

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

FORM 10-Q

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

For the quarterly period ended March 31, 2004

OR

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

For the transition period from _____ to _____

Commission file number: 001-15933

BLUE VALLEY BAN CORP
(Exact name of registrant as specified in its charter)

Kansas

(State or other jurisdiction of incorporation or organization)

48-1070996

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

**11935 Riley
Overland Park, Kansas**

(Address of principal executive offices)

66225-6128

(Zip Code)

Registrant's telephone number, including area code: **(913) 338-1000**

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

Title of each class

Name of each exchange on which registered

Guarantee with respect to the Trust Preferred Securities, \$8.00 par value, of BVBC Capital Trust I

American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by checkmark whether the registrant is an accelerated filer. Yes [] No []

As of March 31, 2004, the latest practicable date, the registrant had 2,296,911 shares of Common Stock (\$1.00 par value) outstanding.

Blue Valley Ban Corp

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Part I. Financial Information

Item 1. Financial Statements

Independent Accountants' Report

Board of Directors
Blue Valley Ban Corp
Overland Park, Kansas 66225

We have reviewed the consolidated balance sheet of Blue Valley Ban Corp as of March 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the three-month periods ended March 31, 2004 and 2003. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2003 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein), and in our report dated February 13, 2004 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2003 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ **BKD, LLP**

Kansas City, Missouri
April 23, 2004

Blue Valley Ban Corp
Consolidated Balance Sheets
March 31, 2004 and December 31, 2003
(dollars in thousands, except share data)

Assets

	March 31, 2004	December 31, 2003
	<i>(Unaudited)</i>	
Cash and due from banks	\$ 27,033	\$ 21,317
Federal funds sold	9,000	29,400
Cash and cash equivalents	36,033	50,717
Available-for-sale securities	77,667	105,736
Mortgage loans held for sale	32,041	18,297
Loans, net of allowance for loan losses of \$7,431 and \$7,051 in 2004 and 2003, respectively	444,277	417,569
Premises and equipment	19,240	18,250
Foreclosed assets held for sale, net	12	416
Interest receivable	2,311	1,923
Deferred income taxes	1,877	1,302
Prepaid expenses and other assets	3,288	3,593
Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	8,200	8,142
Core deposit intangible asset, at amortized cost	1,090	1,128
Total assets	\$ 626,036	\$ 627,073

Blue Valley Ban Corp
Consolidated Balance Sheets
March 31, 2004 and December 31, 2003
(dollars in thousands, except share data)

Liabilities and Stockholders' Equity

	March 31, 2004	December 31, 2003
	<i>(Unaudited)</i>	
Liabilities		
Deposits		
Demand	\$ 82,751	\$ 74,717
Savings, NOW and money market	203,676	190,631
Time	<u>184,118</u>	<u>205,147</u>
Total deposits	470,545	470,495
Other interest-bearing liabilities	23,483	23,447
Long-term debt	86,906	88,294
Interest payable and other liabilities	<u>3,952</u>	<u>4,639</u>
Total liabilities	<u>584,886</u>	<u>586,875</u>
Stockholders' Equity		
Capital stock		
Common stock, par value \$1 per share; authorized 15,000,000 shares; issued and outstanding 2004 – 2,296,911 shares; 2003 – 2,279,161	2,297	2,279
Additional paid-in capital	7,662	7,404
Retained earnings	31,054	30,344
Unearned compensation	(366)	(399)
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities, net of income taxes of \$335 in 2004 and \$380 in 2003	<u>503</u>	<u>570</u>
Total stockholders' equity	<u>41,150</u>	<u>40,198</u>
Total liabilities and stockholders' equity	<u>\$ 626,036</u>	<u>\$ 627,073</u>

Blue Valley Ban Corp
Consolidated Statements of Income
Three Months Ended March 31, 2004 and 2003
(dollars in thousands, except share data)

	Three Months Ended March 31,	
	2004	2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest Income		
Interest and fees on loans	\$ 6,845	\$ 7,047
Federal funds sold	43	6
Available-for-sale securities	<u>655</u>	<u>582</u>
Total interest income	<u>7,543</u>	<u>7,635</u>
Interest Expense		
Interest-bearing demand deposits	29	41
Savings and money market deposit accounts	649	401
Other time deposits	1,682	1,715
Federal funds purchased and other interest-bearing liabilities	30	59
Short-term debt	-	131
Long-term debt	<u>1,000</u>	<u>805</u>
Total interest expense	<u>3,390</u>	<u>3,152</u>
Net Interest Income	4,153	4,483
Provision for Loan Losses	<u>350</u>	<u>600</u>
Net Interest Income After Provision for Loan Losses	<u>3,803</u>	<u>3,883</u>
Noninterest Income		
Loans held for sale fee income	2,496	5,104
Service fees	565	518
Realized gain on sales of available-for-sale securities	215	-
Other income	<u>136</u>	<u>76</u>
Total noninterest income	<u>3,412</u>	<u>5,698</u>
Noninterest Expense		
Salaries and employee benefits	3,898	4,672
Net occupancy expense	767	658
Other operating expense	<u>1,497</u>	<u>1,482</u>
Total noninterest expense	<u>6,162</u>	<u>6,812</u>
Income Before Income Taxes	1,053	2,769
Provision for Income Taxes	<u>343</u>	<u>993</u>
Net Income	<u>\$ 710</u>	<u>\$ 1,776</u>
Basic Earnings Per Share	<u>\$ 0.31</u>	<u>\$ 0.80</u>
Diluted Earnings Per Share	<u>\$ 0.30</u>	<u>\$ 0.77</u>

