duties. Under the terms of the 401(k) Plan, a participant may direct the stock fund trustee how to vote the shares in the BV Financial Stock Fund credited to his or her account. The stock fund trustee will vote all shares for which it does not receive timely instructions from participants in the same proportion as shares for which the trustee received voting instructions. **The deadline for returning your voting instructions for shares held through the ESOP or 401(k) Plan is April 25, 2023.**

CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

Because the Company is not listed on a national securities exchange, there are no independence requirements for its directors or nominees. However, if the Company was to apply the current listing standards of The NASDAQ Stock Market, all of its directors and nominees would be independent, except for Messrs. Flair and Prindle, each of whom is an employee of BV Financial and the Bank.

Committees of the Board of Directors

The following table identifies our standing committees and their members at December 31, 2022. All members of each committee are independent in accordance with the listing requirements of The NASDAQ Stock Market. Each committee operates under a written charter that is approved by the Board of Directors that governs its composition, responsibilities and operations. Each committee reviews and reassesses the adequacy of its charter at least annually.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Enterprise Risk Management Committee
Gary T. Amereihn		X*		X
William Streett Baldwin	X*	X		
William B. Crompton, III	X			X*
David M. Flair				
Joseph S. Galli			X	
Kim C. Liddell				X
Brian K. McHale	X	X		
Timothy L. Prindle			X*	
Joshua W. Posnick				
Michael L. Snyder				
Machteld V. Thomas			X	
Number of meetings in 2022	4	3	2	4

*Chairman

Audit Committee. The Audit Committee is responsible for ensuring that BV Financial maintains reliable accounting policies and financial reporting processes and reviewing the performance of BV

Financial's independent registered public accounting firm. The Audit Committee selects the independent registered public accounting firm and meets with them to discuss the results of the annual audit and any related matters.

Compensation Committee. The Compensation Committee is responsible for all matters related to BV Financial's and the Bank's employee compensation and benefit programs. The Compensation Committee reviews all compensation components for the Company's Co-President and Chief Executive Officers and other highly compensated executive officers, including base salary, bonus, equity incentives, benefits and other perquisites. Decisions by the Compensation Committee with respect to the compensation of executive officers are approved by the full Board of Directors.

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

Enterprise Risk Management Committee. The Enterprise Risk Management Committee assists the Board with its review and oversight of the management of the Company's enterprise-wide risk program, including establishing, in consultation with senior management, an appropriate risk management framework and acceptable risk tolerance levels for the Company and reporting this information to the Board.

Director Compensation

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

Fees per meeting attended for BayVanguard Bank:

Regular or Special Meetings	$1,500
Audit Committee Meetings	$1,000
Enterprise Risk Management Committee Meetings	$ 750
Compensation Committee Meetings	$ 500
Committee Chair Annual Cash Retainer	$5,000

In addition to the cash fees noted above, on May 5, 2022, each non-employee director received 660 shares of BV Financial stock, except for the Chairman of the Board of the Bank who received 880 shares. These shares vest in three equal annual installments beginning on April 30, 2023, except for the awards granted to Messrs. Amereihn, Crompton and Galli, which vested on the grant date.

The Board of Directors of the Bank holds meetings eight times a year and each of the Audit and Enterprise Risk Committees meet four times a year. The Compensation and Nominating and Corporate Governance Committees meet as needed.

Board and Committee Meetings

During the year ended December 31, 2022, the Board of Directors of BV Financial held three meetings and the Board of Directors of the Bank held eight meetings. No director attended fewer than 75% of the meetings of the Board of Directors and Board committees on which they served in 2022.

Director Attendance at the Annual Meeting of Stockholders

The Board of Directors encourages directors to attend the annual meeting of stockholders. All of the directors attended the 2022 annual meeting of stockholders.

STOCK OWNERSHIP

The following table provides information as of March 17, 2023 with respect to persons and entities known to the Company to be the beneficial owner of more than 5% of the Company's outstanding common stock. A person or entity may be considered to beneficially own any shares of common stock over which the person or entity has, directly or indirectly, sole or shared voting or investing power.

Name and Address	Number of Shares Owned	Percent of Common Stock Outstanding
Bay-Vanguard, M.H.C. 7114 North Point Road Baltimore, Maryland 21219	6,400,814	86.3%

The following table provides information about the shares of Company common stock that may be considered to be owned by each director or nominee for director of the Company and by all directors, nominees for director and executive officers of the Company as a group as of March 17, 2023. A person may be considered to own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Except as disclosed below, each of the named individuals has sole or shared voting and investment power with respect to the shares shown. The number of shares beneficially owned by all directors, nominees for director and executive officers as a group totaled 2.9% of our common stock as of March 17, 2023. Each director, director nominee and executive officer owned less than 1% of our outstanding common stock as of that date.

Name	Number of Shares Owned[(1)]
Gary T. Amereihn	10,792
William Streett Baldwin	3,510
P. David Bramble	—
William B. Crompton, III	6,346
David M. Flair	54,571[(2)]
Joseph S. Galli	34,939
Kim C. Liddell	1,565
Brian K. McHale	4,681
Timothy L. Prindle	63,093
Joshua W. Posnick	1,560
Michael L. Snyder	1,560
Machteld V. Thomas	1,520
All Directors, Director Nominees and Executive Officers as a group (15 persons)	216,686

(1) Includes unvested shares of restricted stock awards, as follows: Messrs. Flair – 8,263 shares, Prindle – 6,743 shares; Messrs. Baldwin, Liddell, McHale, Posnick and Snyder – 1,193 shares; Mr. Amereihn – 733 shares; Ms. Thomas – 660 shares; and Mr. Galli – 533 shares.

(2) Includes options to acquire 14,000 shares, 4,142 shares allocated under the ESOP and 2,908 shares held in trust in the BayVanguard Bank 401(k) Plan.

ITEMS TO BE VOTED ON BY STOCKHOLDERS

Item 1 — Election of Directors

The Company's Board of Directors consists of 11 members. The Board is divided into three classes with three-year staggered terms. Michael L. Snyder will retire from the Board effective as of the 2023 Annual Meeting of Stockholders. The Board has nominated P. David Bramble for election at the 2023 Annual Meeting of Stockholders to take Mr. Snyder's seat on the Board. The Board of Directors' nominees for election this year to serve for a three-year term or until their successors have been elected and qualified are Gary T. Amereihn, Brian K. McHale, and P. David Bramble.

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

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

Information regarding the Board of Directors' nominees and the directors continuing in office is provided below. Unless otherwise stated, each individual has held his or her current occupation for the last five years. The age indicated in each nominee's biography is as of December 31, 2022. There are no family relationships among the directors or executive officers. The indicated period for service as a director includes service as a director of Bay Federal Savings and Loan Association, the predecessor of BayVanguard Bank.

Board Nominees for a Term Ending in 2026

Gary T. Amereihn. Age 68. Director since 2019. Mr. Amereihn retired from Kopernik Bank in 2019 as part of BayVanguard Bank's acquisition of Kopernik Bank, having served as Kopernik's Bank's Chairman, Chief Executive Officer and Chief Financial Officer from 1992 to 2019. Mr. Amereihn serves as the Chairman of the Board of BV Financial and BayVanguard Bank. Mr. Amereihn's past service as a chairman, chief executive officer and chief financial officer of a financial institution and his participation in the communities we serve brings an extensive knowledge of the financial, economic and regulatory challenges we face as well as knowledge of the local economy and business opportunities for BayVanguard Bank.

Brian K. McHale. Age 68. Director since 1987. Mr. McHale has been a Steamship Clerk with International Longshoremen's Association Local 953 located in Baltimore, Maryland since 1972 and until 2014 was a state delegate to the Maryland General Assembly. Mr. McHale's long-standing involvement in our local community brings knowledge of the local economy and business opportunities to BayVanguard Bank. His leadership skills and knowledge of the financial, economic and regulatory challenges we face make him well suited to serve on the Board.

P. David Bramble. Age 45. Mr. Bramble has been a managing partner at MCB Real Estate, LLC ("MCB") since 2005 and has been working in real estate investment for over 20 years. He dedicates his time to sourcing and capitalizing transactions and overseeing project underwriting and execution. Prior to MCB, Mr. Bramble served as the director of commercial lending for a regionally based full-service lending firm –Madison Funding – which he co- founded in 2000. Prior to that, Mr. Bramble worked for the law firm of Steptoe & Johnson LLP where he provided corporate and real estate advisory services. Mr. Bramble serves as the Chairman of the Board of Lendistry, a fintech enabled CDFI focused on providing small business capital to underserved communities nationwide. He serves on the investment committee and board of the Robert W. Deutsch Foundation, which invests in innovative people, projects, and ideas that improve the quality of life in Baltimore. He also serves on the boards of Johns Hopkins Bayview Hospital, Ronald McDonald House, UPENN Institute for Urban Research and the Baltimore Tree Trust. The Board believes that Mr. Bramble will provide the Board with extensive knowledge regarding financial, economic and legal matters and knowledge of our market area due to his long-standing involvement in our local community.

Directors with a Term Ending in 2024

Joseph S. Galli. Age 59. Director since 2015. For over 30 years, Mr. Galli has been an Executive Vice President of The Bernstein Companies, which is an owner, developer, investor and manager of commercial, residential, industrial and hotel properties in the Mid-Atlantic region of the United States. Within The Bernstein Companies, Mr. Galli is a managing director of Consortium Capital, which is a series of real estate equity funds that invest in commercial real estate throughout the Mid-Atlantic. Mr. Galli is also the Chairman of the Government Relations Committee for the Washington, D.C. chapter of Autism Speaks. Mr. Galli's experience and long-standing involvement in our local community provides the Board with business management skills and knowledge regarding real estate and business matters in our market area.

Kim C. Liddell. Age 62. Director since 2020. Mr. Liddell served as the President and Chief Executive Officer of Delmarva Bancshares, Inc. and 1880 Bank from 2010 until its acquisition by BV Financial in 2020. Mr. Liddell also currently serves as a director of the Federal Home Loan Bank of Atlanta. Mr. Liddell's past service as chief executive officer of a financial institution and his participation in the communities we serve brings an extensive knowledge of the financial, economic and regulatory challenges we face as well as knowledge of the local economy and business opportunities for BayVanguard Bank.

Timothy L. Prindle. Age 37. Director since 2019. Mr. Prindle was elected as the Co-President and Chief Executive Officer and a member of the Board of Directors of Bay-Vanguard M.H.C., BV Financial and BayVanguard Bank in January 2019. Previously he served as Chief Executive Officer and President of Kopernik Bank since 2012 before it was acquired by BayVanguard in 2019. Mr. Prindle began his career as a Bank Examiner at the Office of Thrift Supervision. In addition to his wide range of management experience and leadership skills, Mr. Prindle's strong regulatory background and his knowledge and understanding of the financial, economic and regulatory environments make him a valuable asset to the Board.

Machteld V. Thomas. Age 68. Director since 2022. Ms. Thomas served as the President and Chief Executive Officer of North Arundel Savings Bank for 14 years before its acquisition by BV Financial in 2021 and is now retired. Ms. Thomas serves on the board of directors of Bello Machre, a nonprofit that offers loving care and support for children and adults with developmental disabilities. Ms. Thomas' past service as a chief executive officer of a financial institution and her participation in the communities we serve brings an extensive knowledge of the financial, economic and regulatory challenges we face as well as knowledge of the local economy and business opportunities for BayVanguard Bank.

Directors with a Term Ending in 2025

William Streett Baldwin. Age 60. Director since 2012. For over 20 years, Mr. Baldwin has been a director of Ellin & Tucker, Chartered, a business consulting and certified public accounting firm located in Baltimore, Maryland. Mr. Baldwin is a certified public accountant and is a member of the American Institution of Certified Public Accountants and the Maryland Association of Certified Public Accountants. Through his experience as a certified public accountant and his strong risk assessment, financial reporting and internal control expertise, as well as extensive knowledge of accounting and regulatory issues, Mr. Baldwin provides an understanding of public accounting and financial matters to the Board.

William B. Crompton, III. Age 69. Director since 2019. Previously he served as a Director of Kopernik Bank since 2017 prior to its acquisition by BV Financial in 2019. Mr. Crompton retired from the Office of the Comptroller of the Currency in 2015. Mr. Crompton had held managerial positions in the Office of the Comptroller of the Currency, Office of Thrift Supervision and Federal Home Loan Bank System for over 30 years. With his background of directly working in and managing the examination and supervision of financial institutions at several bank regulatory agencies, Mr. Crompton provides the Board with extensive knowledge regarding regulatory matters and the financial and economic challenges confronting banks.

