

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, 2007**

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

Guarantee with respect to the Trust Preferred Securities, \$8.00 par value of BVBC Capital Trust I (None of which are currently outstanding)

Name of each exchange on which registered  
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 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, 2007 the registrant had 2,433,498 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**

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

Audit Committee, Board of Directors and Shareholders  
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, 2007, and the related condensed consolidated statements of income, stockholders' equity and cash flows for the three-month periods ended March 31, 2007 and 2006. 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, 2006 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 March 21, 2007 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, 2006 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  
May 15, 2007

**Blue Valley Ban Corp.**  
**Condensed Consolidated Balance Sheets**  
**March 31, 2007 and December 31, 2006**  
*(dollars in thousands, except share data)*

**Assets**

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	<i>(Unaudited)</i>	
Cash and due from banks	\$ 16,919	\$ 21,499
Interest-bearing deposits in other financial institutions	215	356
Federal funds sold	<u>32,522</u>	<u>5,375</u>
Cash and cash equivalents	49,656	27,230
Available-for-sale securities	89,006	87,206
Mortgage loans held for sale	6,429	21,805
Loans, net of allowance for loan losses of \$6,759 and \$6,106 in 2007 and 2006, respectively	552,288	522,409
Premises and equipment, net	19,418	17,953
Foreclosed assets held for sale, net	1,287	717
Interest receivable	5,328	4,200
Deferred income taxes	1,561	2,276
Prepaid expenses and other assets	1,917	1,305
Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	6,848	6,447
Goodwill	4,783	-
Core deposit intangible asset, at amortized cost	<u>1,343</u>	<u>671</u>
Total assets	<u>\$ 739,864</u>	<u>\$ 692,219</u>

**Blue Valley Ban Corp.**  
**Condensed Consolidated Balance Sheets**  
**March 31, 2007 and December 31, 2006**  
*(dollars in thousands, except share data)*

**Liabilities and Stockholders' Equity**

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	<i>(Unaudited)</i>	
<b>Liabilities</b>		
Deposits		
Demand	\$ 97,094	\$ 94,823
Savings, NOW and money market	194,093	156,069
Time	289,750	284,972
Total deposits	580,937	535,864
Other interest-bearing liabilities	32,300	29,558
Long-term debt	66,743	67,019
Interest payable and other liabilities	4,465	5,958
Total liabilities	684,445	638,399
 <b>Stockholders' Equity</b>		
Capital stock		
Common stock, par value \$1 per share; authorized 15,000,000 shares; issued and outstanding 2007 – 2,433,498 shares; 2006 – 2,409,490 shares	2,433	2,409
Additional paid-in capital	9,871	9,561
Retained earnings	43,146	41,982
Accumulated other comprehensive loss, net of income taxes (credit) of \$(21) in 2007 and \$(88) in 2006	(31)	(132)
Total stockholders' equity	55,419	53,820
Total liabilities and stockholders' equity	\$ 739,864	\$ 692,219

**Blue Valley Ban Corp.**  
**Condensed Consolidated Statements of Income**  
**Three Months Ended March 31, 2007 and 2006**  
*(dollars in thousands, except share data)*

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Interest Income</b>		
Interest and fees on loans	\$ 11,637	\$ 10,197
Federal funds sold and other short-term investments	99	82
Available-for-sale securities	<u>1,020</u>	<u>1,048</u>
Total interest income	<u>12,756</u>	<u>11,327</u>
<b>Interest Expense</b>		
Interest-bearing demand deposits	80	23
Savings and money market deposit accounts	1,312	960
Other time deposits	3,344	2,487
Federal funds purchased and other interest-bearing liabilities	297	217
Short-term debt	42	71
Long-term debt, net	<u>915</u>	<u>969</u>
Total interest expense	<u>5,990</u>	<u>4,727</u>
<b>Net Interest Income</b>	6,766	6,600
<b>Provision for Loan Losses</b>	<u>400</u>	<u>75</u>
<b>Net Interest Income After Provision for Loan Losses</b>	<u>6,366</u>	<u>6,525</u>
<b>Noninterest Income</b>		
Loans held for sale fee income	1,102	1,136
Service fees	654	583
Other income	<u>241</u>	<u>313</u>
Total noninterest income	<u>1,997</u>	<u>2,032</u>
<b>Noninterest Expense</b>		
Salaries and employee benefits	3,898	4,036
Net occupancy expense	769	759
Other operating expense	<u>1,917</u>	<u>1,651</u>
Total noninterest expense	<u>6,584</u>	<u>6,446</u>
<b>Income Before Income Taxes</b>	1,779	2,111
<b>Provision for Income Taxes</b>	<u>615</u>	<u>794</u>
<b>Net Income</b>	<u>\$ 1,164</u>	<u>\$ 1,317</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.48</u>	<u>\$ 0.56</u>
<b>Diluted Earnings Per Share</b>	<u>\$ 0.48</u>	<u>\$ 0.55</u>