Blue Valley Ban Corp
Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2004 and 2003

(dollars in thousands, except share data)

	Comprehensive Income	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2002		\$ 2,223	\$ 6,284	\$ 25,052	\$ -	\$ 785	\$ 34,344
Issuance of 13,025 shares of common stock		13	215				228
Net income	\$ 1,776			1,776			1,776
Change in unrealized appreciation on available-for-sale securities, net of income taxes of \$(67)	(100)					(100)	(100)
	<u>\$ 1,676</u>						
Balance, March 31, 2003		<u>\$ 2,236</u>	<u>\$ 6,499</u>	<u>\$ 26,828</u>	<u>\$ -</u>	<u>\$ 685</u>	<u>\$ 36,248</u>
Issuance of 43,425 shares of common stock		43	905		(399)		549
Net income	\$ 3,858			3,858			3,858
Dividends on common stock (\$0.15 per share)				(342)			(342)
Change in unrealized appreciation on available-for-sale securities, net of income taxes of \$(76)	(115)					(115)	(115)
	<u>\$ 3,743</u>						
Balance, December 31, 2003		<u>\$ 2,279</u>	<u>\$ 7,404</u>	<u>\$ 30,344</u>	<u>\$ (399)</u>	<u>\$ 570</u>	<u>\$ 40,198</u>
Issuance of 17,750 shares of common stock		18	258				276
Net income	\$ 710			710			710
Restricted stock earned					33		33
Change in unrealized appreciation on available-for-sale securities, net of income taxes of \$(45)	(67)					(67)	(67)
	<u>\$ 643</u>						
Balance, March 31, 2004		<u>\$ 2,297</u>	<u>\$ 7,662</u>	<u>\$ 31,054</u>	<u>\$ (366)</u>	<u>\$ 503</u>	<u>\$ 41,150</u>

Reclassification Disclosure:

	<u>March 31, 2004</u>	<u>December 31, 2003</u>	<u>March 31, 2003</u>
Unrealized appreciation (depreciation) on available-for-sale securities, net of income taxes (credit) of \$41, \$(76), and \$(67) for the periods ended March 31, 2004, December 31, 2003 and March 31, 2003, respectively	\$ 62	\$ (115)	\$ (100)
Less: reclassification adjustments for appreciation included in net income, net of income taxes of \$86, \$0 and \$0 for the periods ended March 31, 2004, December 31, 2003 and March 31, 2003, respectively	<u>129</u>	<u>-</u>	<u>-</u>
Change in unrealized appreciation on available-for-sale securities, net of income taxes (credit) of \$(45), \$(76), and \$(67) for the periods ended March 31, 2004, December 31, 2003 and March 31, 2003, respectively	<u>\$ (67)</u>	<u>\$ (115)</u>	<u>\$ (100)</u>

Blue Valley Ban Corp
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2004 and 2003
(dollars in thousands, except share data)

	March 31, 2004	March 31, 2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash Flows From Operating Activities		
Net income	\$ 710	\$ 1,776
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	441	335
Amortization (accretion) of premiums and discounts on securities	(5)	4
Provision for loan losses	350	600
Net gain on sales of available-for-sale securities	(215)	–
Net loss on sale of foreclosed assets	61	3
Net loss on sale of premises and equipment	5	–
Restricted stock earned	33	–
Originations of loans held for sale	(214,138)	(369,376)
Proceeds from the sale of loans held for sale	200,395	422,640
Changes in		
Interest receivable	(388)	(59)
Prepaid expenses and other assets	(335)	(312)
Interest payable and other liabilities	(688)	(441)
Net cash provided by (used in) operating activities	(13,774)	55,170
Cash Flows From Investing Activities		
Net originations of loans	(30,123)	(23,996)
Proceeds from sales of loan participations	3,053	–
Purchase of premises and equipment	(1,287)	(5,839)
Proceeds from the sale of foreclosed assets	354	92
Proceeds from sales of available-for-sale securities	6,210	–
Proceeds from maturities of available-for-sale securities	21,967	23,350
Purchases of available-for-sale securities	–	(24,997)
Purchases of Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	(58)	(750)
Net cash provided by (used in) investing activities	116	(32,140)
Cash Flows From Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	21,079	2,783
Net increase (decrease) in time deposits	(21,029)	22,658
Repayments of long-term debt	(1,388)	(168)
Proceeds from long-term debt	–	5,325
Net payments on short-term debt	–	(35,000)
Proceeds from sale of common stock	276	228
Net increase (decrease) in other borrowings	36	(10,834)
Net cash used in financing activities	(1,026)	(15,008)
Increase (decrease) in Cash and Cash Equivalents	(14,684)	8,022
Cash and Cash Equivalents, Beginning of Period	50,717	27,755
Cash and Cash Equivalents, End of Period	\$ 36,033	\$ 35,777

See Accompanying Notes to Consolidated Financial Statements and Independent Accountant's Report

Blue Valley Ban Corp
Notes to Consolidated Financial Statements
Three Months Ended March 31, 2004 and 2003
(Unaudited)

Note 1: Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the Company's consolidated financial position as of March 31, 2004, and the consolidated results of its operations, changes in stockholders' equity and cash flows for the periods ended March 31, 2004 and 2003, and are of a normal recurring nature.

