

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, 2006**

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

None

Name of each exchange on which registered

None

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 check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Securities Act

Yes  No

As of March 31, 2006 the registrant had 2,389,969 shares of Common Stock (\$1.00 par value) outstanding.

**Blue Valley Ban Corp**  
**FORM 10-Q Index**

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## **Part I. Financial Information**

### **Item 1. Financial Statements**

#### **Report of Independent Registered Public Accounting Firm**

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

We have reviewed the accompanying condensed consolidated balance sheet of Blue Valley Ban Corp as of March 31, 2006, and the related condensed consolidated statements of income, stockholders' equity and cash flows for the three-month periods ended March 31, 2006 and 2005. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 the standards of the Public Company Accounting Oversight Board (United States), 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 condensed 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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2005 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 17, 2006 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2005 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 27, 2006

**Blue Valley Ban Corp**  
**Condensed Consolidated Balance Sheets**  
**March 31, 2006 and December 31, 2005**  
*(dollars in thousands, except share data)*

**Assets**

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<i>(Unaudited)</i>	
Cash and due from banks	\$ 24,403	\$ 16,493
Interest-bearing deposits in other financial institutions	255	12,163
Federal funds sold	—	<u>11,401</u>
Cash and cash equivalents	<u>24,658</u>	<u>40,057</u>
Available-for-sale securities	99,574	99,987
Mortgage loans held for sale	20,598	13,906
Loans, net of allowance for loan losses of \$6,512 and \$6,704 in 2006 and 2005, respectively	522,492	496,439
Premises and equipment, net	18,490	18,593
Foreclosed assets held for sale, net	306	711
Interest receivable	3,932	3,372
Deferred income taxes	2,541	2,564
Prepaid expenses and other assets	3,739	4,647
Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	8,567	8,490
Core deposit intangible asset, at amortized cost	<u>785</u>	<u>823</u>
Total assets	<u>\$ 705,682</u>	<u>\$ 689,589</u>

**Blue Valley Ban Corp**  
**Condensed Consolidated Balance Sheets**  
**March 31, 2006 and December 31, 2005**  
*(dollars in thousands, except share data)*

**Liabilities and Stockholders' Equity**

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<i>(Unaudited)</i>	
<b>Liabilities</b>		
Deposits		
Demand	\$ 98,145	\$ 94,452
Savings, NOW and money market	187,156	185,234
Time	246,751	249,655
Total deposits	532,052	529,341
Other interest-bearing liabilities	24,922	26,288
Short-term debt	19,000	-
Long-term debt	77,837	78,106
Interest payable and other liabilities	4,129	9,599
Total liabilities	657,940	643,334
 <b>Stockholders' Equity</b>		
Capital stock		
Common stock, par value \$1 per share; authorized 15,000,000 shares; issued and outstanding 2006 – 2,389,969 shares; 2005 – 2,382,046 shares	2,390	2,382
Additional paid-in capital	8,825	9,212
Retained earnings	37,099	35,782
Unearned compensation	-	(648)
Accumulated other comprehensive loss, net of income taxes (credit) of \$(381) in 2006 and \$(315) in 2005	(572)	(473)
Total stockholders' equity	47,742	46,255
Total liabilities and stockholders' equity	\$ 705,682	\$ 689,589

**Blue Valley Ban Corp**  
**Condensed Consolidated Statements of Income**  
**Three Months Ended March 31, 2006 and 2005**  
*(dollars in thousands, except share data)*