David M. Flair. Age 59. Director since 2012. Mr. Flair became the Chief Executive Officer of BV Financial and BayVanguard in October 2013 and was also named President of BV Financial and BayVanguard in November 2014. Mr. Flair was hired as the Chief Financial Officer of BV Financial and BayVanguard in February 2012 and served in that role until May 2014. Mr. Flair served as the Chief Financial Officer of Advance Bank in Baltimore, Maryland, beginning in December 2006 and was also appointed as a director and named the Acting Chief Executive Officer of Advance Bank before his departure in February 2012. Mr. Flair is a certified public accountant and was a partner with Anderson Associates LLP and Beard Miller Company LLP for almost twenty years before joining Advance Bank. In addition to his wide range of management experience and leadership skills, Mr. Flair's strong financial background and his knowledge and understanding of the financial, economic and regulatory environments make him a valuable asset to the Board.

Joshua W. Posnick. Age 37. Director since 2019. For 3 years, Mr. Posnick has been Managing Director for Mill Creek Residential, a real estate development and management company, located in Washington, D.C. Mr. Posnick provides the Board with business management skills and knowledge regarding real estate and business matters in our market area.

Item 2 – Approval of the Amendment to the Company's Articles of Incorporation to Increase the Number of Authorized Shares

BV Financial currently authorized to issue up to 14,000,000 shares of common stock and 1,000,000 shares of preferred stock. As of March 17, 2023, there were 7,418,575 shares of common stock outstanding and no shares of preferred stock outstanding.

The Board of Directors has determined that it is in the best interests of the Company and the stockholders to increase the authorized shares of common stock from 14,000,000 to 45,000,000. The additional available shares of common stock would allow flexibility for general corporate purposes, including issuances in connection with stock offerings, existing stock-based benefit plans or acquisition transactions, and are necessary for us to be able to issue shares as part of the proposed offering of our common stock that will occur concurrently with the previously announced conversion of Bay-Vanguard, M.H.C., Inc. to the stock holding company form of organization. Other than the offering, we do not have specific plans or intentions with respect to offerings, transactions or any other use of authorized but unissued common stock.

The Board of Directors believes that it is important to have available for issuance a number of authorized shares of common stock that will be adequate to provide for future stock issuances for future corporate needs. The additional authorized shares would be available for issuance from time to time at the discretion of the Board of Directors, without further stockholder action except as may be required for a particular transaction by law, or other agreements and restrictions. The shares would be issuable for any proper corporate purpose, including future acquisitions, stock splits or issuances under current and future stock plans.

The first two sentences of Section A of ARTICLE 5 of the Company's Articles of Incorporation are proposed to be amended to read in their entirety as follows:

A. Authorized Capital Stock. The total number of shares of capital stock of all classes that the Corporation has authority to issue is forty-six million (46,000,000) shares, consisting of:

1. One million (1,000,000) shares of preferred stock, par value one cent ($0.01) per share (the "Preferred Stock"); and

2. forty-five million (45,000,000) shares of common stock, par value one cent ($0.01) per share (the "Common Stock").

The aggregate par value of all the authorized shares of capital stock is four hundred and sixty thousand dollars ($460,000).

The Board of Directors recommends a vote "FOR" the amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock.

Item 3 – Approval of the Amendment to the Company's Articles of Incorporation to Limit the Voting Rights of Shares Beneficially Owned in Excess of 10% of the Company's Outstanding Voting Stock

The second amendment to the Company's Articles of Incorporation being presented to stockholders for approval at the annual meeting is an amendment to include new language in the Articles of Incorporation stating that in no event will any person, who directly or indirectly beneficially owns in excess of 10% of the then-outstanding shares of common stock as of the record date for the determination of stockholders entitled to vote on any matter in excess of the 10% limit (the "Excess Voting Limit Amendment"). Under the Excess Voting Limit Amendment, beneficial ownership is determined pursuant to the federal securities laws and includes, but is not limited to, shares as to which any person and his or her affiliates (1) have the right to acquire pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options and (2) have or share investment or voting power (but shall not be deemed the beneficial owner of any voting shares solely by reason of a revocable proxy granted for a particular meeting of stockholders, and that are not otherwise beneficially, or deemed by the Company to be beneficially, owned by such person and his or her affiliates). The foregoing restriction does not apply to any employee benefit plans of the Company or any subsidiary or a trustee of a plan. The full text of the Excess Voting Limit Amendment is attached to this proxy statement as Appendix A and will replace Section D of ARTICLE 5 of the Company's Articles of Incorporation in its entirety. The current language under Section D of ARTICLE 5 addresses beneficial ownership limitations that are no longer applicable to the Company, thus the removal of this current language will have no effect on the Company.

The proposed provision in the Company's Articles of Incorporation limiting the voting rights of beneficial owners of more than 10% of the Company's outstanding voting stock is intended to limit the ability of any person to acquire a significant number of shares of the Company common stock and thereby gain sufficient voting control so as to cause the Company to effect a transaction that may not be in the best interests of the Company and its stockholders generally. This provision will not prevent a stockholder from seeking to acquire a controlling interest in the Company, but it will prevent a stockholder from voting more than 10% of the outstanding shares of common stock unless that stockholder has first persuaded the board of directors of the merits of the course of action proposed by the stockholder. The board of directors of the Company believes that fundamental transactions generally should be first considered and approved by the board of directors as it generally believes that it is in the best position to make an initial assessment of the merits of any such transactions and that its ability to make the initial assessment could be impeded if a single stockholder could acquire a sufficiently large voting interest so as to control a stockholder vote on any given proposal. This provision in the Company's Articles of Incorporation makes an acquisition, merger or other similar corporate transaction less likely to occur, even if such transaction is supported by most stockholders, because it can prevent a holder of shares in excess of the 10% limit from voting the excess shares in favor of the transaction. Thus, it may be deemed to have an anti-takeover effect.

The Board of Directors recommends a vote "FOR" the Excess Voting Limit Amendment.

Item 4 – Ratification of the Independent Registered Public Accounting Firm

FORVIS, LLP (formerly Dixon Hughes Goodman LLP) was the Company's independent registered public accounting firm for the 2022 fiscal year. The Audit Committee of the Board of Directors has appointed FORVIS, LLP to be the Company's independent registered public accounting firm for the 2023 fiscal year, subject to ratification by stockholders. A representative of FORVIS, LLP is expected to be present at the annual meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement should he or she desire to do so.

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

The Board of Directors recommends a vote "FOR" the ratification of the appointment of FORVIS, LLP as independent registered public accounting firm for the Company for the 2023 fiscal year.

SUBMISSION OF BUSINESS PROPOSALS AND STOCKHOLDER NOMINATIONS

The Company's Bylaws provide that for a stockholder to make nominations for the election of directors or proposals for business to be brought before a meeting of stockholders, a stockholder must deliver written notice of such nominations and/or proposals to the Corporate Secretary not less than 90 days and no more than 100 days before the date of the meeting; provided that if the date of the annual meeting is advanced more than 30 days prior to the anniversary of the prior year's annual meeting of stockholders, such written notice shall be timely only if delivered or mailed to and received by the Corporate Secretary of the Company at the principal executive office of the Company no earlier than the day on which public disclosure of the date of such annual meeting is first made and not later than the tenth day following the earlier of the day that the notice of the meeting was mailed to stockholders or such public disclosure was made.

MISCELLANEOUS

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

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

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

APPENDIX A

Restrictions on Voting Rights of the Corporation's Equity Securities.

1. Notwithstanding any other provision of these Articles, in no event shall the record owner (or if more than one record owner, all such record owners taken as a group) of any outstanding Common Stock that is beneficially owned, directly or indirectly, by a Person who, as of any record date for the determination of stockholders entitled to vote on any matter, beneficially owns in excess of 10% of the then-outstanding shares of Common Stock (the "Limit"), be entitled, or permitted to any vote in respect of the shares held in excess of the Limit. The number of votes that may be cast by any particular record owner by virtue of the provisions hereof in respect of Common Stock beneficially owned by such Person owning shares in excess of the Limit (a "Holder in Excess") shall be a number equal to the total number of votes that a single record owner of all Common Stock owned by such Holder in Excess would be entitled to cast after giving effect to the provisions hereof, multiplied by a fraction, the numerator of which is the number of shares of such class or series that are both (i) beneficially owned by such Holder in Excess and (ii) owned of record by such particular record owner, and the denominator of which is the total number of shares of Common Stock beneficially owned by such Holder in Excess. The provisions of this Section D of this Article 5 shall not be applicable if, before the Holder in Excess acquired beneficial ownership of such shares in excess of the Limit, such acquisition was approved by a majority of the "Unaffiliated Directors." For this purpose, the term "Unaffiliated Director" means any member of the Board of Directors who is unaffiliated with the Holder in Excess and was a member of the Board of Directors prior to the time that the Holder in Excess became such, and any director who is thereafter chosen to fill any vacancy on the Board of Directors and who is elected and who, in either event, is unaffiliated with the Holder in Excess and in connection with his or her initial assumption of office is recommended for appointment or election by a majority of the Unaffiliated Directors then serving on the Board of Directors.

2. The following definitions shall apply to this Section D of this Article 5.

   (a) An "affiliate" of a specified Person shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

   (b) "Beneficial ownership" shall be determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 (or any successor rule or statutory provision), or, if said Rule 13d-3 shall be rescinded and there shall be no successor rule or statutory provision thereto, pursuant to said Rule 13d-3 as in effect on December 31, 2020; provided, however, that a Person shall, in any event, also be deemed the "beneficial owner" of any Common Stock:

      (1) that such Person or any of its affiliates beneficially owns, directly or indirectly; or

      (2) that such Person or any of its affiliates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding (but shall not be deemed to be the

beneficial owner of any voting shares solely by reason of an agreement, contract, or other arrangement with the Corporation to effect any transaction of the type described in clause (i) or (ii) of the first sentence of Article 9 hereof) or upon the exercise of conversion rights, exchange rights, warrants, or options or otherwise, or (ii) sole or shared voting or investment power with respect thereto pursuant to any agreement, arrangement, understanding, relationship or otherwise (but shall not be deemed to be the beneficial owner of any voting shares solely by reason of a revocable proxy granted for a particular meeting of stockholders, pursuant to a public solicitation of proxies for such meeting, with respect to shares of which neither such Person nor any such affiliate is otherwise deemed the beneficial owner); or

(3) that are beneficially owned, directly or indirectly, by any other Person with which such first mentioned Person or any of its affiliates acts as a partnership, limited partnership, syndicate or other group pursuant to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation; and provided further, however, that (i) no director or officer of the Corporation (or any affiliate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed, for any purposes hereof, to beneficially own any Common Stock beneficially owned by any other such director or officer (or any affiliate thereof), and (ii) neither any employee stock ownership or similar plan of the Corporation or any subsidiary of the Corporation nor any trustee with respect thereto (or any affiliate of such trustee) shall, solely by reason of such capacity of such trustee, be deemed, for any purposes hereof, to beneficially own any Common Stock held under any such plan. For purposes of computing the percentage of beneficial ownership of Common Stock of a Person, the outstanding Common Stock shall include shares deemed owned by such Person through application of this subsection but shall not include any other shares of Common Stock that may be issuable by the Corporation pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise. For all other purposes, the outstanding Common Stock shall include only Common Stock then outstanding and shall not include any Common Stock that may be issuable by the Corporation pursuant to any agreement, or upon the exercise of conversion rights, warrants or options, or otherwise.

(c) A “Person” shall mean any individual, firm, corporation, or other entity.

(d) The Board of Directors shall have the power to construe and apply the provisions of this Section D and to make all determinations necessary or desirable to implement such provisions including, but not limited to, matters with respect to (i) the number of shares of Common Stock beneficially owned by any Person, (ii) whether a Person is an affiliate of another, (iii) whether a Person has an agreement, arrangement, or understanding with another as to the matters referred to in the definition of beneficial ownership, (iv) the application of any other definition or operative provision of this Section D to the given facts, or (v) any other matter relating to the applicability or effect of this Section D.

3. The Board of Directors shall have the right to demand that any Person reasonably believed by the Board of Directors to be a Holder in Excess (or holder of record of Common Stock beneficially owned by any Holder in Excess) supply the Corporation with complete information as to (i) the record owner(s) of all shares beneficially owned by such Holder in Excess, and (ii) any other factual matter relating to the applicability or effect of this section as may reasonably be requested of such Holder in Excess. The Board of Directors shall further have the right to receive from any Holder in Excess reimbursement for all expenses incurred by the Board in connection with its investigation of any matters relating to the applicability or effect of this section on such Holder in Excess, to the extent such investigation is deemed appropriate by the Board of Directors as a result of the Holder in Excess refusing to supply the Corporation with the information described in the previous sentence.