Certain information and note disclosures normally included in the company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 2003 Form 10-K filed with the Securities and Exchange Commission. Certain reclassifications to prior year amounts have been made to conform to current year presentation.

The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

The Company applies Accounting Principles Board No. 25 and related Interpretations in accounting for its stock option plan and no compensation cost has been recognized. Pro forma compensation costs for the Company's plan are determined based on the fair value at the option grant dates using the minimum value method under Statement of Financial Accounting Standards No. 123 "Accounting for Stock-based Compensation." During the period ended March 31, 2004, the Company issued no stock options; consequently, reported and pro forma net income were identical.

During the quarter ended March 31, 2004, the Company applied the provisions of Financial Accounting Standards Board Interpretation 46 (Revised), *Consolidation of Variable Interest Entities*, to its trust preferred securities. The primary impact of this change was to report the Company's subordinated debt to the trust on the face of the accompanying balance sheet rather than the minority interest in the trust, as previously presented. This change has been made for all periods presented. This change did not have a material impact on the Company's total assets, liabilities, stockholders' equity or results of operations.

The report of **BKD, LLP** commenting upon their review accompanies the consolidated financial statements included in Item 1 of Part I.

Note 2: Earnings Per Share

Basic earnings per share is computed based on the weighted average number of shares outstanding during each year. Diluted earnings per share is computed using the weighted average common shares and all potential dilutive common shares outstanding during the period.

The computation of per share earnings for the three months ended March 31, 2004 and 2003 is as follows:

Blue Valley Ban Corp
Notes to Consolidated Financial Statements
Three Months Ended March 31, 2004 and 2003
(Unaudited)

	March 31, 2004	March 31, 2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(dollars in thousands, except share and per share data)</i>	
Net income, as reported	\$ <u>710</u>	\$ <u>1,776</u>
Add: Total stock-based employee compensation recognized in net income, net of income taxes of \$10 for the period ended March 31, 2004	20	-
Less: Total stock-based compensation cost determined under the fair value based method, net of income taxes (credit) of \$(10) for the period ended March 31, 2004	<u>(20)</u>	<u>-</u>
Pro forma net income	\$ <u>710</u>	\$ <u>1,776</u>
Average common shares outstanding	2,284,577	2,225,419
Average common share stock options outstanding	<u>67,950</u>	<u>74,562</u>
Average diluted common shares	<u>2,352,527</u>	<u>2,299,981</u>
Basic earnings per share	<u>\$0.31</u>	<u>\$0.80</u>
Diluted earnings per share	<u>\$0.30</u>	<u>\$0.77</u>

Note 3: Long-Term Debt

Long-term debt at March 31, 2004 and December 31, 2003, consisted of the following components:

	March 31, 2004	December 31, 2003
	<i>(Unaudited)</i>	
	<i>(in thousands)</i>	
Note payable – other (A)	\$ -	\$ 1,281
Note payable – bank (B)	4,818	4,925
Federal Home Loan Bank advances (C)	62,500	62,500
Trust Preferred Securities – BVBC Capital Trust I (D)	11,856	11,856
Trust Preferred Securities – BVBC Capital Trust II (E)	<u>7,732</u>	<u>7,732</u>
Total long-term debt	\$ <u>86,906</u>	\$ <u>88,294</u>

Blue Valley Ban Corp
Notes to Consolidated Financial Statements
Three Months Ended March 31, 2004 and 2003
(Unaudited)

collateralized by land, building and assignment of future rents. This note was paid off in the first quarter of 2004.

- (B) Due in December 2012, payable in quarterly installments of principal plus interest at the Federal Funds Rate plus 1.68%; collateralized by common stock of the Company's subsidiary bank.
- (C) Due in 2007, 2008, 2010, 2011 and 2013; collateralized by various assets including mortgage-backed loans. The interest rates on the advances range from 1.55% to 5.682%.
- (D) Due in 2030; interest only at 10.375% due quarterly; fully and unconditionally guaranteed by the Company on a subordinated basis to the extent that the funds are held by the Trust.
- (E) Due in 2033; interest only at LIBOR + 3.25% due quarterly; fully and unconditionally guaranteed by the Company on a subordinated basis to the extent that the funds are held by the Trust. Subordinated to the trust preferred securities (D) due in 2030.