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Interest Income</b>		
Interest and fees on loans	\$ 10,197	\$ 8,717
Federal funds sold and other short-term investments	82	23
Available-for-sale securities	<u>1,048</u>	<u>414</u>
Total interest income	<u>11,327</u>	<u>9,154</u>
<b>Interest Expense</b>		
Interest-bearing demand deposits	23	33
Savings and money market deposit accounts	960	897
Other time deposits	2,487	2,064
Federal funds purchased and other interest-bearing liabilities	217	91
Short-term debt	71	17
Long-term debt, net	<u>969</u>	<u>1,057</u>
Total interest expense	<u>4,727</u>	<u>4,159</u>
<b>Net Interest Income</b>	6,600	4,995
<b>Provision for Loan Losses</b>	<u>75</u>	<u>155</u>
<b>Net Interest Income After Provision for Loan Losses</b>	<u>6,525</u>	<u>4,840</u>
<b>Noninterest Income</b>		
Loans held for sale fee income	1,136	2,041
Service fees	583	488
Other income	<u>313</u>	<u>278</u>
Total noninterest income	<u>2,032</u>	<u>2,807</u>
<b>Noninterest Expense</b>		
Salaries and employee benefits	4,036	3,947
Net occupancy expense	759	820
Other operating expense	<u>1,651</u>	<u>1,594</u>
Total noninterest expense	<u>6,446</u>	<u>6,361</u>
<b>Income Before Income Taxes</b>	2,111	1,286
<b>Provision for Income Taxes</b>	<u>794</u>	<u>490</u>
<b>Net Income</b>	<u>\$ 1,317</u>	<u>\$ 796</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.56</u>	<u>\$ 0.34</u>
<b>Diluted Earnings Per Share</b>	<u>\$ 0.55</u>	<u>\$ 0.34</u>

**Blue Valley Ban Corp**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**Three Months Ended March 31, 2006 and 2005**

*(dollars in thousands, except share data)*

	Comprehensive Income (Loss)	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Loss	Total
<b>Balance, December 31, 2004</b>		\$ 2,327	\$ 8,099	\$ 31,809	\$ (594)	\$ (257)	\$ 41,384
Issuance of 7,785 shares of common stock		8	126	-	-	-	134
Net income	\$ 796	-	-	796	-	-	796
Restricted stock earned, net of forfeitures	-	-	-	-	76	-	76
Change in unrealized depreciation, net of income taxes (credit) of \$(140)	(211)	-	-	-	-	(211)	(211)
	<u>\$ 585</u>						
<b>Balance, March 31, 2005</b>		<u>\$ 2,335</u>	<u>\$ 8,225</u>	<u>\$ 32,605</u>	<u>\$ (518)</u>	<u>\$ (468)</u>	<u>\$ 42,179</u>
<b>Balance, December 31, 2005</b>		<u>\$ 2,382</u>	<u>\$ 9,212</u>	<u>\$ 35,782</u>	<u>\$ (648)</u>	<u>\$ (473)</u>	<u>\$ 46,255</u>
Issuance of 7,923 shares of common stock		8	144	-	-	-	152
Net income	\$ 1,317	-	-	1,317	-	-	1,317
Restricted stock earned, net of forfeitures	-	-	117	-	-	-	117
Reclassification of unearned compensation in accordance with adoption of SFAS No. 123R	-	-	(648)	-	648	-	-
Change in derivative financial instrument, net of income taxes of \$65	97	-	-	-	-	97	97
Change in unrealized depreciation on available-for-sale securities, net of income taxes (credit) of \$(131)	(196)	-	-	-	-	(196)	(196)
	<u>\$ 1,218</u>						
<b>Balance, March 31, 2006</b>		<u>\$ 2,390</u>	<u>\$ 8,825</u>	<u>\$ 37,099</u>	<u>\$ -</u>	<u>\$ (572)</u>	<u>\$ 47,742</u>