4. Any constructions, applications, or determinations made by the Board of Directors pursuant to this Section D in good faith and on the basis of such information and assistance as was then reasonably available for such purpose, shall be conclusive and binding upon the Corporation and its stockholders.

5. If any provision (or portion thereof) of this Section D shall be found to be invalid, prohibited or unenforceable for any reason, the remaining provisions (or portions thereof) of this Section D shall remain in full force and effect, and shall be construed as if such invalid, prohibited or unenforceable provision had been stricken herefrom or otherwise rendered inapplicable, it being the intent of the Corporation and its stockholders that each such remaining provision (or portion thereof) of this Section D remain, to the fullest extent permitted by law, applicable and enforceable as to all stockholders, including Holders in Excess, notwithstanding any such finding.

This Page Intentionally Left Blank

FORVIS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
BV Financial, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BV Financial, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

FORVIS, LLP

(Formerly Dixon Hughes Goodman LLP)

We have served as the Company's auditor since 2021.

Richmond, Virginia
March 13, 2023

Consolidated Balance Sheets

	12/31/2022	12/31/2021
	(In thousands, except share amounts)	
Assets		
Cash	**$ 12,704**	$ 8,484
Interest-bearing deposits in other banks	**55,948**	102,706
Cash and cash equivalents	**68,652**	111,190
Equity Investment	**221**	-
Securities available for sale	**33,034**	37,793
Securities held to maturity (fair value of **$9,660** and $4,102)	**10,461**	4,059
Loans receivable, net of allowance for loan losses of **$3,813** and $2,666	**659,131**	584,438
Foreclosed real estate	**1,987**	1,987
Premises and equipment, net	**15,176**	15,050
Federal Home Loan Bank of Atlanta stock, at cost	**977**	404
Investment in life insurance	**19,983**	25,966
Accrued interest receivable	**2,952**	2,583
Goodwill	**14,420**	14,420
Intangible assets, net	**1,195**	1,293
Deferred tax assets, net	**9,113**	8,322
Other assets	**7,661**	7,625
Total assets	**$ 844,963**	$ 815,130
Liabilities and Stockholders' Equity		
Liabilities		
Noninterest-bearing deposits	**$ 167,202**	$ 175,019
Interest-bearing deposits	**517,416**	505,006
Total deposits	**684,618**	680,025
FHLB borrowings	**12,000**	-
Subordinated Debentures	**37,039**	36,828
Other liabilities	**13,555**	14,831
Total liabilities	**747,212**	731,684
Stockholders' equity		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued or outstanding		
Common stock, $0.01 par value; 14,000,000 shares authorized 2022 & 2021; **7,418,575** shares issued and **7,418,575** shares outstanding as of 2022; 7,138,221 issued and 7,138,221 outstanding as of 2021	**74**	71
Paid-in capital	**15,406**	9,383
Retained earnings	**84,612**	74,088
Accumulated other comprehensive loss	**(2,341)**	(96)
Total stockholders' equity	**97,751**	83,446
Total liabilities and stockholders' equity	**$ 844,963**	$ 815,130

See notes to consolidated financial statements.

Consolidated Statements of Income

(in thousands, except per share amounts)	Year Ended, 12/31/2022	12/31/2021
Interest Income		
Loans, including fees	$ 31,259	$ 28,728
Investment securities	855	511
Other interest income	1,236	139
Total interest income	33,350	29,378
Interest Expense		
Interest on deposits	1,357	1,896
Interest on FHLB borrowings	11	-
Interest on Subordinated debentures	2,062	1,837
Total interest expense	3,430	3,733
Net interest income	29,920	25,645
Provision for loan losses	1,038	575
Net interest income after provision for loan losses	28,882	25,070
Noninterest Income		
Service fees on deposits	460	444
Fees from debit cards	755	780
Income from investment in life insurance	1,492	683
Gain on sale of foreclosed real estate	-	12
Gain on sale of mortgage loans held for sale	1	57
Gain on sale of premises and equipment	246	-
Gain on bargain purchase of North Arundel Savings Bank (NASB)	1,340	-
Other income	1,371	395
Total noninterest income	5,665	2,371
Noninterest Expense		
Compensation and related benefits	10,130	7,907
Occupancy	1,661	1,685
Data processing	1,419	1,608
Advertising	23	23
Professional fees	607	587
Equipment	436	453
Foreclosed real estate and repossessed assets holding costs	965	227
Amortization of intangible assets	183	176
FDIC insurance premiums	219	190
Merger expenses	1,600	167
Other	2,751	1,594
Total noninterest expense	19,994	14,617
Net income before tax	14,553	12,824
Income tax expense	4,029	3,383
Net income	$ 10,524	$ 9,441
Basic earnings per share	$ 1.42	$ 1.33
Diluted earnings per share	$ 1.41	$ 1.32

See notes to consolidated financial statements.

BV Financial, Inc. and Subsidiaries

	12/31/2022	12/31/2021
	(In thousands)	
Net income	**$ 10,524**	$ 9,441
Other comprehensive loss		
Unrealized loss on securities available for sale	**(3,096)**	(630)
Income tax relating to securities available for sale	**851**	173
Other comprehensive loss	**(2,245)**	(457)
Total comprehensive income	**$ 8,279**	$ 8,984

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common stock	Paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
			(In thousands)			
Balance, December 31, 2020	$ 73	$ 10,919	$ (1,979)	$ 64,647	$ 361	$ 74,021
Net Income	-	-	-	9,441	-	9,441
Other comprehensive loss (net of tax of $173)	-	-	-	-	(457)	(457)
Retirement of Treasury Stock	(3)	(1,976)	1,979	-	-	-
Stock Compensation	1	440	-	-	-	441
Balance, December 31, 2021	**71**	**9,383**	**-**	**74,088**	**(96)**	**83,446**
Net Income	**-**	**-**	**-**	**10,524**	**-**	**10,524**
Shares Issued to M.H.C. for NASB Merger	**2**	**5,458**	**-**	**-**	**-**	**5,460**
Other comprehensive loss (net of tax of $851)	**-**	**-**	**-**	**-**	**(2,245)**	**(2,245)**
Retirement of Treasury Stock	**-**	**-**	**-**	**-**	**-**	**-**
Stock Compensation	**1**	**565**	**-**	**-**	**-**	**566**
Balance, December 31, 2022	**$ 74**	**$ 15,406**	**$ -**	**$ 84,612**	**$(2,341)**	**$ 97,751**

See notes to consolidated financial statements.

STATEMENT OF CASH FLOWS

	12/31/2022	12/31/2021
Cash flows from operating activities	(In thousands)	
Net income	$ 10,524	$ 9,441
Adjustments to reconcile net income to net cash provided by operating activities		
Net accretion of discounts and premiums	(681)	(1,453)
Provision for loan losses	1,038	575
Loss (gain) on sale of foreclosed real estate and other repossessed assets	-	(12)
Originations of loans held for sale	(111)	(2,101)
Proceeds from sale of loans held for sale	110	2,480
Gain on sale of loans held for sale	1	(57)
Gain on bargain purchase	(1,340)	-
Amortization of deferred loan fees/costs	(1,351)	(1,654)
Amortization of intangible assets	183	176
Amortization of debt issuance costs	155	155
Depreciation of premises and equipment	860	847
Deferred tax expense	308	273
Increase in cash surrender value of life insurance	(398)	(683)
Stock-based compensation expense	258	404
(Increase) decrease in accrued interest and other assets	852	1,329
(Decrease) increase in other liabilities	(694)	858
Net cash provided by operating activities	9,714	10,578
Cash flows from investing activities		
Proceeds from maturities and principal payments of investment securities available for sale	7,860	8,061
Purchases of investment securities available for sale	(5,083)	(15,561)
Proceeds from maturities and principal payments of investment securities held to maturity	1,790	1,164
Purchases of investment securities held to maturity	(6,919)	(2,450)
Net (increase) decrease in loans	(40,209)	24,978
Purchase of premises and equipment	(502)	(415)
Proceeds from sale of premises and equipment	939	-
Proceeds from life insurance benefits	6,415	912
Purchase in participation of foreclosed real estate	-	(145)
Proceeds from sale of foreclosed real estate	-	29
Proceeds from sale of Federal Home Loan Bank Stock	510	876
Purchase of Federal Home Loan Bank of Atlanta stock	(1,083)	-
Net cash received in acquisition	8,521	-
Net cash (used in) provided by investing activities	(27,761)	17,449
Cash flows provided by financing activities		
Increase in official checks	648	760
Net (decrease) increase in deposits	(35,662)	5,293
(Decrease) increase in advance payments by borrowers for taxes and insurance	(1,478)	2,932
Stock options exercised	1	36
Repayment of subordinated debt	-	(4,100)
Advances from the Federal Home Loan Bank of Atlanta	24,000	-
Repayments of advances from the Federal Home Loan Bank of Atlanta	(12,000)	(13,748)
Net cash (used in) financing activities	(24,491)	(8,827)
Net (decrease) increase in cash and cash equivalents	(42,538)	19,200
Cash and cash equivalents at beginning of year	111,190	91,990
Cash and cash equivalents at end of year	$ 68,652	$ 111,190
Supplementary cash flows information		
Interest paid	$ 3,431	$ 4,007
Income taxes paid	$ 4,029	$ 2,144
Supplementary noncash transactions		
Net loans transferred to foreclosed real estate and repossessed assets	$ -	$ 35

See notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

BV Financial, Inc. (the "Company") was organized as a federally chartered corporation at the direction of BayVanguard Bank (the "Bank") in January 2005 to become the mid-tier stock holding company for Bay-Vanguard Federal Savings Bank upon the completion of its reorganization into the mutual holding company form of organization. Pursuant to the Plan of Reorganization, the Bank converted to stock form with all of its stock owned by the Company and organized Bay-Vanguard, M.H.C. (the "M.H.C.") as a federally chartered mutual holding company that owned 55% of the common stock of the Company. In February 2019, each of the M.H.C. and the Company became a Maryland chartered corporation. In February 2019, the Company issued 4,099,822 shares to the M.H.C. in connection with the acquisition of Kopernik Bank ("Kopernik"). In January 2022, the Company issued 251,004 shares to the M.H.C. in connection with the acquisition of North Arundel Savings Bank. At December 31, 2022 and December 31, 2021, the M.H.C. owned 86.28% and 86.55% of the common stock of the Company, respectively.

BayVanguard Bank is headquartered in Baltimore, Maryland and is a community-oriented financial institution offering traditional financial services to its local communities. The Bank is engaged primarily in the business of attracting deposits from the general public and using such funds to originate one-to-four family real estate, 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. BayVanguard Bank is a member of the Federal Home Loan Bank System.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Financial Statement Presentation and Significant Estimates

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

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within the Baltimore metropolitan area and 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities

The Company classifies investment securities as held to maturity or available for sale. Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and are reported at amortized cost (including amortization of 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.

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

Federal 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 approximately $976,600 and $404,000 of FHLB restricted stock at December 31, 2022 and December 31, 2021, respectively.

The restricted stock is carried at cost. Management evaluates whether this investment is impaired based on their 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 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 loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees and costs are deferred and recognized as an adjustment to the yield of the related loans. The Company is amortizing these amounts over the contractual life of the loan using the interest method. For purchased loans, the related premium or discount is recognized over the contractual life of the purchased loan and is included as part of interest income. The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonaccrual status, unpaid interest credited to income is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Interest payments on impaired loans are recorded in the same manner as interest payments on nonaccrual loans.

Loans acquired in connection with business combinations are recorded at fair value with no carryover of any allowance for loan losses. Fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest.

The excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable discount and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable discount. These purchase credit impaired ("PCI") loans are accounted for under FASB's Accounting Standards Codification ("ASC 310-30"0, Loans and Debt Securities Acquired with Deteriorated Credit Quality. The non-accretable discount includes estimated future credit losses expected to be incurred over the life of the loan. Subsequent decreases in expected cash flows will require the Company to evaluate the need for an addition to the allowance for loan losses. Subsequent improvement in expected cash flows will result in the reversal of a corresponding amount of the non-accretable discount, which will then be reclassified as accretable discount to be recognized into interest income over the remaining life of the loan.

Loans acquired through business combinations that do not meet the specific criteria of ASC 310-30 are accounted for under ASC 310-20, Receivables - Nonrefundable Fees and Other Costs. These loans are initially recorded at fair value, and include premiums and discounts as acquisition accounting adjustments. These purchase premiums or discounts are subsequently amortized as an adjustment to yield over the estimated contractual lives of the loans. An allowance for loan losses is recorded for any credit deterioration in these loans subsequent to acquisition.