**Blue Valley Ban Corp.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**Three Months Ended March 31, 2007 and 2006**

*(dollars in thousands, except share data)*

	Comprehensive Income	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2005</b>		\$ 2,382	\$ 9,212	\$ 35,782	\$ (648)	\$ (473)	\$ 46,255
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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196)</u>	<u>(196)</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>
<b>Balance, December 31, 2006</b>		<u>\$ 2,409</u>	<u>\$ 9,561</u>	<u>\$ 41,982</u>	<u>\$ -</u>	<u>\$ (132)</u>	<u>\$ 53,820</u>
Issuance of 30 shares of common stock			5	-	-	-	5
Issuance of 13,600 shares of restricted stock, net of forfeiture		14	52	-	-	-	66
Issuance of 5,950 shares of common stock through stock options exercised		6	141	-	-	-	147
Issuance of 4,558 shares common stock for the employee stock purchase plan		4	112	-	-	-	116
Net income	\$ 1,164	-	-	1,164	-	-	1,164
Change in derivative financial instrument, net of income taxes (credit) of \$(13)	(19)	-	-	-	-	(19)	(19)
Change in unrealized depreciation on available-for-sale securities, net of income taxes of \$80	120	-	-	-	-	120	120
	<u>\$ 1,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120</u>	<u>120</u>
<b>Balance, March 31, 2007</b>		<u>\$ 2,433</u>	<u>\$ 9,871</u>	<u>\$ 43,146</u>	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ 55,419</u>

**Blue Valley Ban Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2007 and 2006**

*(dollars in thousands, except share data)*

	<b>March 31, 2007</b>	<b>March 31, 2006</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 1,164	\$ 1,317
Adjustments to reconcile net income to net cash flow		
From operating activities:		
Depreciation and amortization	343	359
Accretion of premiums on securities	(7)	(26)
Provision for loan losses	400	75
Deferred income taxes	255	154
Stock dividends on FHLB securities	(69)	(77)
Net (gain) loss on sale of foreclosed assets	62	(31)
Restricted stock earned and forfeited	79	117
Compensation expense related to the employee stock purchase plan	6	5
Originations of loans held for sale	(59,172)	(85,433)
Proceeds from the sale of loans held for sale	74,548	78,740
Changes in		
Interest receivable	(939)	(560)
Prepaid expenses and other assets	121	1,062
Interest payable and other liabilities	(1,257)	(4,939)
Net cash provided by (used in) operating activities	15,534	(9,237)
<b>Cash Flows From Investing Activities</b>		
Net originations of loans	(2,071)	(26,210)
Purchase of premises and equipment	(258)	(215)
Proceeds from the sale of foreclosed assets, net of expenses	378	519
Purchases of available-for-sale securities	(1,999)	(5,998)
Proceeds from maturities of available-for-sale securities	2,000	6,110
Purchases of Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	(314)	-
Proceeds from the redemption of Federal Home Loan Bank stock, Federal Reserve Bank stock, and other securities	619	-
Sale of Western National Bank charter and other assets	392	-
Purchase of Unison Bancorp, Inc. and subsidiary, net of cash received	(6,131)	-
Net cash used in investing activities	(7,384)	(25,794)
<b>Cash Flows From Financing Activities</b>		
Net increase in demand deposits, money market, NOW and savings accounts	12,316	5,615
Net increase (decrease) in time deposits	1,516	(2,904)
Net proceeds from short-term debt	-	19,000
Repayments of long-term debt	(926)	(269)
Dividends paid on common stock	(723)	(596)
Net proceeds from other financing activities	255	152
Net increase (decrease) in other borrowings	1,838	(1,366)
Net cash provided by financing activities	14,276	19,632