**Blue Valley Ban Corp**  
**Condensed Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2006 and 2005**

*(dollars in thousands, except share data)*

	<b>March 31, 2006</b>	<b>March 31, 2005</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 1,317	\$ 796
Adjustments to reconcile net income to net cash flow		
From operating activities:		
Depreciation and amortization	359	488
Amortization (accretion) of premiums and discounts on securities	(26)	(9)
Provision for loan losses	75	155
Deferred income taxes	154	–
Stock dividends on FHLB securities	(77)	–
Net gain on sale of foreclosed assets	(31)	–
Restricted stock earned and forfeited	117	76
Originations of loans held for sale	(85,433)	(162,449)
Proceeds from the sale of loans held for sale	78,740	161,848
Changes in		
Interest receivable	(560)	(442)
Prepaid expenses and other assets	1,067	(286)
Interest payable and other liabilities	(4,939)	35
Net cash provided by (used in) operating activities	(9,237)	212
<b>Cash Flows From Investing Activities</b>		
Net originations of loans	(26,210)	(13,966)
Purchase of premises and equipment	(215)	(106)
Proceeds from the sale of foreclosed assets, net of expenses	519	27
Proceeds from maturities of available-for-sale securities	6,110	5,450
Purchases of available-for-sale securities	(5,998)	–
Purchases of Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	–	(135)
Net cash used in investing activities	(25,794)	(8,730)
<b>Cash Flows From Financing Activities</b>		
Net increase (decrease) in demand deposits, money market, NOW and savings accounts	5,615	(11,516)
Net increase (decrease) in time deposits	(2,904)	22,185
Net proceeds from short-term debt	19,000	–
Repayments of long-term debt	(269)	(226)
Net proceeds (payments) from other financing activities	(444)	134
Net increase (decrease) in other borrowings	(1,366)	653
Net cash provided by financing activities	19,632	11,230
<b>Increase (decrease) in Cash and Cash Equivalents</b>	(15,399)	2,712
<b>Cash and Cash Equivalents, Beginning of Period</b>	40,057	22,494
<b>Cash and Cash Equivalents, End of Period</b>	\$ 24,658	\$ 25,206

**Blue Valley Ban Corp**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2006 and 2005**  
**(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, 2006, and the consolidated results of its operations, changes in stockholders' equity and cash flows for the periods ended March 31, 2006 and 2005, 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, 2005 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 report of **BKD, LLP** commenting upon their review accompanies the consolidated financial statements included in Item 1 of Part I.

**Note 2: Stock Based Compensation**

The Company's Equity Incentive Plan (the "Plan") allows the Company to issue equity incentive compensation awards to its employees and directors in the forms of stock options, restricted shares or deferred share units.

Under the fixed option provisions of the Plan, the Company may grant options that vest two years from the date of grant to its employees for shares of common stock. The option price of each option is intended to equal the fair value of the Company's stock on the date of grant, and maximum terms are 10 years. No stock options were granted during 2005, 2004 and 2003, and all stock options previously granted were fully vested at December 31, 2005. The Company issued restricted shares in 2005, 2004, and 2003.

Prior to January 1, 2006 the Company accounted for the Plan under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations and no compensation cost had been recognized. Compensation expense has always been recognized for restricted shares awards ratably over the period of service, usually the restricted period, based on the fair value of the stock on the date of grant. Compensation cost charged against income related to restricted share awards was \$117,000 (\$70,200 net of tax) in the first quarter of 2006.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share Based Payment," which established standards for the accounting for transactions in which an entity exchanges its equity

**Blue Valley Ban Corp**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2006 and 2005**  
**(Unaudited)**

instruments for goods or services, and focuses primarily on accounting for transactions in which an entity obtains employee services. The SFAS requires a public entity to measure the cost of employee services received in exchange for its equity instruments based on the fair value at the grant date (with limited exceptions) and recognize that cost over the service period. This statement revises SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees."

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004). As a result of adopting SFAS No. 123R on January 1, 2006, the Company did not record any additional compensation expense, as no stock options had been granted in recent years and options granted were fully vested prior to adoption. However, on January 1, 2006, the Company reclassified \$648,000 of unearned compensation related to previously recognized compensation for restricted share awards that had not been vested as of that date to additional paid-in capital as these awards represent equity awards as defined in SFAS No. 123R. The following table illustrates the effect on net income earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 on stock-based employee compensation for the three months ended March 31, 2005.