Acquired loans that meet the criteria for impairment or nonaccrual of interest prior to the acquisition may be considered performing upon acquisition, regardless of whether the borrower is contractually delinquent if the Company expects to fully collect the new carrying value (i.e., fair value) of the loans. At acquisition, these loans may have discounts to adjust the loans to fair value. These discounts are considered non-accretable until the loan is paid in full or until an improvement in expected cash flows is illustrated. As such, the Company may no longer consider the loan to be nonperforming and may accrue interest on these loans, including the impact of any accretable discount. In addition, charge-offs on such loans would be first applied to the non-accretable discount.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

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

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

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

The establishment of the allowance for loan losses is significantly affected by management's judgment and uncertainties, and there is a likelihood that different amounts would be reported under different conditions or assumptions. The 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 allowance for loan losses for reasonableness.

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

A loan is considered past due or delinquent when a contractual payment is not paid in the month that it is due. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 December 31, 2022 and 2021.

The Company sells 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 and Repossessed Assets

Foreclosed real estate and repossessed assets are composed of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. 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 loan losses is recorded. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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. 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.

Off-Balance Sheet Financial Instruments

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

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the appropriate period. Diluted earnings per share is computed by dividing net income by the weighted average shares outstanding as adjusted for the dilutive effect of stock options based on the treasury stock method. As of December 31, 2022 and December 31, 2021, the Company had **36,350** and 39,600 shares, respectively of unexercised stock options. Options with an exercise price greater than

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the average market price of the common shares are excluded from the calculation as their effect would be anti-dilutive.

Information related to the calculation of earnings per share is summarized as follows:

	December 31, 2022		December 31, 2021	
	Basic	**Diluted**	Basic	Diluted
	(In thousands, except per share data)			
Net income	**$ 10,524**	**$ 10,524**	$ 9,441	$ 9,441
Weighted average common shares outstanding	**7,409**	**7,409**	7,119	7,119
Dilutive securities				
Stock options	**-**	**22**	-	21
Adjusted weighted average shares outstanding	**7,409**	**7,431**	7,119	7,140
Earnings per share amount	**$ 1.42**	**$ 1.41**	$ 1.33	$ 1.32

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 which require an entity to recognize revenue when it 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 Topic 606, "Revenue from Contracts with Customers". Under Topic 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 Topic 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are typically fixed; charged either on a periodic basis or based on activity. Adoption of the amendments to the revenue recognition principles, did not materially change our accounting policies.

Reclassifications

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

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-03"). This ASU eliminates the delayed recognition of the full amount of credit losses until the loss was probable of occurring and instead will reflect an entity's current estimate of all expected credit losses. The amendments in this ASU broaden the information that an entity must consider in developing its expected estimate for assets measured either collectively or individually. The ASU does not specify a method for measuring expected credit losses and allows an entity to apply methods that reasonably reflect its expectations of the credit loss estimate based on the entity's size, complexity and risk profile. In November 2019, the FASB issued Accounting Standards Update 2019-10, Financial Instruments - Credit Losses (Topic 326, Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates ("ASU 2019-10). This ASU delayed the effective date of ASU 2016-13 to interim and annual periods beginning after December 15, 2022 for smaller reporting companies as defined by the Securities and Exchange Commission. Early adoption is allowed, and the Company has adopted the standard in January 2023. Management's current estimate of the day 1 adjustment upon adoption of this standard to be within the range of $500,000 - $1.5 million. We expect to recognize an increase to the opening allowance for credit losses in the range of $500,000 - $1.5 million.

Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2022 for items that should potentially be recognized or disclosed in these consolidated financial statements. This evaluation was conducted through March 13, 2023, the date these financial statements were available to be issued.

NOTE 2 – MERGER

On January 1, 2022, North Arundel Savings Bank ("NASB") was merged into BayVanguard Bank. At Closing, NASB had approximately $34.2 million in loans and $40.8 million in deposits. As part of this transaction, BV Financial, Inc. issued 251,004 shares to the M.H.C.

The assets acquired and liabilities assumed were accounted for under the acquisition method of accounting. The assets and liabilities were recorded at their fair values as of January 1, 2022 based on management's best estimate using the information available as of the merger date. The application of the acquisition method of accounting resulted in the recognition of bargain purchase gain of $1.3 million and a core deposit intangible of $85,000.

In 2022, the Company incurred merger related expenses of $1.6 million and were recorded in the Consolidated Statements of Income. These costs were expensed as incurred.

NOTE 2 – MERGER (CONTINUED)

A summary of the NASB transaction during the period ended December 31, 2022 follows:

ACQUISITION OF NORTH ARUNDEL SAVINGS BANK (NASB)

	As recorded by NASB	Fair value adjustments		As recorded at acquisition
Fair Value of Equity Acquired				$ 5,460
Cash & Cash Equivalents	$ 8,521	$ -		8,521
Securities held to maturity	772	12	(a)	784
Securities available for sale	1,500	(36)	(a)	1,464
Loans Receivable	34,258	(85)	(b)	34,173
Allowance for Loan Loss	(236)	236	(c)	-
Premises and equipment	258	1,017	(d)	1,275
Core deposit intangible	-	85	(e)	85
Deferred Taxes	49	198	(f)	247
Other Assets	1,259	-		1,259
Total Assets Acquired	46,381	1,427		47,808
Liabilities assumed				
Deposits	40,321	439	(g)	40,760
Advance payments by borrowers for taxes and insurance	121	-		121
Accrued Expenses and other liabilities	127	-		127
Total liabilities assumed	$ 40,569	$ 439		$ 41,008
Net assets acquired				6,800
Bargain purchase gain recorded at merger				$ 1,340

(a) Represents the fair value adjustments to the investment securities at the acquisition date.

(b) Represents the fair value adjustments on the net book value of loans, which includes an interest rate mark and credit mark adjustment which will be amortized over the remaining life of the loans.

(c) Represents the elimination of the NASB allowance for loan loss.

(d) Represents the fair value adjustments to reflect fair value of land and buildings which will be amortized on a straight line basis over the estimated useful lives of the assets.

(e) Represents the intangible asset recorded to reflect the fair value of core deposits. The core deposit asset was recorded as an identified intangible asset and will be amortized on a straight line basis over ten years.

(f) Represents the deferred tax asset resulting from the fair value adjustements related to the acquired assets, liabilities assumed, identified intangibles recorded and for the net operating loss carry forward for NASB.

(g) Represents fair value adjustments on time deposits, which will be treated as a reduction in interest expense over the remaining life of the time deposits.

NOTE 2 – MERGER (CONTINUED)

The fair value of loans acquired from North Arundel Savings Bank was estimated using cash flow projections based on the remaining maturity and repricing terms. Cash flows were adjusted by estimating future credit losses and the rate of prepayments. Projected monthly cash flows were then discounted to present value using a risk-adjusted market rate for similar loans. There was no carryover of North Arundel's allowance for loan losses associated with the loans that were acquired. The core deposit intangible asset recognized is being amortized over its estimated useful life of approximately 10 years utilizing the straight line method. The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. Accordingly, the Company recognizes amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair value.

There were no PCI loans acquired in this transaction.

The following table details the acquired loans as of January 1, 2022:

Contractually required principal at acquisition	$ 34,258
Contractual cash flows not expected to be collected (credit mark)	(394)
Expected cash flows at acquisition	33,863
Interest component of expected cash flows (accretable premium)	309
Fair value of acquired loans	$ 34,173

The NASB merger was a mutual transaction and no consideration was given.

NOTE 3 – SECURITIES

Securities available for sale at December 31, 2022 and December 31, 2021 consisted of the following:

December 31, 2022	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
	(In thousands)			
Available for sale				
Corporate securities	**$ 2,218**	**$ -**	**$ 286**	**$ 1,932**
Mortgage-backed securities	**34,045**	**-**	**2,943**	**31,102**
Total	**$ 36,263**	**$ -**	**$ 3,229**	**$ 33,034**

December 31, 2021	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Available for sale				
Corporate securities	$ 750	$ -	$ -	$ 750
Mortgage-backed securities	37,176	110	243	37,043
Total	$ 37,926	$ 110	$ 243	$ 37,793

NOTE 3 – SECURITIES (CONTINUED)

The Company has pledged securities with an amortized cost of **$40.2 million** and a fair value of **$36.9 million** at December 31, 2022 to secure deposits from municipalities. At December 31, 2021, the Company pledged securities with an amortized cost of $28.5 million and a fair value of $28.4 million to secure deposits from municipalities.

Securities held to maturity at December 31, 2022 and December 31, 2021 consisted of the following:

December 31, 2022	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
		(in thousands)		
Held to maturity				
Corporate securities	**$ 3,200**	**$ -**	**$ 408**	**$ 2,792**
Agencies	**4,009**	**-**	**25**	**3,984**
Mortgage-backed securities	**3,252**	**3**	**371**	**2,884**
Total	**$ 10,461**	**$ 3**	**$ 804**	**$ 9,660**

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Held to maturity				
Corporate securities	$ 2,450	$ 12	$ 26	$ 2,436
Mortgage-backed securities	1,609	57	-	1,666
Total	$ 4,059	$ 69	$ 26	$ 4,102

NOTE 3 – SECURITIES (CONTINUED)

The amortized cost and fair value of securities as of December 31, 2022 and December 31, 2021, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

	Available for sale		Held to maturity	
December 31, 2022	**Amortized cost**	**Fair value**	**Amortized cost**	**Fair value**
		(In thousands)		
Maturing				
Due under one year	**$ 509**	**$ 502**	**$ -**	**$ -**
Due after one year through five years	**9,986**	**9,477**	**4,042**	**4,015**
Due after five years through ten years	**9,160**	**8,631**	**3,840**	**3,383**
Due after ten years	**16,608**	**14,424**	**2,579**	**2,262**
Total	**$ 36,263**	**$ 33,034**	**$ 10,461**	**$ 9,660**

	Available for sale		Held to maturity	
December 31, 2021	Amortized cost	Fair value	Amortized cost	Fair value
		(In thousands)		
Maturing				
Due under one year	$ 15	$ 15	$ -	$ -
Due after one year through five years	8,175	8,107	2	2
Due after five years through ten years	10,570	10,571	2,881	2,874
Due after ten years	19,166	19,100	1,176	1,226
Total	$ 37,926	$ 37,793	$ 4,059	$ 4,102

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

NOTE 3 – SECURITIES (CONTINUED)

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	
December 31, 2022	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
			(In thousands)			
Available for sale						
Corporate securities	$ 286	$ 1,182	$ -	$ -	$ 286	$ 1,182
Mortgage-backed securities	535	10,595	2,408	20,400	2,943	30,995
Total	$ 821	$ 11,777	$ 2,408	$ 20,400	$ 3,229	$ 32,177
Held to maturity						
Corporate securities	$ 244	$ 1,706	$ 164	$ 1,086	$ 408	$ 2,792
Agencies	25	3,984	-	-	25	3,984
Mortgage-backed securities	371	2,811	-	-	371	2,811
Total	$ 640	$ 8,501	$ 164	$ 1,086	$ 804	$ 9,587

	Less than 12 months		Over 12 months		Total	
December 31, 2021	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
			(In thousands)			
Available for sale						
Corporate securities	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities	$ 243	$ 25,541	$ -	$ -	$ 243	$ 25,541
Total	$ 243	$ 25,541	$ -	$ -	$ 243	$ 25,541
Held to maturity						
Corporate securities	$ 26	$ 1,724	$ -	$ -	$ 26	$ 1,724
Mortgage-backed securities	-	-	-	-	-	-
Total	$ 26	$ 1,724	$ -	$ -	$ 26	$ 1,724

All of the securities with unrealized losses in the portfolio have modest duration risk, low credit risk, and minimal unrealized losses when compared to total amortized cost. The unrealized losses on debt securities that exist are the result of market changes in interest rates since original purchase and are not related to credit concerns. Because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be at maturity for debt securities, the Company considers the unrealized losses to be temporary and therefore no impairment has been recorded during the respective periods of presentation.