**Blue Valley Ban Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2007 and 2006**

*(dollars in thousands, except share data)*

<b>Increase (decrease) in Cash and Cash Equivalents</b>	22,426	(15,399)
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>27,230</u>	<u>40,057</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 49,656</u>	<u>\$ 24,658</u>

**Supplemental Cash Flows Information**

The Company purchased Unison Bancorp, Inc. and its subsidiary, Western National Bank, Lenexa, Kansas for a premium of \$5,493,000. In conjunction with this acquisition, liabilities were assumed as follows:

Fair value of assets acquired	\$ 39,799,000	
Less cash paid (net of cash received)	<u>6,131,000</u>	
Liabilities assumed	<u>\$ 33,668,000</u>	

**Blue Valley Ban Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2007 and 2006**  
**(Unaudited)**

**Note 1: Basis of Presentation**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's condensed consolidated financial position as of March 31, 2007, and the condensed consolidated results of its operations, changes in stockholders' equity and cash flows for the periods ended March 31, 2007 and 2006, and are of a normal recurring nature. The condensed consolidated balance sheet of the Company, as of December 31, 2006, has been derived from the audited consolidated balance sheet of the Company as of that date.

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 condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 2006 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 condensed consolidated financial statements included in Item 1 of Part I.

**Note 2: New Accounting Pronouncements**

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of SFAS No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 as of January 1, 2007, and the adoption had no significant impact on the Company's consolidated financial statements. The Company and subsidiaries file income tax returns in the U.S. Federal jurisdiction and the state jurisdictions of Kansas and Missouri. With few exceptions, the Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years before 2003.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*, which provides guidance for using fair value to measure assets and liabilities. The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FASB Statement No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact, if any, that FASB Statement No. 157 may have on the Company's financial statements.

**Blue Valley Ban Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2007 and 2006**  
**(Unaudited)**

On February 15, 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 provides an option to report selected financial assets and liabilities at fair value. The statement is effective as of the beginning of the fiscal year for fiscal years beginning after November 15, 2007. Early adoption is permitted provided, among other things, an entity elects to adopt within the first 120 days of that fiscal year. The Company does not anticipate adopting SFAS No. 159 before the required implementation date of January 1, 2008. The Company has not yet determined the impact of SFAS No. 159 might have on the consolidated financial statements upon adoption.

**Note 3: Stock Based Compensation**

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.

**Note 4: 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, 2007 and 2006 is as follows:

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(dollars in thousands, except share and per share data)</i>	
Net income, as reported	\$ <u>1,164</u>	\$ <u>1,317</u>
Average common shares outstanding	2,403,837	2,349,009
Average common share stock options outstanding	<u>34,581</u>	<u>44,637</u>
Average diluted common shares	<u>2,438,418</u>	<u>2,393,646</u>
Basic earnings per share	<u>\$0.48</u>	<u>\$0.56</u>
Diluted earnings per share	<u>\$0.48</u>	<u>\$0.55</u>

**Blue Valley Ban Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2007 and 2006**  
**(Unaudited)**

**Note 5: Short-Term Debt**

The Company has a \$15 million operating line of credit with a bank bearing a variable interest rate of the Federal Funds rate plus 1.63%. The line of credit is secured by stock in the Company's subsidiary bank and matures during 2007. As of March 31, 2007 and December 31, 2006, the Company had no outstanding balance on this line of credit.

**Note 6: Long-Term Debt**

Long-term debt at March 31, 2007 and December 31, 2006, consisted of the following components:

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	<i>(Unaudited)</i>	
	<i>(in thousands)</i>	
Note payable – Blue Valley Ban Corp (A)	\$ 3,231	\$ 3,381
Note payable – Blue Valley Building Corp. (B)	6,424	6,550
Federal Home Loan Bank advances (C)	37,500	37,500
Subordinated Debentures – BVBC Capital Trust II (D)	7,732	7,732
Subordinated Debentures – BVBC Capital Trust III (E)	11,856	11,856
Total long-term debt	\$ 66,743	\$ 67,019

**Blue Valley Ban Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2007 and 2006**  
**(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 7).
- (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, 2011, 2013, 2015 and 2016; collateralized by various assets including mortgage-backed loans. The interest rates on the advances range from 2.62% to 5.682%. Federal Home Loan Bank advance availability is determined quarterly and at March 31, 2007, approximately \$69,074,000 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, 2007 are as follows:

	<i>(in thousands)</i>
April 1 to December 31, 2007	\$ 837
2008	11,140
2009	1,169
2010	1,199
2011	8,731
Thereafter	<u>43,667</u>
	<u>\$ 66,743</u>

**Blue Valley Ban Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2007 and 2006**  
**(Unaudited)**

**Note 7: 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 6*). The agreement provides for the Company to receive interest from the counterparty at an amount which offsets 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, 2007. A \$19,000 unrealized loss has been recognized as a component of other comprehensive income (loss) during the first quarter.

**Note 8: Business Acquisition**

On February 16, 2007, the Company acquired 100% of the outstanding common stock of Unison Bancorp, Inc. ("Unison") and its subsidiary, Western National Bank of Lenexa, Kansas ("Western") for \$10,180,000 in cash and merged Unison into the Company. On March 29, 2007, the Company sold Western to Northland National Bank, Kansas City, Missouri, and simultaneously the Company's subsidiary, Bank of Blue Valley, purchased the assets and assumed the liabilities of Western, with the exception of the bank charter and some miscellaneous assets and received \$392,000 cash as a net result. As a result of the acquisition, the Company will have an opportunity to continue its expansion in Johnson County and this represents its first presence in Lenexa. Their results of operations have been included in the consolidated financial statements since February 16, 2007.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

**Blue Valley Ban Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2007 and 2006**  
**(Unaudited)**

	<i>(in thousands)</i>
Cash and cash equivalents	\$ 4,134
Available-for-sale securities	1,594
Loans	29,200
Premises and equipment	1,508
Core deposits intangible	1,000
Western National Bank charter - intangible	325
Goodwill	4,493
Other assets	<u>1,679</u>
 Total assets	 <u>43,933</u>
 Deposits	 31,241
Other interest-bearing liabilities	903
Long-term debt	650
Other liabilities	<u>874</u>
 Total liabilities assumed	 <u>33,668</u>
 Net assets acquired	 <u>\$ 10,265</u>

The Company acquired identifiable intangibles which consisted of the core deposit base of \$1,00,000, which has a useful life of approximately seven years and is being amortized using the straight-line method and the bank charter, which was subsequently sold to Northland National Bank on March 29, 2007. The \$4,493,000 of goodwill is not considered deductible for income tax purposes. The Company has obtained preliminary third-party valuations; however, because of the proximity of this transaction to quarter-end, the values of certain assets and liabilities are based on preliminary valuations and are subject to adjustment as additional information is obtained. Such additional information includes, but is not limited to: valuations and final income tax returns. When finalized, material adjustments to goodwill may result.

## **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 is deemed a critical accounting policy 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 that policy. Accounting for this critical area 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 policy since December 31, 2006. Further description of our critical accounting policy can be found in our Annual Report on Form 10-K for the year ended December 31, 2006.

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

*Three months ended March 31, 2007 and 2006.* Net income for the quarter ended March 31, 2007, was \$1.2 million, compared to net income of \$1.3 million for the quarter ended March 31, 2006, representing a decrease of \$153,000, or 11.62%. Diluted earnings per share decreased 12.73% to \$0.48 during the first quarter of 2007 from \$0.55 in the same period of 2006. The Company's annualized return on average assets and average stockholders' equity for the three-month period ended March 31, 2007 were 0.67% and 8.74%, compared to 0.77% and 11.40%, respectively, for the same period in 2006, decreases of 12.99% and 23.33%, respectively.

The principal contributing factor to our decrease in net income in the current year first quarter from the prior year was an increase in the provision for loan losses. While net interest income increased, primarily due to a higher level of average earning assets, this increase was offset by an increase in noninterest expenses, specifically general and administrative expenses.

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

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

Fully tax equivalent (FTE) net interest income for the three-month period ended March 31, 2007 was \$6.8 million, an increase of \$164,000, or 2.48%, from \$6.6 million for the three-month period ended March 31, 2006.