	<u>March 31, 2005</u> <i>(Unaudited)</i> <i>(dollars in thousands)</i>
Net income, as reported	\$ <u>796</u>
Add: Total stock-based employee compensation recognized in net income, net of income taxes of \$25 for the period ended March 31, 2005	38
Less: Total stock-based compensation cost determined under the fair value based method, net of income tax credits of \$(25) for the period ended March 31, 2005	<u>(38)</u>
Pro forma net income	\$ <u><u>796</u></u>

**Blue Valley Ban Corp**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2006 and 2005**  
**(Unaudited)**

A summary of option activity under the Plan as of March 31, 2006 and changes during the quarter then ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	111,400	\$ 18.38		
Exercised	(4,050)	13.46		
Forfeited	<u>—</u>	—		
Outstanding, end of year	<u>107,350</u>	\$ 18.56	<u>5.11</u>	<u>\$1,321,544</u>
Options exercisable, end of year	<u>107,350</u>	\$ 18.56	<u>5.11</u>	<u>\$1,321,544</u>

A summary of restricted stock activity under the Plan as of March 31, 2006 and changes during the quarter then ended is presented below:

Restricted Stock	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of year	36,350	\$ 27.45
Vested	—	—
Forfeited	<u>(200)</u>	\$ 27.00
Outstanding, end of year	<u>36,150</u>	\$ 27.45

As of March 31, 2006, there was \$531,397 of total unrecognized compensation cost related to nonvested restricted stock compensation granted under the Plan. That cost is expected to be recognized over a weighted average period of 1.29 years. The total fair value of shares vested during the quarter ended March 31, 2006 was \$0.

**Note 3: 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.

**Blue Valley Ban Corp**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2006 and 2005**  
**(Unaudited)**

The computation of per share earnings for the three months ended March 31, 2006 and 2005 is as follows:

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(dollars in thousands, except share and per share data)</i>	
Net income, as reported	\$ <u>1,317</u>	\$ <u>796</u>
Average common shares outstanding	2,349,009	2,331,546
Average common share stock options outstanding	<u>44,637</u>	<u>39,866</u>
Average diluted common shares	<u>2,393,646</u>	<u>2,371,412</u>
Basic earnings per share	<u>\$0.56</u>	<u>\$0.34</u>
Diluted earnings per share	<u>\$0.55</u>	<u>\$0.34</u>

**Note 4: Long-Term Debt**

Long-term debt at March 31, 2006 and December 31, 2005, consisted of the following components:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2006</u>	<u>2005</u>
	<i>(Unaudited)</i>	
	<i>(in thousands)</i>	
Note payable – Blue Valley Ban Corp (A)	\$ 3,831	\$ 3,981
Note payable – Blue Valley Building Corp. (B)	6,918	7,037
Federal Home Loan Bank advances (C)	47,500	47,500
Subordinated Debentures – BVBC Capital Trust II (D)	7,732	7,732
Subordinated Debentures – BVBC Capital Trust III (E)	<u>11,856</u>	<u>11,856</u>
Total long-term debt	<u>\$ 77,837</u>	<u>\$ 78,106</u>

**Blue Valley Ban Corp**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2006 and 2005**  
**(Unaudited)**

- (A) Due in December 2012, payable in quarterly installments of principal plus interest at the Federal Funds rate plus 1.63%; collateralized by common stock of the Company's subsidiary bank. The interest rate on this note has been fixed at 5.45% by the use of a swap agreement (see Note 4).
- (B) Two notes due in 2017; payable in monthly installments totaling \$70,084 including interest at 5.19%; collateralized by land, buildings, and assignment of future rents. This debt is guaranteed by the Company.
- (C) Due in 2008, 2010, 2011, 2013 and 2015; collateralized by various assets including mortgage-backed loans. The interest rates on the advances range from 1.84% to 5.682%. Federal Home Loan Bank advance availability is determined quarterly and at March 31, 2006, approximately \$59,767,000 was available.
- (D) 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. The Company may prepay the subordinated debentures beginning in 2008, in whole or in part, at their face value plus accrued interest.
- (E) Due in 2035; interest only at LIBOR + 1.60% 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 2033. The Company may prepay the subordinated debentures beginning in 2010, in whole or in part, at their face value plus accrued interest.