NOTE 4 – LOANS RECEIVABLE

Loans receivable at December 31, 2022 and December 31, 2021 consisted of the following:

	2022	2021
	(In thousands)	
Real Estate Loans:		
One to four family - owner occupied	**$ 137,742**	$ 140,675
One to four family - non-owner occupied	**125,065**	96,556
Commercial owner occupied	**91,853**	87,077
Commercial investor	**226,854**	170,795
Construction and land	**17,937**	18,731
Farm Loans	**13,823**	12,048
Marine Loans	**15,791**	15,923
Other Consumer	**2,361**	2,529
Guaranteed by the U.S. Government	**4,933**	22,566
Commercial	**28,052**	21,590
Total loans receivable, gross	**664,411**	588,490
Deferred Origination (Fees) Costs, net	**(1,467)**	(1,386)
Allowance for loan losses	**(3,813)**	(2,666)
Total loans receivable, net	**$ 659,131**	$ 584,438

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.

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.

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 loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower.

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

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

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.

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 given default in the event of credit deterioration. Guaranteed by the U.S. Government loans in the table above include $488 thousand and $17.3 million of Paycheck Protection Program (PPP) loans at December 31, 2022 and 2021, respectively. The PPP loans are 100% guaranteed by the Small Business Administration (SBA). A substantial portion of these loans are expected to be forgiven by the SBA. Due to the guarantee from the Federal government and nature of the PPP initiative, there is no allowance for loan losses recorded for PPP loans.

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.

A summary of transactions in the allowance for loan losses during the year ended December 31, 2022 follows:

(In thousands)

	One-to-four Family		Commercial								
	Owner Occupied	Non-owner Occupied	Owner Occupied	Non-owner Occupied	Construction & Land	Farm	Marine	Other Consumer	US Govt Guarantee	Commercial	Total
Allowance											
Beginning balance	$ 258	$ 695	$ 280	$ 1,225	$ 93	$ 2	$ 48	$ 20	$ -	$ 45	$ 2,666
Charge-offs	(7)		-	-	-	-	-	(39)	-	(10)	(56)
Recoveries	43	87	-	-	19	-	-	15	-	1	165
Provision (credit)	50	(220)	86	1,047	(19)	15	15	9	-	55	1,038
Ending balance	$ 344	$ 562	$ 366	$ 2,272	$ 93	$ 17	$ 63	$ 5	$ -	$ 91	$ 3,813
Ending balance individually evaluated for impairment	$ 28	$ 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 30
Ending balance collectively evaluated for impairment	$ 316	$ 560	$ 366	$ 2,272	$ 93	$ 17	$ 63	$ 5	$ -	$ 91	$ 3,783
Financing receivables:											
Ending balance individually evaluated for impairment	$ 2,056	$ 655	$ 1,854	$ 1,432	$ 248	$ -	$ 59	$ 45	$ -	$ -	$ 6,349
Ending balance collectively evaluated for impairment	135,686	124,410	89,999	225,422	17,689	13,823	15,732	2,316	4,933	28,052	658,062
Ending balance	$ 137,742	$ 125,065	$ 91,853	$ 226,854	$ 17,937	$ 13,823	$ 15,791	$ 2,361	$ 4,933	$ 28,052	$ 664,411
								Carrying Amount of PCI Loans			$ 5,104

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

A summary of transactions in the allowance for loan losses during the year ended December 31, 2021 follows:

(In thousands)

	One-to-four family		Commercial									
	Owner occupied	Nonowner occupied	Owner Occupied	Nonowner occupied	Construction & Land	Farm	Marine	Other consumer	US Govt Guarantee	Commercial	Un-Allocated	Total
Allowance												
Beginning balance	$ 223	$ 502	$ 303	$ 561	$ 88	$ -	$ 38	$ 111	$ -	$ 15	$ 92	$ 1,841
Charge offs	(28)	(88)	-	-	-	-	-	(12)	-	-	-	(128)
Recoveries	207	93	-	-	33.00	-	-	45	-	-	-	378
Provision (credit)	(144)	188	(23)	664	(28)	2	10	(124)	-	30	(92)	575
Ending balance	$ 258	$ 695	$ 280	$ 1,225	$ 93	$ 2	$ 48	$ 20	$ -	$ 45	$ -	$ 2,666
Ending balance individually evaluated for impairment	$ 29	$ 2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 31
Ending balance collectively evaluated for impairment	$ 229	$ 693	$ 280	$ 1,225	$ 93	$ 2	$ 48	$ 20	$ -	$ 45	$ -	$ 2,635
Loans												
Ending balance individually evaluated for impairment	$ 2,009	$ 343	$ 320	$ 1,571	$ 245	$ -	$ -	50	$ -	$ -	$ -	$ 4,538
Ending balance collectively evaluated for impairment	138,666	96,213	86,757	169,224	18,486	12,048	15,923	2,479	22,566	21,590	-	583,952
	$ 140,675	$ 96,556	$ 87,077	$170,795	$ 18,731	$ 12,048	$ 15,923	$ 2,529	$ 22,566	$ 21,590	$ -	$ 588,490
									Carrying Amount of PCI Loans			$ 5,469

For the years ended December 31, 2022 and December 31, 2021, no allowance for loan losses were recorded for PCI loans.

For purchased loans that are not deemed impaired at acquisition, credit marks representing losses expected over the life of the loans are a component of the initial fair value. Subsequent to the purchase date, the method utilized to estimate the required allowance for loan losses for these loans is similar to that for originated loans. The Company will only record a provision for loan losses when the required allowance exceeds any remaining credit mark. The differences between the initial fair value and the unpaid principal balance at the date of acquisition are recorded as interest income over the life of the loans. The following table presents changes in the non-accretable yield for PCI loans for the years ended December 31:

(dollars in thousands)	**2022**	2021
Balance at January 1	**$ 1,440**	$ 2,488
From acquisitions	**-**	-
Accretion	**(190)**	(1,048)
Balance at December 31,	**$ 1,250**	$ 1,440

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

The following table presents the outstanding balances and related carrying amounts for all purchased credit impaired loans at the end of the respective periods:

(in thousands)	Contractually Required Payments Receivable	Carrying Amount
At December 31, 2022	**$ 6,354**	**$ 5,104**
At December 31, 2021	6,909	5,469

At December 31, 2022 and 2021, non-accretable discounts totaled **$1.3 million** and $1.4 million, respectively, for PCI loans. Premiums on acquired loans related to the interest rate and maturities of the performing loans in the portfolios were also recognized. As of December 31, 2022 and December 31, 2021, the remaining premium, which will be amortized into income over the lives of these loans, was **$1.6 million** and $1.8 million, respectively.

The contractual and carrying balances of all acquired loans at December 31, 2022 was **$234.9 million** and **$233.7 million**, respectively. The contractual and carrying balances of acquired loans at December 31, 2021 was $279.7 million and $278.3 million, respectively.

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

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

The following table summarizes the classification of the gross loan portfolio at December 31, 2022:

	December 31, 2022 (In thousands)				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate					
One to four family - owner occupied	$ 136,910	$ -	$ 832	$ -	$ 137,742
One to four family - non-owner occupied	120,712	-	4,353	-	125,065
Commercial owner occupied	83,923	-	7,930	-	91,853
Commercial investor	220,096	-	6,758	-	226,854
Construction and land	15,912	-	2,025	-	17,937
Farm Loans	13,823	-	-	-	13,823
Total real estate loans	591,376	-	21,898	-	613,274
Marine loans	15,732	-	59	-	15,791
Other Consumer	2,339	-	22	-	2,361
Guaranteed by the U.S. government	4,933	-	-	-	4,933
Commercial	27,607	-	445	-	28,052
Total consumer and commercial	50,611	-	526	-	51,137
Total loans	$ 641,987	$ -	$ 22,424	$ -	$ 664,411

The following table summarizes classification of the gross loan portfolio at December 31, 2021:

	December 31, 2021 (In thousands)				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate					
One to four family - owner occupied	$ 139,634	$ -	$ 1,041	$ -	$ 140,675
One to four family - non-owner occupied	93,271	146	3,139	-	96,556
Commercial owner occupied	81,806	-	5,271	-	87,077
Commercial investor	168,831	-	1,964	-	170,795
Construction and land	18,356	-	375	-	18,731
Farm loans	12,048	-	-	-	12,048
Total real estate loans	513,946	146	11,790	-	525,882
Marine loans	15,923	-	-	-	15,923
Other consumer	2,503	-	26	-	2,529
Guaranteed by the U.S. government	22,566	-	-	-	22,566
Commercial	21,590	-	-	-	21,590
Total consumer and commercial	62,582	-	26	-	62,608
Total loans	$ 576,528	$ 146	$ 11,816	$ -	$ 588,490

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

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

December 31, 2022 (In thousands)

	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Greater than 90 days and accruing
Real estate loans							
One to four family - owner occupied	$ 2,311	$ 793	$ 896	$ 4,000	$ 133,742	$ 137,742	$ -
One to four family - non-owner occupied	777	170	379	1,326	123,739	125,065	-
Commercial owner occupied	1,048	103	2,056	3,207	88,646	91,853	-
Commercial investor	310	-	1,433	1,743	225,111	226,854	-
Construction and land	-	43	160	203	17,734	17,937	-
Farm loans	-	-	-	-	13,823	13,823	-
Total real estate loans	4,446	1,109	4,924	10,479	602,795	613,274	-
Marine loans	-	-	59	59	15,732	15,791	-
Other consumer	65	-	-	65	2,296	2,361	-
Guaranteed by the U.S. government	-	-	-	-	4,933	4,933	-
Commercial	-	-	-	-	28,052	28,052	-
Total consumer and commercial	65	-	59	124	51,013	51,137	-
Total loans	$ 4,511	$ 1,109	$ 4,983	$ 10,603	$ 653,808	$ 664,411	$ -

December 31, 2021 (In thousands)

	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Greater than 90 days and accruing
Real estate loans							
One to four family - owner occupied	$ 1,449	$ 1,496	$ 737	$ 3,682	$ 136,993	$ 140,675	$ 214
One to four family - non-owner occupied	2,027	138	202	2,367	94,189	96,556	-
Commercial owner occupied	468	178	315	961	86,116	87,077	315
Commercial investor	-	-	-	-	170,795	170,795	-
Construction and land	56	-	245	301	18,430	18,731	-
Farm loans	-	-	-	-	12,048	12,048	-
Total real estate loans	4,000	1,812	1,499	7,311	518,571	525,882	529
Marine loans	-	-	-	-	15,923	15,923	-
Other consumer	59	27	15	101	2,428	2,529	-
Guaranteed by the U.S. government	-	3	-	3	22,563	22,566	-
Commercial	-	8	-	8	21,582	21,590	-
Total consumer and commercial	59	38	15	112	62,496	62,608	-
Total loans	$ 4,059	$ 1,850	$ 1,514	$ 7,423	$ 581,067	$ 588,490	$ 529

Note 4 – LOANS RECEIVABLE (CONTINUED)

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

	12/31/2022	12/31/2021
	(In thousands)	
Real estate loans		
One to four family - owner occupied	**$ 1,371**	$ 1,683
One to four family - non-owner occupied	**585**	270
Commercial owner occupied	**2,167**	172
Commercial investor	**1,433**	-
Construction and land	**247**	245
Farm loans	**-**	-
Total real estate loans	**5,803**	2,370
Marine loans	**59**	-
Other consumer	**22**	26
Guaranteed by the U.S. government	**-**	-
Commercial	**-**	-
Total consumer and commercial loans	**81**	26
Total nonaccrual loans	**$ 5,884**	$ 2,396

Interest that would have been accrued under the terms of the nonaccrual loans was approximately **$240,000** at December 31, 2022 and $168,000 at December 31, 2021.