Aggregate annual maturities of long-term debt at March 31, 2004 are as follows:

	<i>(in thousands)</i>
April 1 to December 31, 2004	\$ 318
2005	450
2006	475
2007	20,500
2008	10,530
Thereafter	<u>54,633</u>
	<u>\$ 86,906</u>

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

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, can generally be identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company is unable to predict the actual results of its future plans or strategies with certainty. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing; a deterioration of general economic conditions or the demand for housing in the Company's market areas; a deterioration in the demand for mortgage financing; legislative or regulatory changes; adverse developments in the Company's loan or investment portfolio; any inability to obtain funding on favorable terms; the loss of key personnel; significant increases in competition; and the possible dilutive effect of potential acquisitions or expansions. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

General

Critical Accounting Policies

Our critical accounting policies are largely proscribed by accounting principles generally accepted in the United States of America. After a review of our policies, we determined that accounting for the allowance for loan losses, income taxes, and stock-based compensation are deemed critical accounting policies because of the valuation techniques used, and the sensitivity of these financial statement amounts to the methods, as well as the assumptions and estimates underlying these policies. Accounting for these critical areas requires the most subjective and complex judgments that could be subject to revision as new information becomes available. There have not been any material changes in our critical accounting policies since December 31, 2003. Further description of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2003.

Results of Operations

Three months ended March 31, 2004 and 2003. Net income for the quarter ended March 31, 2004, was \$710,000, compared to net income of \$1.8 million for the quarter ended March 31, 2003, representing a decrease of \$1.1 million, or 60.03%. Diluted earnings per share decreased 61.04% to \$0.30 during the first quarter of 2004 from \$0.77 in the same period of 2003. The Company's annualized return on average assets and average stockholders' equity for the three-month period ended March 31, 2004 were 0.46% and 6.92%, compared to 1.23% and 20.19%, respectively, for the same period in 2003, decreases of 62.61% and 65.73%, respectively.

The principal contributing factors to our decrease in net income in the current year first quarter from the prior year were a decrease in net interest and non-interest income resulting from a decline in loans held for sale average balances and fee income. The strong demand for residential mortgage loan originations, particularly refinancing, experienced by the Company since 2001

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

decelerated as mortgage interest rates rose during the second half of 2003. The effects of lower mortgage origination volume carried over into the first quarter of 2004 and had an adverse impact on our net income.

Net Interest Income

Fully tax equivalent (FTE) net interest income for the three-month period ended March 31, 2004 was \$4.2 million, a decrease of \$344,000, or 7.54%, from \$4.6 million for the three-month period ended March 31, 2003.

FTE interest income for the current year first quarter was \$7.6 million, a decrease of \$106,000, or 1.37%, from \$7.7 million in the prior year first quarter. FTE interest income decreased due to an overall decrease in the yield on average earning assets which was partially offset by an increase in average earning assets. The overall yield on average earning assets decreased by 36 basis points to 5.38% in the first quarter of 2004, compared to 5.74% in the prior year first quarter. Average earning asset volume increased from the first quarter of 2003 to the current period by \$23.9 million, or 4.38%, in spite of a \$58.4 million decline in the average balance of mortgage loans held for sale. The 36 basis point decrease in yield resulted primarily from decreases in market interest rates during 2003, changes in the mix of average earning assets, and the impact of the low interest rates on new and repriced assets during 2003 and 2004.

Interest expense for the current year first quarter was \$3.4 million, an increase of \$238,000, or 7.55%, from \$3.2 million in the prior year first quarter. The increase is attributable to an increase in average interest-bearing liability volume of \$39.7 million or 8.56% as of March 31, 2004, compared to the first quarter of 2003, partially offset by a decline in the rates paid on average interest-bearing liabilities. Average interest-bearing deposits increased by \$54.1 million or 16.03% from the prior year first quarter while other interest-bearing liabilities decreased by \$14.4 million or 11.51% from the prior year first quarter. The overall increase in average interest-bearing deposit volume funded asset growth as well as replaced non-interest-bearing deposits whose average volume declined from the first quarter of the prior year. The rate paid on total average interest-bearing liabilities decreased 5 basis points to 2.71% during the quarter ended March 31, 2004 from 2.76% during the quarter ended March 31, 2003. The primary cause for this decline was the continued impact of the low market interest rates on new and repriced liabilities during 2003 and 2004.

Average Balance Sheets. The following table sets forth, for the periods and as of the dates indicated, information regarding our average balances of assets and liabilities as well as the dollar amounts of FTE interest income from interest-earning assets and interest expense on interest-bearing liabilities and the resultant yields or costs. Ratio, yield and rate information are based on average daily balances where available; otherwise, average monthly balances have been used. Nonaccrual loans are included in the calculation of average balances for loans for the periods indicated.