Aggregate annual maturities of long-term debt at March 31, 2006 are as follows:

	<i>(in thousands)</i>
April 1 to December 31, 2006	\$ 818
2007	1,113
2008	11,140
2009	1,169
2010	6,199
Thereafter	<u>57,398</u>
	<u>\$ 77,837</u>

**Blue Valley Ban Corp**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2006 and 2005**  
**(Unaudited)**

**Note 5: Derivative Financial Instruments**

As a strategy to reduce the exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into an interest rate swap agreement for a portion of its floating rate debt (*see Note 3*). The agreement provides for the Company to receive interest from the counterparty at the note's variable rate and to pay interest to the counterparty at a fixed rate of 5.45% on the notional amount over the term of the note. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense.

Management has designated the interest rate swap agreement as a cash flow hedging instrument. The hedge was fully effective through March 31, 2006. A \$97,000 unrealized gain has been recognized as a component of other comprehensive loss.

## **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 balances. 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, 2005. Further description of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2005.

#### ***Results of Operations***

*Three months ended March 31, 2006 and 2005.* Net income for the quarter ended March 31, 2006, was \$1.3 million, compared to net income of \$796,000 for the quarter ended March 31, 2005, representing an increase of \$521,000, or 65.45%. Diluted earnings per share increased 61.76% to \$0.55 during the first quarter of 2006 from \$0.34 in the same period of 2005. The Company's annualized return on average assets and average stockholders' equity for the three-month period ended March 31, 2006 were 0.77% and 11.40%, compared to 0.48% and 7.70%, respectively, for the same period in 2005, increases of 60.41% and 48.05%, respectively.

The principal contributing factor to our increase in net income in the current year first quarter from the prior year was an increase in net interest income resulting from higher yields on average earning assets and a higher level of average earning assets. However, the increase in net interest income was partially offset by lower noninterest income, specifically mortgage loans held for sale

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

fee income. Lower mortgage origination volume, resulting from higher interest rates, led to a decline in mortgage loans held for sale fee income.

### ***Net Interest Income***

Fully tax equivalent (FTE) net interest income for the three-month period ended March 31, 2006 was \$6.6 million, an increase of \$1.6 million, or 31.89%, from \$5.0 million for the three-month period ended March 31, 2005.

FTE interest income for the current year first quarter was \$11.3 million, an increase of \$2.2 million, or 23.63%, from \$9.2 million in the prior year first quarter. This increase was primarily a result of an overall increase in yields on earning assets. The overall yield on average earning assets increased by 122 basis points to 7.18% in the first quarter of 2006 compared to 5.96% in the prior year first quarter. The 122 basis point increase in yield resulted from increases in market interest rates. In addition, FTE interest income also increased due to an increase in average earning assets, particularly investment securities. The average balance of investment securities increased approximately \$38 million, or 59.21%, from prior year first quarter. Average earning asset volume increased from the first quarter of 2005 to the current period by \$16.6 million, or 2.65%.

Interest expense for the current year first quarter was \$4.7 million, an increase of \$569,000, or 13.68%, from \$4.2 million in the prior year first quarter. This increase was primarily a result of an increase in the rate paid on average interest-bearing liabilities resulting from promotional rates offered on our time deposits as well as the impact of rising market interest rates on our savings and money market deposits and short-term borrowings. The rate paid on total average interest-bearing liabilities increased 41 basis points to 3.54% during the three month period ending March 31, 2006 compared to 3.13% during the same period in 2005. In addition, average interest-bearing liabilities increased \$3.1 million or 0.57% to \$541.9 million during the first quarter of 2006 compared to \$538.8 million during the prior year period. This increase was primarily the result of higher short-term borrowing average balances.