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

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

The following is a summary of impaired loans by class of loans as of December 31, 2022:

With an allowance recorded	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Real estate loans					
One to four family - owner occupied	$ 100	$ 100	$ 28	$ 103	$ 4
One to four family - non-owner occupied	70	70	2	71	4
Total	170	170	30	174	8
With no allowance recorded					
Real estate loans					
One to four family - owner occupied	1,956	1,956	-	2,789	93
One to four family - non-owner occupied	585	585	-	632	39
Commercial owner occupied	1,854	1,854	-	1,406	77
Commercial investor	1,432	1,432	-	1,889	99
Construction and land	248	248	-	203	26
Marine Loans	59	59	-	15	3
Other consumer	45	49	-	56	7
Guaranteed by the U.S. Government	-	-	-	15	-
Commercial	-	-	-	2	-
Total	6,179	6,183	-	7,006	344
Combined					
Real estate loans					
One to four family - owner occupied	2,056	2,056	28	2,892	97
One to four family - non-owner occupied	655	655	2	703	43
Commercial owner occupied	1,854	1,854	-	1,406	77
Commercial investor	1,432	1,432	-	1,889	99
Construction and land	248	248	-	203	26
Marine Loans	59	59	-	15	3
Other consumer	45	49	-	56	7
Guaranteed by the U.S. Government	-	-	-	15	-
Commercial	-	-	-	2	-
Total	$ 6,349	$ 6,353	$ 30	$ 7,180	$ 352

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

The following is a summary of impaired loans by class of loans as of December 31, 2021:

	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Real estate loans					
One to four family - owner occupied	$ 106	$ 106	$ 29	$ 109	$ 5
One to four family - non-owner occupied	73	73	2	484	4
Total	179	179	31	593	9
With no allowance recorded					
Real estate loans					
One to four family - owner occupied	1,903	1,903	-	1,816	96
One to four family - non-owner occupied	270	270	-	516	13
Commercial owner occupied	320	320	-	2,942	25
Commercial investor	1,571	1,571	-	2,041	8
Construction and land	245	245	-	252	17
Other consumer	50	54	-	66	7
Total	4,359	4,363	-	7,633	166
Combined					
Real estate loans					
One to four family - owner occupied	2,009	2,009	29	1,925	101
One to four family - non-owner occupied	343	343	2	1,000	17
Commercial owner occupied	320	320	-	2,942	25
Commercial investor	1,571	1,571	-	2,041	8
Construction and land	245	245	-	252	17
Other consumer	50	54	-	66	7
Total	$ 4,538	$ 4,542	$ 31	$ 8,226	$ 175

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

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

The status of TDRs as of December 31, 2022 and December 31, 2021 follows:

		December 31, 2022		
	Number of	recorded investment		
	contracts	Performing	Nonperforming	Total
			(In thousands)	
Real estate loans				
One to four family - owner occupied	**8**	**$ 559**	**$ 256**	**$ 815**
One to four family - non-owner occupied	**1**	**70**	**-**	**70**
Commercial owner occupied real estate	**2**	**320**	**-**	**320**
Commercial investor real estate	**1**	**205**	**-**	**205**
Other Consumer	**1**	**23**	**-**	**23**
	13	**$ 1,177**	**$ 256**	**$ 1,433**

		December 31, 2021		
	Number of	recorded investment		
	contracts	Performing	Nonperforming	Total
			(In thousands)	
Real estate loans				
One to four family - owner occupied	6	$ 515	$ 198	$ 713
One to four family - non-owner occupied	1	73	-	73
Commercial owner occupied real estate	2	148	172	320
Commercial investor real estate	1	1,570	-	1,570
Other Consumer	1	24	-	24
	11	$ 2,330	$ 370	$ 2,700

In 2022, one TDR with a balance of $110,871 defaulted and was placed on nonaccrual. In 2021, four loans with a balance of $386,758 defaulted and were placed on nonaccrual.

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

The following TDRs were modified during the year ended December 31, 2022:

		December 31, 2022		
	Number of	recorded investment		
	contracts	Performing	Nonperforming	Total
			(In thousands)	
Real estate loans				
One to four family - owner occupied	**1**	**$ 29**	**$ -**	**$ 29**
	1	**$ 29**	**$ -**	**$ 29**

There were no TDRs modified during the year ended December 31, 2021.

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

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

Amounts representing credit risk	**12/31/2022**	12/31/2021
	(In thousands)	
Available lines of credit	**$ 66,166**	$ 56,396
Letters of credit	**978**	1,810
Total	**$ 67,144**	$ 58,206

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2022 and December 31, 2021 are summarized by major classification as follows:

	Useful life in years	12/31/2022	12/31/2021
		(In thousands)	
Land	-	$ 3,706	$ 3,718
Buildings	15 - 40	12,364	11,829
Leasehold improvements	5 - 10	306	306
Furniture, fixtures, and equipment	3 - 10	2,879	2,496
Premises and equipment, gross		19,255	18,349
Accumulated depreciation		(4,079)	(3,299)
Premises and equipment, net of accumulated depreciation		$ 15,176	$ 15,050

Depreciation expense for the years ended December 31, 2022 and December 31, 2021 was **$860,000** and $847,000, respectively.

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

In January 2022, the Company acquired North Arundel Savings Bank and recorded a core deposit intangible of $85,000 and the Bank recognized a bargain purchase gain of $1.3 million. The core deposit intangible is being amortized over ten years.

In October 2020, the Company acquired Delmarva Bancshares and its subsidiary, 1880 Bank. As a result of this transaction, the Company recorded goodwill totaling $13.3 million and a core deposit intangible of $215,000. The goodwill and core deposit intangible are not deductible for purposes due to the structure of the transaction. The core deposit intangible is being amortized over ten years. The goodwill and core deposit intangible are evaluated annually for impairment.

In February 2020, the Company acquired MB Bancorp, Inc. and its subsidiary, Madison Bank of Maryland. As a result of this transaction, the Bank recorded a core deposit intangible of $196,000 and the Company recognized a bargain purchase gain of $3.3 million. The core deposit intangible is not deductible for tax purposes due to the structure of the transaction. The core deposit intangible is being amortized over ten years. The core deposit intangible is evaluated annually for impairment.

The activity in acquired intangible assets related to the mergers for the years ended December 31, 2022 and ended December 31, 2021 is as follows:

	12/31/2022	12/31/2021
	(In thousands)	
Net carrying amount at beginning of period	$ 1,293	$ 1,469
Core deposit intangible from the mergers	85	-
Amortization	(183)	(176)
Net carrying amount at end of the period	$ 1,195	$ 1,293

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

At December 31, 2022 future estimated annual amortization expense is as follows:

Year ending	
(in thousands)	
2023	$ 184
2024	181
2025	180
2026	180
2027	180
Thereafter	290
Total Estimated Amortization Expense	$ 1,195

NOTE 7 – DEPOSITS

Deposits are summarized as follows:

	12/31/2022	12/31/2021
	(In thousands)	
Noninterest-bearing checking accounts	**$ 167,202**	$ 175,019
Interest-bearing checking accounts	**96,829**	94,059
Money market accounts	**102,301**	98,639
Savings accounts	**171,772**	170,391
Certificates of deposit	**146,514**	141,917
Total deposits	**$ 684,618**	$ 680,025

At December 31, 2022, the Bank had two account relationships from local government entities that comprised 3.5% and 3.1% of total deposits, respectively.

At December 31, 2022 and December 31, 2021, the Bank had **$28.6 million** and $28.4 million in certificates of deposit of $250,000 or more, respectively. Deposits in excess of $250,000 may not be insured by the FDIC.

At December 31, 2022 scheduled maturities of certificates of deposit are as follows (in thousands):

Year ending December 31,	
2023	$ 83,295
2024	29,561
2025	18,192
2026	5,139
2027	10,038
Thereafter	289
Total certificates of deposit	$ 146,514

NOTE 8 – BORROWINGS

A summary of the Company's borrowings at December 31 for the years indicated is as follows:

Dollars in thousands	Maturity	2022 Balance	2022 Rate	2021 Balance	2021 Rate
Federal Home Loan Bank Advance	2023	**$ 12,000**	**4.58%**	$ -	
BV Financial Inc. Series 2020 Notes	2030	**35,000**	**4.88%**	35,000	4.88%
Easton Capital Trust I	2034	**3,093**	**LIBOR+2.85%**	3,093	LIBOR+2.85%
Total borrowings, gross		**$50,093**		$38,093	
Less: debt issuance costs		**(427)**		(583)	
Add: net fair value adjustments on acquired borrowings		**627**		682	
Total borrowings, net		**$49,039**		$36,828	

The Bank has an agreement under a blanket floating lien with the FHLB providing the Bank a line of credit of up to 25% of its total assets limited to the lendable collateral value of qualified assets the Bank has to pledge to support its borrowings. At December 31, 2022 and December 31, 2021, the Bank had credit availability of **$96.8 million** and $118.3 million, respectively.

At December 31, 2022, the Bank had **$12.0 million** in FHLB advances outstanding and no FHLB advances outstanding at December 31, 2021. Additionally, at December 31, 2022 and December 31, 2021, the Bank had **$40.0 million** in unfunded letters of credit used to secure municipal deposits outstanding against the FHLB line of credit.

The Bank is required to maintain qualified mortgage loans as collateral for its FHLB advances and letters of credit in an amount equal to 100% of the outstanding advances. As of December 31, 2022 and December 31, 2021, the Bank pledged **$148.9 million** and $172.0 million of gross loans to the FHLB for advances, respectively. Additionally, at December 31, 2022 and December 31, 2021, the Bank had a **$20.0 million** in an unsecured demand line of credit facility with a correspondent bank, which had no outstanding balance.

BV Financial Inc. issued $35.0 million in Fixed-to-Floating Rate Subordinated Notes Due 2030 on October 21, 2020. The proceeds were used in the purchase of Delmarva Bancshares and to retire the Delmarva 2015 Senior notes on January 4, 2021, the first payment date after the acquisition. The interest rate on these notes is fixed for the first five years at 4.875% and then will reset quarterly to an interest rate per annum equal to the then current three-month term Secured Overnight Financing Rate ("SOFR") (provided, however that in the event the three-month SOFR is less than zero, three-month term SOFR shall be deemed to be zero) plus 472 basis points, payable quarterly in arrears. The Company may begin redeeming these notes on the December 30, 2025 payment date. Issuance costs of $738,000 at December 31, 2020 are being amortized into expense on a monthly basis of which $427,000 remains at December 31, 2022.

The Easton Capital Trust Junior Subordinated Notes were issued by Easton Bank & Trust and assumed by Delmarva Bancshares, Inc. on July 15, 2015 and then assumed by the Company on October 31, 2020. The Company acquired $3.0 million of junior subordinated debt of Easton Capital Trust I, to fully and unconditionally guarantee the preferred securities issued by the Easton Trust. These long-term obligations, which qualify as Tier 1 capital, constitute a full and unconditional guarantee by the Company of the Easton Capital Trust obligations. The junior subordinated debt will mature on February 8, 2034, but may called no earlier than February 8, 2009, if certain conditions, including regulatory approvals, are met. The junior

NOTE 8 – BORROWINGS (CONTINUED)

subordinated debentures, which are the only assets of the trust, are subordinate to all present and future senior indebtedness of the Company. The junior subordinated debt accrues interest at a floating rate equal to the 3-month LIBOR plus 2.85%, payable quarterly. The quarterly interest rate on the debentures was 7.29% at December 31, 2022. The quarterly distributions on the preferred securities will be paid at the same rate that interest is paid on the junior subordinated debentures. In accordance with ASC 810-10-15-14 "Consolidation-Overall-Scope and Scope Exceptions," the Company did not eliminate through consolidation the Company's $93,000 equity investment in Easton Capital Trust I. Instead, the Company reflected this equity investment in the "Other assets" line item in the consolidated balance sheets.

In conjunction with the Company's acquisition of Delmarva Bancshares, the Delmarva 2015 Senior notes had a fair market value premium of $203,000. The Easton Capital Trust I Notes had a fair market value discount of $739,000. The premium on the Delmarva 2015 notes was fully accreted into income upon payoff in January 2021. The discount on the Easton capital notes is being amortized as an adjustment to yield on a monthly basis.

NOTE 9 – PROFIT SHARING AND DEFERRED COMPENSATION AGREEMENTS

The Bank has a profit sharing plan and a 401(k) plan for all eligible employees. Contributions to the plans are discretionary by the Board of Directors. For the year ended December 31, 2022 the Company had a maximum match contribution of 5%. For the years ended December 31, 2022 and December 31, 2021, expenses of **$72,000** and $61,000 were incurred for the 401(k) plan, respectively. In the years ended December 31, 2022 and 2021, the Company accrued **$0** for the profit-sharing plan.

The Company has supplemental executive retirement agreements with four retired executive officers. Under the agreements, each executive receives a stated annual benefit in monthly installments. All executives covered by these agreements are receiving benefits under the terms of the agreements. During the years ended December 31, 2022 and December 31, 2021, benefits of **$248,000** and $247,000 were paid in accordance with the agreements, respectively.

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

The Company agreed to maintain post-retirement agreements with two former directors of Vigilant Federal Savings Bank that the Company acquired in 2013. The agreements call for the Company to pay the premiums for supplemental health insurance for the directors and their spouses for life.

The Company has entered into salary continuation agreements with the Co-CEOs of the Company. Under these agreements, the executives will receive a stated annual benefit in monthly installments for 15 years following separation from service subject to service time and age. If the executive dies after monthly

NOTE 9 – PROFIT SHARING AND DEFERRED COMPENSATION AGREEMENTS (CONTINUED)

payments have commenced under the agreement, the executive's beneficiary will receive the present value of the remaining installments.