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

Average Balances, Yields and Rates

	Three Months Ended March 31,					
	2004			2003		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
	(Dollars in thousands)					
Assets						
Federal funds sold.....	\$ 18,722	\$ 43	0.91 %	\$ 2,112	\$ 6	1.08 %
Investment securities – taxable	83,198	529	2.56	50,100	429	3.47
Investment securities – non-taxable (1)	11,129	191	6.90	13,608	232	6.93
Mortgage loans held for sale.....	24,302	305	5.05	82,718	1,066	5.23
Loans, net of unearned discount and fees	<u>431,175</u>	<u>6,540</u>	6.10	<u>396,090</u>	<u>5,981</u>	6.12
Total earning assets.....	<u>568,526</u>	<u>7,608</u>	5.38	<u>544,628</u>	<u>7,714</u>	5.74
Cash and due from banks – non-interest bearing	20,064			19,792		
Allowance for possible loan losses	(7,068)			(7,211)		
Premises and equipment, net.....	18,925			15,793		
Other assets.....	<u>20,574</u>			<u>14,019</u>		
Total assets	<u>\$ 621,022</u>			<u>\$ 587,021</u>		
Liabilities and Stockholders' Equity						
Deposits-interest bearing:						
Interest-bearing demand accounts	\$ 24,244	\$ 29	0.48 %	\$ 25,172	\$ 41	0.67 %
Savings and money market deposits	168,663	649	1.55	133,882	401	1.22
Time deposits.....	<u>198,853</u>	<u>1,682</u>	3.40	<u>178,581</u>	<u>1,715</u>	3.89
Total interest-bearing deposits.....	<u>391,761</u>	<u>2,360</u>	2.42	<u>337,635</u>	<u>2,157</u>	2.59
Short-term borrowings.....	24,349	30	0.49	54,890	191	1.41
Long-term debt	<u>86,811</u>	<u>1,000</u>	4.63	<u>70,719</u>	<u>804</u>	4.61
Total interest-bearing liabilities	<u>502,921</u>	<u>3,390</u>	2.71	<u>463,244</u>	<u>3,152</u>	2.76
Non-interest bearing deposits	72,816			83,037		
Other liabilities	4,032			5,058		
Stockholders' equity	<u>41,252</u>			<u>35,682</u>		
Total liabilities and stockholders' equity	<u>\$ 621,022</u>			<u>\$ 587,021</u>		
Net interest income/spread		<u>\$ 4,218</u>	<u>2.67 %</u>		<u>\$ 4,562</u>	<u>2.98 %</u>
Net interest margin			<u>2.98 %</u>			<u>3.40 %</u>

(1) Presented on a fully tax-equivalent basis assuming a tax rate of 34%. For the quarters ending March 31, 2004 and 2003, the tax equivalency adjustment amounted to \$65,000 and \$79,000 respectively.

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

Analysis of Changes in Net Interest Income Due to Changes in Interest Rates and Volumes. The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase or decrease related to changes in balances and changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to:

- changes in volume, reflecting changes in volume multiplied by the current period rate; and
- changes in rate, reflecting changes in rate multiplied by the prior period volume.

Changes in Interest Income and Expense Volume and Rate Variances

	Three Months Ended March 31, 2004 Compared to 2003		
	Change Due to Rate	Change Due to Volume	Total Change
	<i>(Dollars in thousands)</i>		
Federal funds sold.....	\$ (1)	\$ 38	\$ 37
Investment securities – taxable	(112)	212	100
Investment securities – non-taxable (1)	(1)	(40)	(41)
Mortgage loans held for sale.....	(37)	(724)	(761)
Loans, net of unearned discount	(17)	576	559
Total interest income.....	<u>(168)</u>	<u>62</u>	<u>(106)</u>
Interest-bearing demand accounts.....	(11)	(1)	(12)
Savings and money market deposits	112	136	248
Time deposits.....	(212)	179	(33)
Short-term borrowings.....	(124)	(37)	(161)
Long-term debt	4	192	196
Total interest expense.....	<u>(231)</u>	<u>469</u>	<u>238</u>
Net interest income	<u>\$ 63</u>	<u>\$ (407)</u>	<u>\$ (344)</u>

(1) Presented on a fully tax-equivalent basis assuming a tax rate of 34%.

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

Provision for Loan Losses

The provision for loan losses for the first quarter of 2004 was \$350,000, compared to \$600,000 for the same period of 2003. The decrease in the provision for loan losses recorded in the three-month period ended March 31, 2004 compared to the same period in the prior year was the result of improvements in the overall credit exposure in the loan portfolio. The Company's credit administration function performs monthly analyses on the loan portfolio to assess and report on risk levels, delinquencies, an internal ranking system and overall credit exposure. Management and the Board of Directors reviews the allowance for loan losses monthly, considering such factors as current and projected economic conditions, loan growth, the composition of the loan portfolio, loan trends and classifications, and other factors. We make provisions for loan losses in amounts that management deems necessary to maintain the allowance for loan losses at an appropriate level.