*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,					
	2006			2005		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
	(Dollars in thousands)					
<b>Assets</b>						
Federal funds sold.....	\$ 6,705	\$ 82	5.00 %	\$ 3,628	\$ 23	2.38 %
Investment securities – taxable .....	100,824	1,041	4.19	61,854	392	2.58
Investment securities – non-taxable (1) .....	636	11	7.17	1,873	33	7.05
Mortgage loans held for sale.....	17,909	281	6.37	39,072	526	5.46
Loans, net of unearned discount and fees .....	<u>513,922</u>	<u>9,916</u>	7.82	<u>516,990</u>	<u>8,191</u>	6.43
Total earning assets.....	<u>639,996</u>	<u>11,331</u>	7.18	<u>623,417</u>	<u>9,165</u>	5.96
Cash and due from banks – non-interest bearing	18,656			20,442		
Allowance for possible loan losses .....	(6,623)			(7,285)		
Premises and equipment, net.....	18,574			19,854		
Other assets.....	<u>18,925</u>			<u>18,197</u>		
Total assets.....	<u>\$ 689,528</u>			<u>\$ 674,625</u>		
<b>Liabilities and Stockholders' Equity</b>						
Deposits-interest bearing:						
Interest-bearing demand accounts .....	\$ 24,748	\$ 23	0.37 %	\$ 25,920	\$ 33	0.52 %
Savings and money market deposits .....	160,600	960	2.42	186,098	897	1.95
Time deposits.....	<u>248,499</u>	<u>2,487</u>	4.06	<u>222,498</u>	<u>2,064</u>	3.76
Total interest-bearing deposits .....	<u>433,847</u>	<u>3,470</u>	3.24	<u>434,516</u>	<u>2,994</u>	2.79
Short-term borrowings.....	30,682	288	3.80	24,897	108	1.76
Long-term debt .....	<u>77,389</u>	<u>969</u>	5.08	<u>79,387</u>	<u>1,057</u>	5.40
Total interest-bearing liabilities .....	<u>541,918</u>	<u>4,727</u>	3.54	<u>538,800</u>	<u>4,159</u>	3.13
Non-interest bearing deposits.....	92,937			87,509		
Other liabilities .....	7,792			6,401		
Stockholders' equity .....	<u>46,881</u>			<u>41,915</u>		
Total liabilities and stockholders' equity	<u>\$ 689,528</u>			<u>\$ 674,625</u>		
Net interest income/spread .....		<u>\$ 6,604</u>	<u>3.64 %</u>		<u>\$ 5,006</u>	<u>2.83 %</u>
Net interest margin.....			<u>4.18 %</u>			<u>3.26 %</u>

(1) Presented on a fully tax-equivalent basis assuming a tax rate of 34%. For the quarters ending March 31, 2006 and 2005, the tax equivalency adjustment amounted to \$4,000 and \$11,000 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 rate, reflecting changes in rate multiplied by the prior period volume; and
- changes in volume, reflecting changes in volume multiplied by the current period rate.

### Changes in Interest Income and Expense Volume and Rate Variances

	Three Months Ended March 31, 2006 Compared to 2005		
	Change Due to Rate	Change Due to Volume	Total Change
	<i>(Dollars in thousands)</i>		
Federal funds sold and other short-term investments .....	\$ 22	\$ 37	\$ 59
Investment securities – taxable .....	245	404	649
Investment securities – non-taxable (1).....	1	(23)	(22)
Mortgage loans held for sale .....	93	(332)	(239)
Loans, net of unearned discount .....	1,778	(59)	1,719
Total interest income .....	<u>2,139</u>	<u>27</u>	<u>2,166</u>
Interest-bearing demand accounts .....	(9)	(1)	(10)
Savings and money market deposits .....	214	(151)	63
Time deposits .....	163	260	423
Short-term borrowings .....	126	54	180
Long-term debt .....	(63)	(25)	(88)
Total interest expense.....	<u>431</u>	<u>137</u>	<u>568</u>
Net interest income .....	<u>\$ 1,708</u>	<u>\$ (110)</u>	<u>\$ 1,598</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 2006 was \$75,000, compared to \$155,000 for the same period of 2005. As discussed further in the *Financial Condition* section, the decrease in the provision for loan losses recorded in the three-month period ended March 31, 2006 compared to the same period in the prior year was the result of improvements in the overall credit quality 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. The Company makes 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,	
	2006	2005
	<i>(In thousands)</i>	
Loans held for sale fee income.....	\$ 1,136	\$ 2,041
NSF charges and service fees.....	285	255
Other service charges.....	298	233
Other income.....	313	278
Total non-interest income.....	<u>\$ 2,032</u>	<u>\$ 2,807</u>

Non-interest income decreased \$775,000 or 27.61%, to \$2.0 million during the three-month period ended March 31, 2006, from \$2.8 million during the three-month period ended March 31, 2005. This decrease is primarily attributable to a decrease in loans held for sale fee income of \$905,000 or 44.35%. We experienced a decline in our mortgage loans held for sale fee income due to a decline in residential mortgage origination and refinancing resulting from higher interest rates.