The accrued liabilities for the executive retirement agreements were **$2.3 million** and $2.4 million and for the director retirement agreements were **$256,000** and $290,000 at December 31, 2022 and December 31, 2021, respectively. The Company recognized compensation expense related to these plans of **$182,000** and $179,000 during the years ended December 31, 2022 and December 31, 2021, respectively.

Accounting standards require the recognition of a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Bank-owned life insurance policies purchased for this purpose do not effectively settle the Company's obligation to the employee in this regard and thus the Company records a benefit cost and a related liability. As of December 31, 2022 and December 31, 2021, the Company has recorded a liability of **$292,000** and $1.4 million, respectively, for this benefit.

NOTE 10 – EQUITY INCENTIVE PLAN

Stock Options

On December 14, 2017, the Company granted 52,000 stock options to officers and employees of the Company of which **36,350** and 30,600 were exercisable at December 31, 2022 and December 31, 2021, respectively. The options were granted with an exercise price at the then fair market value of the stock of $8.65, scheduled to vest over five years and expire ten years from the date of grant.

Information with respect to employee options outstanding during the years ended December 31, 2022 and December 31, 2021:

	12/31/2022		12/31/2021	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Outstanding at beginning of period	**39,600**	**$ 8.65**	51,950	$ 8.13
Granted	**-**	**-**	-	-
Exercised	**3,250**	**8.65**	8,350	5.52
Expired/cancelled/forfeited	**-**	**8.65**	4,000	8.65
Outstanding at end of period	**36,350**	**$ 8.65**	39,600	$ 8.65
Exercisable at end of period	**36,350**	**$ 8.65**	30,600	$ 8.65

NOTE 10 – EQUITY INCENTIVE PLAN (CONTINUED)

A summary of information about stock options outstanding is as follows at December 31, 2022 and December 31, 2021:

	Weighted average exercise price	Outstanding shares	Remaining life (years)	Exercisable shares
	$ 8.65	**36,350**	**6.0**	**36,350**
		36,350		**36,350**
Intrinsic value on December 31, 2022		**$ 594,323**		**$ 594,323**

	Weighted average exercise price	Outstanding shares	Remaining life (years)	Exercisable shares
	$ 8.65	39,600	6.0	30,600
		39,600		30,600
Intrinsic value on December 31, 2021		$ 453,420		$ 350,370

The aggregate intrinsic values are presented in the preceding tables are calculated as the difference between the estimated fair value of the stock as of December 31, 2022 and December 31, 2021, and the exercise price of the options multiplied by the number of options outstanding as of the aforementioned dates.

The Company recognized **$3,250** and $7,000 in compensation expense during the years ended December 31, 2022 and December 31, 2021, respectively, relating to the granting of stock options.

As of December 31, 2022 and December 31, 2021, there was **$1,850** and $5,100, respectively, in future compensation expense associated with outstanding stock options.

NOTE 10 – EQUITY INCENTIVE PLAN (CONTINUED)

Restricted Stock

In 2022, the Company granted 14,840 shares of restricted stock to Board members and certain executive officers.

A summary of the activity for the years ended December 31, 2022 and December 31, 2021 is presented below:

	Number of Common Shares		Weighted Average Grant Date Fair Value/Share
Restricted Stock at January 1, 2022	**14,100**		**18.06**
Granted	**14,840**	**$**	**21.59**
Vested	**(8,636)**	**$**	**19.27**
Forfeited	**-**	**$**	**-**
Restricted Stock at December 31, 2022	**20,304**	**$**	**20.13**

	Number of Common Shares		Weighted Average Grant Date Fair Value/Share
Restricted Stock at January 1, 2021	-		
Granted	18,300	$	18.07
Vested	(4,200)	$	18.12
Forfeited	-	$	-
Restricted Stock at December 31, 2021	14,100	$	18.06

The Company recognized **$253,000** and $155,000 in compensation expense during the years ended December 31, 2022 and December 31, 2021, respectively, relating to the granting of restricted stock.

As of December 31, 2022 and December 31, 2021, there was **$172,800** and $175,500, respectively, in future compensation expense associated with restricted stock.

NOTE 11 – REGULATORY MATTERS

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

NOTE 11 – REGULATORY MATTERS (CONTINUED)

practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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

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

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.

NOTE 11 – REGULATORY MATTERS (CONTINUED)

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

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
December 31, 2022	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In thousands)			
Tier 1 Leverage ratio	**$ 109,939**	**13.39%**	**$ 32,845**	**4.00%**	**$ 41,057**	**5.00%**
Tier 1 capital (to risk-weighted assets)	**$ 109,939**	**16.76%**	**$ 55,762**	**8.50%**	**$ 52,482**	**8.00%**
Common Equity Tier 1 Capital Ratio (to risk-weighted assets)	**$ 109,939**	**16.76%**	**$ 45,922**	**7.00%**	**$ 42,642**	**6.50%**
Total Capital ratio (to risk-weighted assets)	**$ 113,757**	**17.34%**	**$ 68,883**	**10.50%**	**$ 65,602**	**10.00%**
December 31, 2021						
Tier 1 Leverage ratio	$ 93,211	11.79%	$ 31,612	4.00%	$ 39,516	5.00%
Tier 1 capital (to risk-weighted assets)	$ 93,211	17.57%	$ 46,096	8.50%	$ 42,443	8.00%
Common Equity Tier 1 Capital Ratio (to risk-weighted assets)	$ 93,211	17.57%	$ 37,138	7.00%	$ 34,485	6.50%
Total Capital ratio (to risk-weighted assets)	$ 95,890	18.07%	$ 55,707	10.50%	$ 53,054	10.00%

As of December 31, 2022, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain ratios as set forth in the table. There have been no conditions or events since that notification that management believes have changed the Bank's category.

The Federal Deposit Insurance Corporation, through formal or informal agreement, has the authority to require an institution to maintain higher capital ratios than those provided by statute, to be categorized as well capitalized under the regulatory framework for prompt corrective action.

The Bank was allowed a special bad debt deduction at various percentages of otherwise taxable income for various years through December 1, 1987. If the amounts, which qualified as deductions for federal income tax purposes prior to December 31, 1987 are later used for purposes other than to absorb loan losses, including distributions in liquidations, they will be subject to federal and state income tax at the then current corporate rate. Retained earnings at December 31, 2022 and December 31, 2021 included **$1.5 million** for which no provision for income tax has been provided. The unrecorded deferred income tax liability on the above amount was approximately **$413,000**.

NOTE 11 – REGULATORY MATTERS (CONTINUED)

Federal regulations impose limitations upon all capital distributions by an insured depository institution, including cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. Under the regulations, an application to and prior approval of the Federal

Deposit Insurance Corporation is required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under Federal Deposit Insurance Corporation regulations (i.e., generally, examination and Community Reinvestment Act ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with the Federal Deposit Insurance Corporation.

The Board of Directors of the M.H.C. determines whether the M.H.C. will waive or receive dividends declared by the Company each time the Company declares a dividend. The M.H.C. may elect to receive dividends and utilize such funds to pay general corporate expenses. The M.H.C. is required to apply to the Board of Governors of the Federal Reserve System with written notice of its intent to waive its dividends prior to the proposed declaration date of the dividend. The Board of Governors of the Federal Reserve System has issued an interim final rule providing that it will not object to dividend waivers under certain circumstances where the waiver is not detrimental to the safe and sound operation of the savings institution and a majority of the mutual holding company's members have approved the waiver of dividends by the mutual holding company within the previous twelve months. If a waiver is granted, dividends waived by the M.H.C. will be excluded from the Company's capital accounts for purposes of calculating dividend payments to minority shareholders. Through December 31, 2022, the M.H.C. waived the right to receive its portion of the cash dividends paid, which totaled $1.2 million on a cumulative basis.

In connection with the purchase of Kopernik Bank on February 28, 2019, the Company and Bay-Vanguard M.H.C. each became a Maryland chartered bank holding company. As such, Bay-Vanguard M.H.C. lost its ability to waive cash dividends paid by the Company.

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

NOTE 12– INCOME TAXES

The income tax provision consisted of the following for the years ended December 31, 2022 and December 31, 2021:

	12/31/2022	12/31/2021
	(In thousands)	
Current expense		
Federal	**$ 2,466**	$ 2,181
State	**1,255**	929
Total Current Expense	**3,721**	3,110
Deferred expense	**308**	273
Income tax expense	**$ 4,029**	$ 3,383

NOTE 12 – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and December 31, 2021 are presented below:

	12/31/2022	12/31/2021
	(In thousands)	
Deferred tax assets		
Deferred compensation	**$ 715**	$ 743
Allowance for loan losses	**1,061**	746
Merger fair value adjustments	**2,497**	3,105
Goodwill impairment	**-**	42
Foreclosed real estate write-downs and deferred gain	**273**	273
Net operating loss carryover	**7,011**	7,075
Nonaccrual interest	**66**	29
Other	**1,526**	537
Total deferred tax assets	**13,149**	12,550
Deferred tax liabilities		
Prepaid expenses	**145**	146
Core deposit intangible	**329**	364
Depreciation	**3,562**	3,718
Total deferred tax liabilities	**4,036**	4,228
Total deferred tax assets, net	**$ 9,113**	$ 8,322

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

	12/31/2022		12/31/2021	
	Amount	Percent of pretax income	Amount	Percent of pretax income
	(In thousands)			
Statutory federal income tax rate	**$ 3,262**	**21.0 %**	$ 2,693	21.0 %
State tax, net of federal income tax provision	**1,018**	**6.6**	938	7.3
Tax exempt income	**(787)**	**(5.1)**	(144)	(1.1)
Nondeductible merger expenses	**373**	**2.4**	66	0.5
Other	**163**	**1.1**	(170)	(1.3)
Income Tax Expense	**$ 4,029**	**26.0 %**	$ 3,383	26.4 %

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

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

NOTE 12 – INCOME TAXES (CONTINUED)

for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 13 – RELATED-PARTY TRANSACTIONS

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, officers, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The following table presents a summary of the activity of loans receivable from related parties during the years ended December 31, 2022 and December 31, 2021:

	12/31/2022	12/31/2021
	(In thousands)	
Balance, beginning	**$ 37**	$ 484
Advances	**-**	-
New related party	**-**	-
Less: retired directors	**-**	-
Repayments	**(20)**	(447)
Balance, ending	**$ 17**	$ 37

Deposits of related parties totaled **$1.9 million** and $1.6 million as of December 31, 2022 and December 31, 2021, respectively.

NOTE 14 – LEASING ARRANGEMENTS

The Company leases real estate properties for a portion of its network of bank branches. All of the Company's leases are currently classified as operating.

The following table shows the operating lease right of use assets and operating lease liabilities as of December 31, 2022 and 2021:

	Consolidated Balance Sheet classification	**December 31, 2022**	December 31, 2021
		(in thousands)	
Operating lease right of use asset	Other assets	**$617**	$1,203
Operating lease liabilities	Other liabilities	**$645**	$1,231
Other information related to leases:			
Weighted average remaining lease term of operating leases		**3.9 years**	4.9 years
Weighted average discount rate of operating leases		**3.74%**	3.56%
Cash paid for amounts included in the measurement of lease liabilities		**$220,000**	$221,000

NOTE 14 – LEASING ARRANGEMENTS (CONTINUED)

Operating lease costs included in occupancy expense in the Consolidated Statement of Income for the years ended December 31, 2022 and December 31, 2021 were **$273,000** and $344,000, respectively.

Future undiscounted lease payments for operating leases, including those option years for which the Company is reasonably certain to renew, are as follows:

Year ending December 31,	Amount
2023	$ 171
2024	140
2025	140
2026	121
2027	63
Thereafter	-
Total undiscounted lease payments	635
Add: imputed interest	10
Present value of operating lease liabilities	$ 645

NOTE 15 – CONTINGENCIES

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

NOTE 16 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

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

Assets measured at fair value on a recurring basis by level within the fair value hierarchy used at December 31, 2022 and December 31, 2021, are as follows:

December 31, 2022	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs
		(In thousands)		
Securities available for sale				
Corporate securities	**$ 1,932**	**$ -**	**$ 1,932**	**$ -**
Mortgage-backed securities	**31,102**	**-**	**31,102**	**-**
	$ 33,034	**$ -**	**$ 33,034**	**$ -**
December 31, 2021				
Securities available for sale				
U.S. government agency securities	$ 750	$ -	$ 750	$ -
Mortgage-backed securities	37,043	-	37,043	-
	$ 37,793	$ -	$ 37,793	$ -

The following valuation techniques were used to measure the fair value of assets in the table above on a recurring basis as of December 31, 2022 and December 31, 2021.