Non-interest Income

	Three Months Ended	
	March 31,	
	2004	2003
	<i>(In thousands)</i>	
Loans held for sale fee income	\$ 2,496	\$ 5,104
NSF charges and service fees	330	290
Other service charges	235	228
Realized gain on sales of available-for-sale securities.....	215	-
Other income	136	76
Total non-interest income	<u>\$ 3,412</u>	<u>\$ 5,698</u>

Non-interest income decreased \$2.3 million or 40.12%, to \$3.4 million during the three-month period ended March 31, 2004, from \$5.7 million during the three-month period ended March 31, 2003. This decrease is attributable to a decrease in loans held for sale fee income of \$2.6 million or 51.10%. During 2002 and the first half of 2003, we experienced significant growth in our loans held for sale fee income due to the expansion of our National and Local mortgage divisions concurrent with a relatively low interest rate environment. The low interest rate environment resulted in a surge of mortgage refinancing activity. However, during the second half of 2003 and early in the first quarter of 2004, mortgage interest rates increased causing a decline in the volume of mortgage origination activity, particularly refinancing volume. During the quarter ending March 31, 2004, we sold approximately \$6 million of investment securities to fund liquidity needs and realized \$215,000 in gains on the sales.

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

Non-interest Expense

	Three Months Ended March 31,	
	2004	2003
	<i>(In thousands)</i>	
Salaries and employee benefits.....	\$ 3,898	\$ 4,672
Occupancy	767	658
FDIC and other insurance expense	61	61
General and administrative	1,436	1,421
Total non-interest expense	<u>\$ 6,162</u>	<u>\$ 6,812</u>

Non-interest expense decreased to \$6.2 million, or 9.55%, during the three-month period ended March 31, 2004, from \$6.8 million in the prior year period. This decrease is primarily attributable to a decrease in salaries and employee benefits expense of \$774,000 or 16.57% due to a decrease in volume-based incentive compensation in our mortgage divisions. We had 272 full-time equivalent employees at March 31, 2004 compared to 263 at March 31, 2003, as many areas of the Company added employees to manage growth and expansion, particularly in our Commercial Lending and Retail divisions. Our expansion plans include the opening of a full service banking center in Leawood, Kansas during the second quarter of 2004.

Financial Condition

Total assets for the Company at March 31, 2004, were \$626.0 million, a decrease of \$1.1 million, or 0.17%, compared to \$627.1 million at December 31, 2003. Deposits and stockholders' equity at March 31, 2004, were \$470.5 million and \$41.2 million, respectively, compared with \$470.5 million and \$40.2 million, respectively, at December 31, 2003. The level of deposits remained constant while stockholders' equity increased \$952,000 or 2.36%.

Loans at March 31, 2004 totaled \$451.7 million, reflecting an increase of \$27.1 million, or 6.38%, compared to December 31, 2003. The loan to deposit ratio at March 31, 2004 was 94.41% compared to 88.75% at December 31, 2003.

Available-for-sale securities at March 31, 2004 totaled \$77.7 million, reflecting a decrease of \$28.1 million or 26.55% compared to December 31, 2003. This decrease was the result of maturities, calls, and sales of securities with the proceeds used to fund the growth in our loan portfolio.

Mortgage loans held for sale at March 31, 2004 totaled \$32.0 million, an increase of \$13.7 million, or 75.11%, compared to December 31, 2003. The Company's principal funding source for mortgage loans held for sale is short and long-term advances from the Federal Home Loan Bank. Advance availability with the Federal Home Loan Bank is determined quarterly and at March 31, 2004, approximately \$24,249,000 was available.

Non-performing assets consist primarily of loans past due 90 days or more and nonaccrual loans and foreclosed real estate. The following table sets forth our non-performing assets as of the dates indicated:

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

Non-Performing Assets

	As of		
	March 31, 2004	March 31, 2003	December 31, 2003
	<i>(Dollars in thousands)</i>		
Real estate loans:			
Past due 90 days or more	\$ 146	\$ 4	\$ 337
Nonaccrual	2,458	175	1,991
Installment loans:			
Past due 90 days or more	5	40	4
Nonaccrual	—	—	—
Credit cards and related plans:			
Past due 90 days or more	8	10	39
Nonaccrual	—	—	—
Commercial (time and demand) and all other loans:			
Past due 90 days or more	317	3,880	117
Nonaccrual	359	787	318
Lease financing receivables:			
Past due 90 days or more	—	—	—
Nonaccrual	245	310	249
Debt securities and other assets (exclude other real estate owned and other repossessed assets)			
Past due 90 days or more	—	—	—
Nonaccrual	—	—	—
Total non-performing loans	<u>3,539</u>	<u>5,206</u>	<u>3,055</u>
Foreclosed assets held for sale	<u>12</u>	<u>553</u>	<u>416</u>
Total non-performing assets	<u>\$ 3,551</u>	<u>\$ 5,759</u>	<u>\$ 3,471</u>
Total nonperforming loans to total loans	0.78%	1.31%	0.72%
Total nonperforming loans to total assets	0.57%	0.88%	0.50%
Allowance for loan losses to nonperforming loans	209.96%	143.18%	230.79%
Nonperforming assets to loans and foreclosed assets held for sale	0.79%	1.45%	0.82%

As of March 31, 2004, non-performing loans equaled 0.78% of total loans, representing a slight increase in non-performing loans from December 31, 2003. Although total nonperforming loans at March 31, 2004 increased slightly compared to December 31, 2003, the overall credit exposure in the Company's total loan portfolio continued to improve; consequently, the Company recorded a lower provision for loan losses during the three month period ending March 31, 2004 compared to the three month period ending March 31, 2003. The level of loans charged-off decreased and the level of recoveries increased during the first quarter of 2004. Consequently, the Company experienced an annualized ratio of net recoveries to average loans of (0.03%) for the quarter ending March 31, 2004 compared a ratio of net charge-offs to average loans of 0.30% for the year ending December 31, 2003. We closely monitor non-performing credit relationships and our philosophy has been to value non-performing loans at their estimated collectible value and to aggressively manage these situations. Generally, the Bank maintains its allowance for loan losses in excess of its non-performing loans. As of March 31, 2004, our ratio of allowance for loan losses to non-performing loans was 209.96%.