FTE interest income for the current year first quarter was \$12.7 million, an increase of \$1.4 million, or 12.59%, from \$11.3 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 70 basis points to 7.88% in the first quarter of 2007 compared to 7.18% in the prior year first quarter. The 70 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 loans. The average balance of loans increased approximately \$32 million, or 6.25%, from prior year first quarter primarily due to the acquisition of Unison Bancorp, Inc. and its subsidiary in February 2007. Average earning asset volume increased from the first quarter of 2006 to the current period by \$16.9 million, or 2.64%.

Interest expense for the current year first quarter was \$6.0 million, an increase of \$1.3 million, or 26.72%, from \$4.7 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 the impact of rising market interest rates on all of our deposit products as well as short- and long-term borrowings. The rate paid on total average interest-bearing liabilities increased 82 basis points to 4.36% during the three month period ending March 31, 2007 compared to 3.54% during the same period in 2006. In addition, average interest-bearing liabilities increased \$15.1 million or 2.78% to \$557.0 million during the first quarter of 2007 compared to \$541.9 million during the prior year period. The increase in average interest-bearing liabilities was primarily the result of the acquisition of Unison Bancorp, Inc. in February 2007.

*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,					
	2007			2006		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
	(Dollars in thousands)					
<b>Assets</b>						
Federal funds sold.....	\$ 7,978	\$ 99	5.01 %	\$ 6,705	\$ 82	5.00 %
Investment securities – taxable .....	87,580	1,016	4.71	100,824	1,041	4.19
Investment securities – non-taxable (1) .....	360	6	6.87	636	11	7.17
Mortgage loans held for sale.....	14,877	230	6.28	17,909	281	6.37
Loans, net of unearned discount and fees .....	<u>546,071</u>	<u>11,407</u>	8.47	<u>513,922</u>	<u>9,916</u>	7.82
Total earning assets.....	<u>656,866</u>	<u>12,758</u>	7.88	<u>639,996</u>	<u>11,331</u>	7.18
Cash and due from banks – non-interest bearing	16,176			18,656		
Allowance for possible loan losses .....	(6,440)			(6,623)		
Premises and equipment, net.....	18,673			18,574		
Other assets.....	<u>18,289</u>			<u>18,925</u>		
Total assets.....	<u>\$ 703,564</u>			<u>\$ 689,528</u>		
<b>Liabilities and Stockholders' Equity</b>						
Deposits-interest bearing:						
Interest-bearing demand accounts .....	\$ 25,484	\$ 80	1.27 %	\$ 24,748	\$ 23	0.37 %
Savings and money market deposits .....	143,757	1,312	3.70	160,600	960	2.42
Time deposits.....	<u>290,955</u>	<u>3,344</u>	4.66	<u>248,499</u>	<u>2,487</u>	4.06
Total interest-bearing deposits .....	<u>460,196</u>	<u>4,736</u>	4.17	<u>433,847</u>	<u>3,470</u>	3.24
Short-term borrowings.....	30,491	339	4.51	30,682	288	3.80
Long-term debt .....	<u>66,297</u>	<u>915</u>	5.60	<u>77,389</u>	<u>969</u>	5.08
Total interest-bearing liabilities .....	<u>556,984</u>	<u>5,990</u>	4.36	<u>541,918</u>	<u>4,727</u>	3.54
Non-interest bearing deposits.....	87,665			92,937		
Other liabilities .....	4,883			7,792		
Stockholders' equity .....	<u>54,032</u>			<u>46,881</u>		
Total liabilities and stockholders' equity	<u>\$ 703,564</u>			<u>\$ 689,528</u>		
Net interest income/spread .....		<u>\$ 6,768</u>	<u>3.52 %</u>		<u>\$ 6,604</u>	<u>3.64 %</u>
Net interest margin.....			<u>4.18 %</u>			<u>4.18 %</u>

(1) Presented on a fully tax-equivalent basis assuming a tax rate of 34%. For the quarters ending March 31, 2007 and 2006, the tax equivalency adjustment amounted to \$2,000 and \$4,000 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