### Non-interest Expense

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In thousands)</i>	
Salaries and employee benefits.....	\$ 4,036	\$ 3,947
Occupancy.....	759	820
General and administrative.....	1,651	1,594
Total non-interest expense.....	<u>\$ 6,446</u>	<u>\$ 6,361</u>

Non-interest expense remained virtually unchanged from the prior period at \$6.4 million during the three-month period ended March 31, 2006.

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

### ***Financial Condition***

Total assets for the Company at March 31, 2006, were \$705.7 million, an increase of \$16.1 million, or 2.33%, compared to \$689.6 million at December 31, 2005. Deposits and stockholders' equity at March 31, 2006, were \$532.1 million and \$47.7 million, respectively, compared with \$529.3 million and \$46.3 million, respectively, at December 31, 2005, increases of \$2.7 million or 0.51%, and \$1.5 million or 3.21%, respectively.

Loans at March 31, 2006 totaled \$529.0 million, reflecting an increase of \$25.9 million, or 5.13%, compared to December 31, 2005. The loan to deposit ratio at March 31, 2006 was 99.42% compared to 95.05% at December 31, 2005.

Available-for-sale securities at March 31, 2006 totaled \$99.6 million, reflecting only a slight decrease from December 31, 2005.

Mortgage loans held for sale at March 31, 2006 totaled \$20.6 million, an increase of \$6.7 million, or 48.12%, compared to \$13.9 million at December 31, 2005. 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, 2005, approximately \$59,767,000 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, 2006	March 31, 2005	December 31, 2005
	<i>(Dollars in thousands)</i>		
<b>Commercial and all other loans:</b>			
Past due 90 days or more	\$ 2	\$ 870	\$ 781
Nonaccrual	265	446	769
<b>Commercial real estate loans:</b>			
Past due 90 days or more	—	175	598
Nonaccrual	—	—	—
<b>Construction loans:</b>			
Past due 90 days or more	—	3,188	585
Nonaccrual	143	—	452
<b>Lease financing:</b>			
Past due 90 days or more	—	33	5
Nonaccrual	6	78	119
<b>Residential real estate loans:</b>			
Past due 90 days or more	—	153	—
Nonaccrual	965	185	1,016
<b>Consumer loans:</b>			
Past due 90 days or more	14	12	49
Nonaccrual	6	—	—
<b>Home equity loans:</b>			
Past due 90 days or more	35	—	—
Nonaccrual	8	75	—
<b>Debt securities and other assets (exclude other real estate owned and other repossessed assets)</b>			
Past due 90 days or more	—	—	—
Nonaccrual	—	—	—
Total non-performing loans	<u>1,444</u>	<u>5,215</u>	<u>4,374</u>
<b>Foreclosed assets held for sale</b>	<u>306</u>	<u>2,650</u>	<u>711</u>
Total non-performing assets	<u>\$ 1,750</u>	<u>\$ 7,865</u>	<u>\$ 5,085</u>
Total nonperforming loans to total loans	0.27%	0.97%	0.87%
Total nonperforming loans to total assets	0.20%	0.73%	0.63%
Allowance for loan losses to nonperforming loans	450.92%	145.90%	153.27%
Nonperforming assets to loans and foreclosed assets held for sale	0.33%	1.47%	1.01%

As of March 31, 2006, non-performing loans equaled 0.27% of total loans, representing a substantial decrease in non-performing loans from December 31, 2005. As such, the Company recorded a lower provision for loan losses during the three month period ending March 31, 2006 compared to the three month period ending March 31, 2005. However, the level of loans charged-off increased slightly during the first quarter of 2006. Consequently, the Company experienced an annualized ratio of net charge-offs to average loans of 0.21% for the quarter ending March 31, 2006 compared to a ratio of net charge-offs to average loans of 0.17% for the year ended December 31, 2005. 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, 2005, our ratio of allowance for loan losses to non-performing loans was 450.92%.