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

The following table sets forth information regarding changes in our allowance for loan and valuation losses for the periods indicated.

Summary of Loan Loss Experience and Related Information

	As of and for the		
	Three months ended March 31, 2004	Three months ended March 31, 2003	Year ended December 31, 2003
	<i>(Dollars in thousands)</i>		
Balance at Beginning of Period	\$ 7,051	\$ 6,914	\$ 6,914
Loans Charged Off			
Commercial real estate	—	—	395
Residential real estate	—	—	—
Commercial	13	81	802
Personal	37	26	68
Home Equity	—	—	10
Construction	—	—	—
Leases	50	73	279
Total loans charged-off	<u>100</u>	<u>180</u>	<u>1,554</u>
Recoveries			
Commercial real estate	7	5	10
Residential real estate	48	1	—
Commercial	9	41	77
Personal	6	5	35
Home Equity	—	—	—
Construction	—	—	—
Leases	60	68	219
Total recoveries	<u>130</u>	<u>120</u>	<u>341</u>
Net Loans Charged Off (Recovered)	(30)	60	1,213
Provision for Loan Losses	<u>350</u>	<u>600</u>	<u>1,350</u>
Balance at End of Period	<u>\$ 7,431</u>	<u>\$ 7,454</u>	<u>\$ 7,051</u>
Loans Outstanding			
Average	\$ 431,175	\$ 396,090	\$ 410,593
End of period	451,708	403,985	424,620
Ratio of Allowance for Loan Losses to Loans Outstanding			
Average	1.72%	1.88%	1.72%
End of period	1.65%	1.85%	1.66%
Ratio of Net Charge-Offs (Recoveries) to			
Average loans	(0.03%)	0.06%	0.30%
End of period loans	(0.03%)	0.06%	0.29%

The allowance for loan losses as a percent of total loans decreased slightly to 1.65% as of March 31, 2004, compared to 1.66% as of December 31, 2003.

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

Liquidity is measured by a financial institution's ability to raise funds through deposits, borrowed funds, capital, or the sale of marketable assets, such as residential mortgage loans or a portfolio of SBA loans. Other sources of liquidity, including cash flow from the repayment of loans, are also considered in determining whether liquidity is satisfactory. Liquidity is also achieved through growth of core deposits and liquid assets, and accessibility to the money and capital markets. The funds are used to meet deposit withdrawals, maintain reserve requirements, fund loans and operate the organization. Core deposits, defined as demand deposits, interest-bearing transaction accounts, savings deposits and time deposits less than \$100,000 (excluding brokered deposits), were 81.86% and 82.54% of our total deposits at March 31, 2004, and December 31, 2003, respectively. Generally, the Company's funding strategy is to utilize Federal Home Loan Bank borrowings to fund originations of mortgage loans held for sale and fund balances generated by other lines of business with deposits. In addition, the Company uses other forms of short-term borrowings for cash management and liquidity management purposes on a limited basis. These forms of borrowings include federal funds purchased and revolving lines of credit. The Company's Asset-Liability Management Committee utilizes a variety of liquidity monitoring tools, including an asset/liability modeling service, to analyze and manage the Company's liquidity.

Management has established internal guidelines and analytical tools to measure liquid assets, alternative sources of liquidity, as well as relevant ratios concerning asset levels and purchased funds. These indicators are reported to the board of directors monthly, and at March 31, 2004, the Bank was within the established guidelines.

At March 31, 2004, our total stockholders' equity was \$41.2 million and our equity to asset ratio was 6.57%. At March 31, 2004, our Tier 1 capital ratio was 9.70% compared to 10.04% at December 31, 2003, while our total risk-based capital ratio was 12.06% compared to 12.41% at December 31, 2003. As of March 31, 2004, we had capital in excess of the requirements for a "well-capitalized" institution.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a continuing part of our financial strategy, we attempt to manage the impact of fluctuations in market interest rates on our net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Our funds management policy is established by our Bank Board of Directors and monitored by our Asset/Liability Management Committee. Our funds management policy sets standards within which we are expected to operate. These standards include guidelines for exposure to interest rate fluctuations, liquidity, loan limits as a percentage of funding sources, exposure to correspondent banks and brokers, and reliance on non-core deposits. Our funds management policy also establishes the reporting requirements to our Bank Board of Directors. Our investment policy complements our funds management policy by establishing criteria by which we may purchase securities. These criteria include approved types of securities, brokerage sources, terms of investment, quality standards, and diversification.