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

Assets measured at fair value on a nonrecurring basis by level within the fair value hierarchy used at December 31, 2022 and December 31, 2021, are as follows:

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

December 31, 2022			Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs
			(In thousands)		
Impaired loans	**$**	**6,349**	**$ -**	**$ -**	**$ 6,349**
Foreclosed real estate and repossessed assets		**1,987**	**-**	**-**	**1,987**
	$	**8,336**	**$ -**	**$ -**	**$ 8,336**
December 31, 2021					
Impaired loans	$	4,538	$ -	$ -	$ 4,538
Foreclosed real estate and repossessed assets		1,987	-	-	1,987
	$	6,525	$ -	$ -	$ 6,525

The following valuation techniques were used to measure the fair value of assets in the tables above on a nonrecurring basis as of December 31, 2022 and December 31, 2021.

Impaired loans - Loans included in the table have been measured for impairment generally based on the fair value of the loan's collateral. Fair value was determined based upon a discounted cash flow from the expected proceeds of the underlying collateral. These loans are included as Level 3 fair value, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balance reduced by any specific impairment reserve.

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

Foreclosed real estate and repossessed assets - Fair value of foreclosed assets was based on the Company's appraisal of the property less costs to sell. This value was determined from a current industry standard appraisal guide based on the value of similar properties adjusted for factors including condition and location of property.

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in the balance of foreclosed real estate and repossessed assets during the years ended December 31, 2022 December 31, 2021, were as follows:

	12/31/2022	12/31/2021
	(In thousands)	
Beginning of period balance	**$ 1,987**	$ 2,790
Improvements and additions	-	180
Merger fair market value adjustment	-	(966)
Proceeds from sale	-	(29)
Gain (loss) on sale	-	12
End of period balance	**$ 1,987**	$ 1,987

At December 31, 2022 and December 31, 2021, the Company had **$114,000** and $861,000 in residential mortgages in the process of foreclosure.

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

Cash and Cash Equivalents

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

Time Deposits in Other Banks

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

Investment Securities

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

Loans Receivable

The fair value of loans receivable were determined using an exit price methodology as prescribed by FASB Accounting Standard Codifications. The exit price estimation of fair value is based on the present value of the expected cash flows. The projected cash flows are based on the contractual terms of the loans, adjusted for prepayments and use of a discount rate based on the relative risk of the cash flows, taking into account the loan type, maturity of the loan, liquidity risk, servicing costs, and a required return on debt and capital.

The Company follows ASC Topic 820, Fair Value Measurements which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or on a nonrecurring basis. ASC Topic 820 defines fair value as the exchange price that would be received for an

NOTE 16 – FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Deposits

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

Advances from the Federal Home Loan Bank of Atlanta

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

Off-Balance Sheet Credit Related Instruments

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair values of these instruments were not significant at December 31, 2022 and December 31, 2021.

The following table summarizes the carrying amounts and fair values of financial instruments at December 31, 2022 and December 31, 2021:

		December 31, 2022		December 31, 2021	
	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		(In thousands)			
Financial assets					
Cash and cash equivalents	Level 1	**$ 68,652**	**$ 68,652**	$ 111,190	$ 111,190
Securities held to maturity	Level 2	**10,461**	**9,906**	4,059	4,102
Federal Home Loan Bank of Atlanta stock	Level 2	**977**	**977**	404	404
Loans receivable	Level 3	**659,131**	**639,027**	584,438	589,064
Accrued interest receivable	Level 2	**2,952**	**2,952**	2,583	2,583
Financial liabilities					
Deposits	Level 3	**$ 684,618**	**$ 551,348**	$ 680,025	$ 619,350
FHLB Borrowings	Level 3	**$ 12,000**	**$ 11,976**		
Subordinated Debentures	Level 3	**37,039**	**33,595**	36,828	37,449
Accrued interest payable	Level 2	**110**	**110**	79	79

NOTE 17 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

Information as to the financial position of BV Financial, Inc. and its results of operations and cash flows as of and for the years ended December 31, 2022 and December 31, 2021, are summarized below.

Statement of Financial Condition	**12/31/2022**	12/31/2021
	(in thousands)	
Assets		
Cash	**$ 3,820**	$ 4,073
Equity investment	**221**	-
Investment in subsidiary	**123,436**	109,320
Goodwill	**6,326**	6,326
Other assets	**1,056**	592
Total Assets	**$ 134,859**	$ 120,311
Liabilities and Stockholders Equity		
Borrowings	**37,039**	36,828
Other Liabilities	**69**	37
Total Liabilities	**37,108**	36,865
Total Stockholders Equity	**97,751**	83,446
Total Liabilities & Stockholders Equity	**$ 134,859**	$ 120,311

Statement of Income	**12/31/2022**	12/31/2021
Interest income	**$ -**	$ -
Cash dividends from subsidiary	**1,900**	1,350
Equity security valuation adjustment	**(28)**	-
Total interest and dividend income	**1,872**	1,350
Interest Expense	**2,062**	1,807
Net interest and dividend income	**(190)**	(457)
Noninterest expense	**111**	163
Income (loss) before tax	**(301)**	(620)
Income tax benefit	**462**	414
Income (loss) before equity in net income if subsidiary	**161**	(206)
Equity in undistributed net income of subsidiary	**10,363**	9,647
Net Income	**$ 10,524**	$ 9,441

NOTE 17 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

Statements of Cash Flows	**12/31/2022**	12/31/2021
	(In thousands)	
Cash flows from operating activities		
Net income	**$ 10,524**	$ 9,441
Adjustments to reconcile net income to net cash used by operating activities		
Equity in net income of subsidiary	**(10,363)**	(9,647)
Amortization of debt issuance costs and debt fair value adjustments	**211**	8
Non-cash income-Equity security valuation adjustment	**28**	-
Stock based compensation expense	**-**	183
(Decrease) increase in other assets	**(463)**	63
Increase (decrease) in other liabilities	**32**	(663)
Net cash (used in) operating activities	**(31)**	(615)
Cash flows from investing activities		
Investment in Equity Securities	**(250)**	-
Net cash used in investing activities	**(250)**	-
Cash flows from financing activities		
Net proceeds from issuance of subordinated debt	**-**	-
Repayment of subordinated debt	**-**	(4,100)
Stock options exercised	**28**	36
Net cash (used in) provided by financing activities	**28**	(4,064)
Increase (decrease) in cash and cash equivalents	**(253)**	(4,679)
Cash and cash equivalents at beginning of period	**4,073**	8,752
Cash and cash equivalents at end of period	**$ 3,820**	$ 4,073

This Page Intentionally Left Blank

Locations

Anne Arundel County
Mountain Road
125 Mountain Road
Pasadena, Maryland 21122

Baltimore County
Main Office
7114 North Point Road
Edgemere, Maryland 21219

Dundalk
3101 North Point Road
Baltimore, Maryland 21222

Essex
532 Eastern Boulevard
Baltimore, Maryland 21221

Perry Hall
8639 Belair Road
Baltimore, Maryland 21236

Baltimore City
Bayview
6201 Eastern Avenue
Baltimore, Maryland 21224

Locust Point
921 East Fort Avenue, Suite 102
Baltimore, Maryland 21230

Dorchester County
Cambridge-High Street
304 High Street
Cambridge, Maryland 21613

Cambridge-Woods Road
803 Woods Road
Cambridge, Maryland 21613

Hurlock
100 Pine Street
Hurlock, Maryland 21643

Harford County
Aberdeen
501 South Stepney Road
Aberdeen, Maryland 21001

Forest Hill
1920 Rock Spring Road
Forest Hill, Maryland 21050

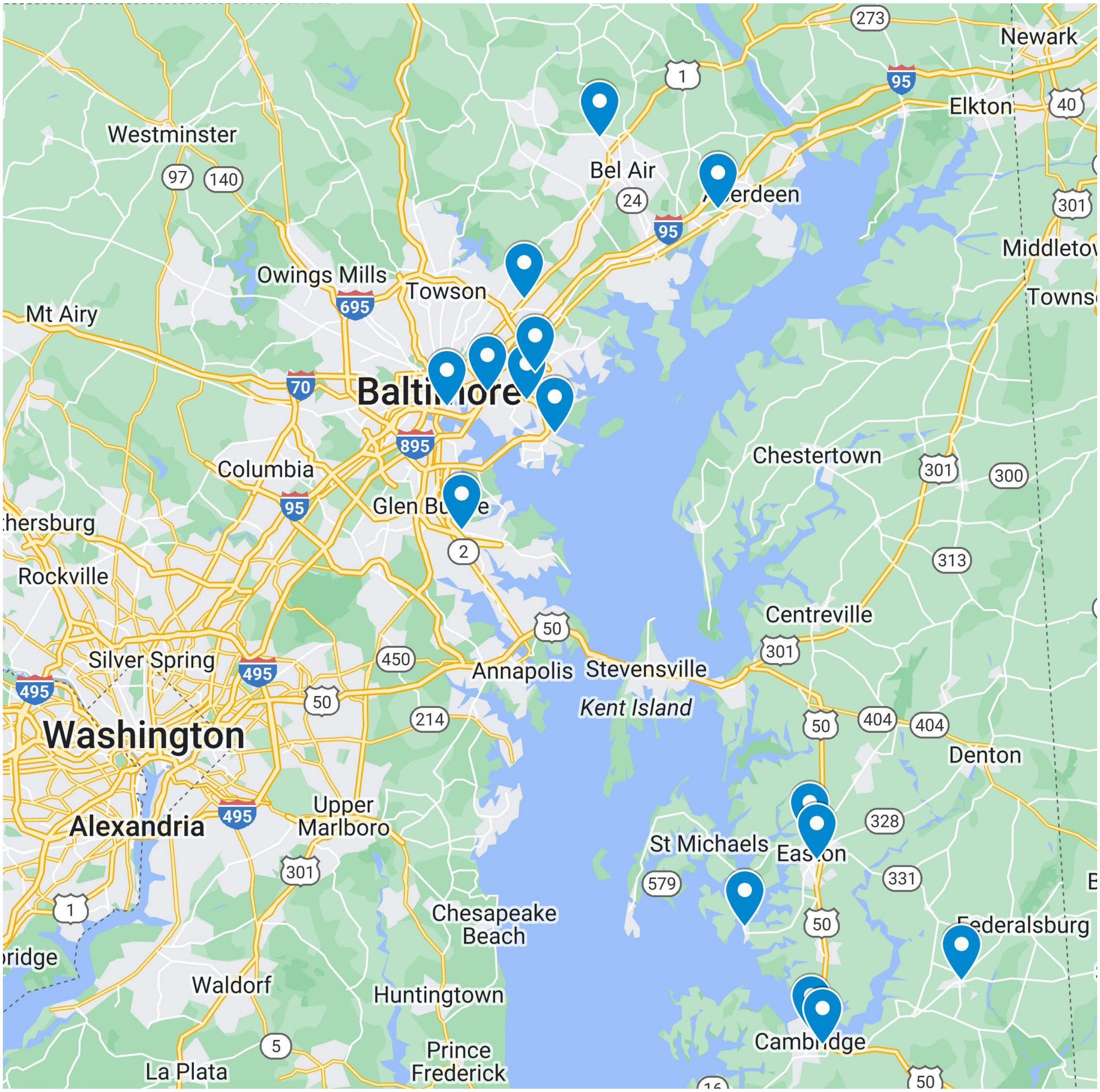
Talbot County
Easton-Glebe Road
8707 Commerce Drive
Easton, Maryland 21601

Easton-Idlewild Avenue
501 Idlewild Avenue
Easton, Maryland 21601

Oxford
104 Factory Street
Oxford, Maryland 21654

Tilghman Island Interactive Teller Machine
6204 Tilghman Island Road
Sherwood, Maryland 21665

<u>Map of Locations</u>



This Page Intentionally Left Blank

BV Financial, Inc.
And
BayVanguard Bank
Board of Directors

Gary T. Amereihn
Chairman

William Streett Baldwin	Brian K. McHale
William B. Crompton, III	Joshua W. Posnick
David M. Flair	Timothy L. Prindle
Joseph S. Galli	Michael L. Snyder
Kim C. Liddell	Machteld V. Thomas

Bank Executive Officers

David M. Flair
Co-President and Chief Executive Officer

Timothy L. Prindle
Co-President and Chief Executive Officer

Michael J. Dee
Executive Vice President, Chief Financial Officer

Gregory J. Olinde
Executive Vice President, Chief Credit Officer
Delmarva Market President

Rose M. Searcy
Executive Vice President, Human Resources

Michael L. Snyder
Corporate Secretary