## 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, 2006	Three months ended March 31, 2005	Year ended December 31, 2005
	<i>(Dollars in thousands)</i>		
<b>Balance at Beginning of Period</b>	\$ 6,704	\$ 7,333	\$ 7,333
<b>Loans Charged Off</b>			
Commercial loans	105	197	949
Commercial real estate loans	—	—	—
Construction loans	—	—	—
Lease financing	98	—	86
Residential real estate loans	109	—	—
Consumer loans	16	28	77
Home equity loans	—	—	16
Total loans charged-off	<u>328</u>	<u>225</u>	<u>1,128</u>
<b>Recoveries</b>			
Commercial loans	25	4	154
Commercial real estate loans	—	—	3
Construction loans	—	—	—
Lease financing	30	58	76
Residential real estate loans	—	—	1
Consumer loans	6	12	35
Home equity loans	—	—	—
Total recoveries	<u>61</u>	<u>74</u>	<u>269</u>
<b>Net Loans Charged Off</b>	267	151	859
<b>Provision for Loan Losses</b>	<u>75</u>	<u>155</u>	<u>230</u>
<b>Balance at End of Period</b>	<u>\$ 6,512</u>	<u>\$ 7,337</u>	<u>\$ 6,704</u>
<b>Loans Outstanding</b>			
Average	\$ 513,922	\$ 516,990	\$ 516,643
End of period	529,004	520,953	503,143
<b>Ratio of Allowance for Loan Losses to Loans Outstanding</b>			
Average	1.27%	1.42%	1.30%
End of period	1.23%	1.41%	1.33%
<b>Ratio of Net Charge-Offs (Recoveries) to Loans Outstanding</b>			
Average loans	0.21%	0.12%	0.17%
End of period loans	0.20%	0.12%	0.17%

The allowance for loan losses as a percent of total loans decreased to 1.23% as of March 31, 2006, compared to 1.33% as of December 31, 2005.

## **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 74.53% and 74.26% of our total deposits at March 31, 2006, and December 31, 2005, respectively. Generally, the Company's funding strategy is to utilize Federal Home Loan Bank of Topeka 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.

At March 31, 2006, our total stockholders' equity was \$47.7 million and our equity to asset ratio was 6.76%. At March 31, 2006, our Tier 1 capital ratio was 9.23% compared to 8.86% at December 31, 2005, while our total risk-based capital ratio was 11.72% compared to 12.04% at December 31, 2005. As of March 31, 2006, 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, 2006 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>
200 basis point rise	14.93 %	3.71 %
Base Rate Scenario	-	-
200 basis point decline	(16.14 %)	(8.74 %)

The above table indicates that, at March 31, 2006, 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 (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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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, 2006, 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 200 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.

At December 31, 2005, two deficiencies were noted in controls. The deficiencies noted were accounting for tax benefit upon exercise of stock options and computation of earnings per share. Both items have been corrected.

As of the date of this Quarterly Report on Form 10-Q, there have not been any other 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 1A. Risk Factors**

No changes

### **Item 2. Unregistered Sales of Equity 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**

On April 14, 2006, the Company's Board of Directors elected Robert D. Taylor as a Class II Director. Mr. Taylor was also elected to serve on the Company's Audit Committee effective April 14, 2006.

### **Item 6. Exhibits**

#### **EXHIBITS**

- 11. Computation of Earnings Per Share. Please see p. 9.
- 15. Letter regarding Unaudited Interim Financial Information
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
- 31.2 Certification of the Treasurer pursuant to Rule 13a-14(a)/15d-14(a)
- 32.1 Certification of the Chief Executive Officer and Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

## 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 15, 2006

By: /s/ Robert D. Regnier  
Robert D. Regnier, President and  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: May 15, 2006

By: /s/ Mark A. Fortino  
Mark A. Fortino, Chief Financial Officer  
(Principal Financial [and Accounting] Officer)