We use an asset/liability modeling service to analyze the Company's current sensitivity to instantaneous and permanent changes in interest rates. The system simulates the Company's asset and liability base and projects future net interest income results under several interest rate assumptions. This allows management to view how changes in interest rates will affect the spread between the yield received on assets and the cost of deposits and borrowed funds.

The asset/liability modeling service is also used to analyze the net economic value of equity at risk under instantaneous shifts in interest rates. The "net economic value of equity at risk" is defined as the market value of assets less the market value of liabilities plus/minus the market value of any off-balance sheet positions. By effectively looking at the present value of all future cash flows on or off the balance sheet, the net economic value of equity modeling takes a longer-term view of interest rate risk.

We strive to maintain a position such that current changes in interest rates will not affect net interest income or the economic value of equity by more than 5%, per 50 basis points. The following table sets forth the estimated percentage change in the Bank of Blue Valley's net interest income over the next twelve month period and net economic value of equity at risk at March 31, 2004 based on the indicated instantaneous and permanent changes in interest rates.

<u>Changes in Interest Rates</u>	<u>Net Interest Income (next 12 months)</u>	<u>Net Economic Value of Equity at Risk</u>
300 basis point rise	24.05%	3.89%
200 basis point rise	16.00%	2.79%
100 basis point rise	8.97%	1.71%
Base Rate Scenario	-	-
25 basis point decline	(6.80%)	(0.27%)
50 basis point decline	(11.50%)	(0.63%)
100 basis point decline	(15.98%)	(1.16%)

The above table indicates that, at March 31, 2004, in the event of a sudden and sustained increase in prevailing market rates, our net interest income would be expected to increase as our assets would be expected to reprice quicker than our liabilities, while a decrease in rates would indicate just the opposite. Generally, in the decreasing rate scenarios, not only would adjustable rate assets

Item 3. Quantitative and Qualitative Disclosures About Market Risk

(loans) reprice to lower rates faster than our liabilities, but our liabilities - long-term Federal Home Loan Bank of Topeka (FHLB) advances and existing time deposits - would not decrease in rate as much as market rates. In addition, fixed rate loans might experience an increase in prepayments, further decreasing yields on earning assets and causing net interest income to decrease. Another consideration with a rising interest rate scenario is the impact on mortgage loan refinancing, which would likely decline, leading to lower loans held for sale fee income, though the impact is difficult to quantify or project.

The above table also indicates that, at March 31, 2004, in the event of a sudden decrease in prevailing market rates, the economic value of our equity would decrease. Given our current asset/liability position, a 25, 50 or 75 basis point decline in interest rates will result in a lower economic value of our equity as the change in estimated loss on liabilities exceeds the change in estimated gain on assets in these interest rate scenarios. Currently, under a falling rate environment, the Company's estimated market value of loans could increase as a result of fixed rate loans, net of possible prepayments. The estimated market value of investment securities could also rise as our portfolio contains higher yielding securities. However, the estimated market value increase in fixed rate loans and investment securities is offset by time deposits unable to reprice to lower rates immediately and fixed-rate callable advances from FHLB. The likelihood of advances being called in a decreasing rate environment is diminished resulting in the advances existing until final maturity, which has the effect of lowering the economic value of equity.

Item 4. Controls and Procedures

In accordance with Item 307 of Regulation S-K promulgated under the Securities Act of 1933, as amended, and within 90 days of the date of this Quarterly Report on Form 10-Q, the Chief Executive Officer and Chief Financial Officer of the Company (the “Certifying Officers”) have conducted evaluations of the Company’s disclosure controls and procedures. As defined under Sections 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the term “disclosure controls and procedures” means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Certifying Officers have reviewed the Company’s disclosure controls and procedures and have concluded that those disclosure controls and procedures are effective as of the date of this Quarterly Report on Form 10-Q. In compliance with Section 302 of the Sarbanes-Oxley Act of 2002, (18 U.S.C. 1350), each of the Certifying Officers executed an Officer’s Certification included in this Quarterly Report on 10-Q.

As of the date of this Quarterly Report on Form 10-Q, there have not been any significant changes in the Company’s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II: Other Information

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

EXHIBITS

- 11. Computation of Earnings Per Share. Please see p. 9.
- 15. Letter regarding Unaudited Interim Financial Information
- 32.1 Certification of the Chief Executive Officer and Treasurer pursuant to 18 U.S.C. Section 1350

REPORTS ON FORM 8-K

On January 14, 2004, Blue Valley filed a report on Form 8-K covering the press release for the Company's annual and fourth quarter 2004 earnings.

On April 14, 2004, Blue Valley filed a report on Form 8-K covering the press release for the Company's first quarter 2004 earnings.

Signatures

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

Blue Valley Ban Corp

Date: May 12, 2004

By: /s/ Robert D. Regnier
Robert D. Regnier, President and
Chief Executive Officer

Date: May 12, 2004

By: /s/ Mark A. Fortino
Mark A. Fortino, Treasurer