	<b>Three Months Ended March 31, 2007 Compared to 2006</b>		
	<b>Change Due to Rate</b>	<b>Change Due to Volume</b>	<b>Total Change</b>
	<i>(Dollars in thousands)</i>		
Federal funds sold and other short-term investments .....	\$ -	\$ 17	\$ 17
Investment securities – taxable .....	130	(153)	(23)
Investment securities – non-taxable (1).....	-	(5)	(5)
Mortgage loans held for sale .....	(4)	(47)	(51)
Loans, net of unearned discount .....	820	671	1,491
Total interest income .....	<u>946</u>	<u>483</u>	<u>1,429</u>
Interest-bearing demand accounts.....	55	2	57
Savings and money market deposits .....	506	(154)	352
Time deposits .....	369	488	857
Short-term borrowings .....	53	(2)	51
Long-term debt .....	99	(153)	(54)
Total interest expense.....	<u>1,082</u>	<u>181</u>	<u>1,263</u>
Net interest income .....	<u>\$ (136)</u>	<u>\$ 302</u>	<u>\$ 166</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 2007 was \$400,000, compared to \$75,000 for the same period of 2006. The increase in provision for loans losses recorded during the three-month period ended March 31, 2007 was a result of several credits which management is aggressively pursuing collection. 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,	
	2007	2006
	<i>(In thousands)</i>	
Loans held for sale fee income.....	\$ 1,102	\$ 1,136
NSF charges and service fees.....	328	285
Other service charges.....	326	298
Other income.....	241	313
Total non-interest income.....	<u>\$ 1,997</u>	<u>\$ 2,032</u>

Non-interest income decreased \$35,000, or 1.72%, to \$2.0 million during the three-month period ended March 31, 2007, from \$2.0 million during the three-month period ended March 31, 2006. This decrease is primarily attributable to a decrease in other income of \$72,000 or 23.00%. The decline in other income is partially due to a decrease in the first quarter dividend from the Federal Home Loan Bank of Topeka. The decrease in the dividend amount is a result of the Federal Home Loan Bank stock redeemed during the second quarter of 2006. The decline is also the result of a one time receipt of income to cover expenses previously recorded.

### Non-interest Expense

	Three Months Ended	
	March 31,	
	2007	2006
	<i>(In thousands)</i>	
Salaries and employee benefits.....	\$ 3,898	\$ 4,036
Occupancy.....	769	759
General and administrative.....	1,917	1,651
Total non-interest expense.....	<u>\$ 6,584</u>	<u>\$ 6,446</u>

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

Non-interest expense increased \$138,000, or 2.14%, to \$6.6 million during the three-month period ended March 31, 2007, from \$6.4 million during the prior year period. Salaries and employee benefits decreased \$138,000 or 3.42%. However, this was more than offset by a 16.11%, or \$266,000, increase in general and administrative costs. These costs increased primarily due to the additional marketing efforts for our new Lenexa location and consulting fees related to our mortgage operations restructuring.

### ***Financial Condition***

Total assets for the Company at March 31, 2007, were \$739.9 million, an increase of \$47.7 million, or 6.89%, compared to \$692.2 million at December 31, 2006. Deposits and stockholders' equity at March 31, 2007, were \$580.9 million and \$55.4 million, respectively, compared with \$535.9 million and \$53.8 million, respectively, at December 31, 2006, increases of \$45.0 million or 8.40%, and \$1.6 million or 2.97%, respectively.

Loans at March 31, 2007 totaled \$559.0 million, reflecting an increase of \$30.5 million, or 5.77%, compared to December 31, 2006. The increase in the loan portfolio during the first quarter is primarily the result of the acquisition of Unison. The loan to deposit ratio at March 31, 2007 was 96.23% compared to 98.63% at December 31, 2006.

Available-for-sale securities at March 31, 2007 totaled \$89.0 million, reflecting a slight increase from \$87.2 million at December 31, 2006.

Mortgage loans held for sale at March 31, 2007 totaled \$6.4 million, a decrease of \$15.4 million, or 70.52%, compared to \$21.8 million at December 31, 2006. 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, 2007, approximately \$69,074,000 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, 2007	March 31, 2006	December 31, 2006
	<i>(Dollars in thousands)</i>		
<b>Commercial and all other loans:</b>			
Past due 90 days or more	\$ 523	\$ 2	\$ 802
Nonaccrual	101	265	381
<b>Commercial real estate loans:</b>			
Past due 90 days or more	4,951	—	4,951
Nonaccrual	514	—	—
<b>Construction loans:</b>			
Past due 90 days or more	324	—	—
Nonaccrual	136	143	136
<b>Lease financing:</b>			
Past due 90 days or more	—	—	186
Nonaccrual	348	6	—
<b>Residential real estate loans:</b>			
Past due 90 days or more	101	—	—
Nonaccrual	304	965	410
<b>Consumer loans:</b>			
Past due 90 days or more	11	14	13
Nonaccrual	—	6	47
<b>Home equity loans:</b>			
Past due 90 days or more	—	35	—
Nonaccrual	—	8	—
<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>7,313</u>	<u>1,444</u>	<u>6,926</u>
<b>Foreclosed assets held for sale</b>	<u>1,287</u>	<u>306</u>	<u>717</u>
Total non-performing assets	<u>\$ 8,600</u>	<u>\$ 1,750</u>	<u>\$ 7,643</u>
Total nonperforming loans to total loans	1.31%	0.27%	1.31%
Total nonperforming loans to total assets	0.99%	0.20%	1.00%
Allowance for loan losses to nonperforming loans	92.42%	450.92%	88.16%
Nonperforming assets to loans and foreclosed assets held for sale	1.53%	0.33%	1.44%

As of March 31, 2007, non-performing loans equaled 1.31% of total loans, representing a slight increase in non-performing loans from December 31, 2006. The overall credit exposure in the Company's total loan portfolio increased slightly as several large commercial real estate relationships still remain 90 days or more past due and a few relationships became 90 days or more past due during the quarter. 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. However, due to factors noted above, as of March 31, 2007, our ratio of allowance for loan losses to non-performing loans was 92.42%.

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

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

**Summary of Loan Loss Experience and Related Information**

	As of and for the		
	Three months ended March 31, 2007	Three months ended March 31, 2006	Year ended December 31, 2006
	<i>(Dollars in thousands)</i>		
<b>Balance at Beginning of Period</b>	\$ 6,106	\$ 6,704	\$ 6,704
<b>Loans Charged Off</b>			
Commercial loans	50	105	1,417
Commercial real estate loans	—	—	—
Construction loans	25	—	100
Lease financing	—	98	134
Residential real estate loans	49	109	318
Consumer loans	5	16	83
Home equity loans	—	—	8
Total loans charged-off	<u>129</u>	<u>328</u>	<u>2,060</u>
<b>Recoveries</b>			
Commercial loans	18	25	117
Commercial real estate loans	—	—	—
Construction loans	—	—	—
Lease financing	3	30	32
Residential real estate loans	—	—	47
Consumer loans	2	6	11
Home equity loans	—	—	—
Total recoveries	<u>23</u>	<u>61</u>	<u>207</u>
<b>Net Loans Charged Off</b>	106	267	1,853
<b>Allowance for Loan Loss attributed to acquisition</b>	359	—	—
<b>Provision for Loan Losses</b>	<u>400</u>	<u>75</u>	<u>1,255</u>
<b>Balance at End of Period</b>	<u>\$ 6,759</u>	<u>\$ 6,512</u>	<u>\$ 6,106</u>
<b>Loans Outstanding</b>			
Average	\$ 546,071	\$ 513,922	\$ 525,471
End of period	559,047	529,004	528,515
<b>Ratio of Allowance for Loan Losses to Loans Outstanding</b>			
Average	1.24%	1.27%	1.16%
End of period	1.21%	1.23%	1.16%
<b>Ratio of Net Charge-Offs (Recoveries) to</b>			
Average loans	0.02%	0.21%	0.35%
End of period loans	0.02%	0.20%	0.35%

The allowance for loan losses as a percent of total loans increased to 1.21% as of March 31, 2007, compared to 1.16% as of December 31, 2006.

## **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 73.47% and 73.40% of our total deposits at March 31, 2007, and December 31, 2006, 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, 2007, our total stockholders' equity was \$55.4 million and our equity to asset ratio was 7.49%. At March 31, 2007, our Tier 1 capital ratio was 9.63% compared to 10.29% at December 31, 2006, while our total risk-based capital ratio was 11.51% compared to 12.47% at December 31, 2006. As of March 31, 2007, 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, 2007 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	12.12 %	2.12%
Base Rate Scenario	-	-
200 basis point decline	(20.98 %)	(8.00)%

The above table indicates that, at March 31, 2007, 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, 2007, 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.

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 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**

None

### **Item 6. Exhibits**

#### EXHIBITS

11. Computation of Earnings Per Share. Please see p. 11.
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, 2007

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

Date: May 15, 2007

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