Board of Governors of the Federal Reserve System

RECEIVED
JUN 26 2015
FRB RICHMOND

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, William J. Bocek, Jr.
Name of the Holding Company Director and Official

Director and President
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

William J. Bocek
Signature of Holding Company Director and Official

06/24/2015
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- ☐ is included with the FR Y-6 report
- ☐ will be sent under separate cover
- ☒ is not prepared

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
March 31, 2015
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Banks of the Chesapeake, M.H.C.
Legal Title of Holding Company

2001 East Joppa Road
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Baltimore	MD	21234

N/A
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Robert K. Bloodsworth, Jr.	Treasurer

410-665-7600 3040
Area Code / Phone Number / Extension

410-665-8538
Area Code / FAX Number

rob.bloodsworth@chesapeakebank.com
E-mail Address

N/A
Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

☐ Yes Please identify the report items to which this request applies:

____

☐ In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.

☐ The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

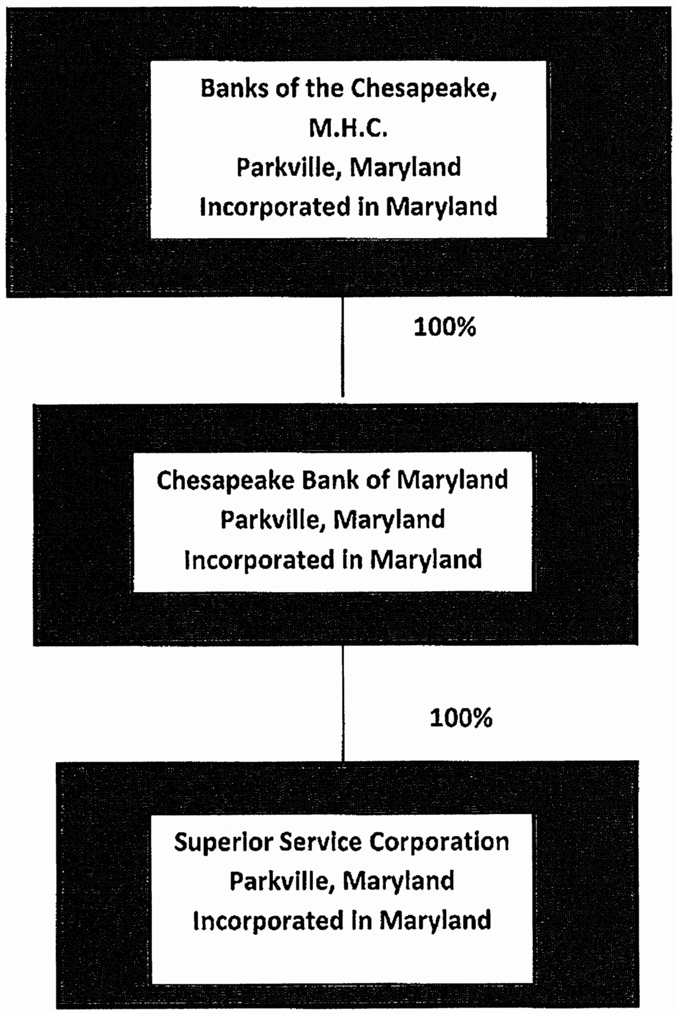
☒ No

Form FR Y-6
Banks of the Chesapeake, M.H.C.
Baltimore, Maryland
Fiscal Year Ending March 31, 2015

Report Item:

1: The savings and loan holding company is a mutual holding company and, as such, does not prepare an annual report and is not registered with the SEC. A copy of the annual independent audit is enclosed.

2a: Organizational Chart



2b: The Domestic Branch Listing was submitted via email on June 24, 2015.

Results: A list of branches for your depository institution: CHESAPEAKE BANK OF MARYLAND (ID_RSSD: 204077).
This depository institution is held by BANKS OF THE CHESAPEAKE, MHC (3831960) of PARKVILLE, MD.
The data are as of 03/31/2015. Data reflects information that was received and processed through 04/06/2015.

Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

Actions

OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head	204077	CHESAPEAKE BANK OF	2001 EAST JOPPA ROAD	PARKVILLE	MD	21234	BALTIMORE	UNITED	41518	0	CHESAPEAKE BANK OF	204077	
OK		Full Service	4154451	ARBUTUS BRANCH	5424 CARVILLE AVE	BALTIMOR	MD	21227	BALTIMORE	UNITED	41058	100	CHESAPEAKE BANK OF	204077	
OK		Full Service	4154442	BEL AIR BRANCH	1 BEL AIR SOUTH PARKWAY,	BEL AIR	MD	21015	HARFORD	UNITED	441433	107	CHESAPEAKE BANK OF	204077	
OK		Full Service	4154460	PASADENA BRANCH	3820 MOUNTAIN ROAD	PASADENA	MD	21122	ANNE ARUNDEL	UNITED STATES	270058	102	CHESAPEAKE BANK OF MARYLAND	204077	

Form FR Y-6
Banks of the Chesapeake, M.H.C.
Fiscal Year Ending March 31, 2015

Report Item 3: Securities Holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 3/31/2015	Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 3/31/2015
(1)(a) Name, City, State, Country – N/A (Mutual Holding Company) **(1)(b) Country or Citizenship of Incorporation –** N/A (Mutual Holding Company) **(1)(c) Number and Percentage of Each Class of Voting Securities –** N/A (Mutual Holding Company)	**(2)(a) Name, City, State, Country –** N/A (Mutual Holding Company) **(2)(b) Country or Citizenship of Incorporation –** N/A (Mutual Holding Company) **(2)(c) Number and Percentage of Each Class of Voting Securities –** N/A (Mutual Holding Company)

Form FR Y-6
Banks of the Chesapeake, M.H.C.
Fiscal Year Ending March 31, 2015

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title and Position with Holding Company	(3)(b) Title and Position with Subsidiaries	(3)(c) Title and Position with Other Businesses	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries	(4)(C) List Names of Other Companies if 25% or more of Voting Securities are Held
Robert K. Bloodsworth, Jr. Cockeysville, MD, USA	Senior Vice President (SVP) and Chief Financial Officer (CFO) - Chesapeake Bank of Maryland	Treasurer	SVP and CFO - Chesapeake Bank of Maryland. Treasurer - Superior Service Corp.	N/A	N/A - 0%	N/A - 0%	N/A
William J. Bocek, Jr. Forest Hill, MD, USA	President and Chief Executive Officer (CEO) - Chesapeake Bank of Maryland	Director	Chairman of the Board, Director, President, and CEO - Chesapeake Bank of Maryland. Chairman of the Board, Director, and President - Superior Service Corp.	N/A	N/A - 0%	N/A - 0%	N/A
Francis X. Bossle, Jr. Ellicott City, MD, USA	Retired -Former Executive Vice President - Northstar Mortgage, LLC	Chairman of the Board and Director	Director - Chesapeake Bank of Maryland. Director - Superior Service Corp.	N/A – Retired	N/A - 0%	N/A - 0%	N/A
Glenn C. Ercole Reisterstown, MD, USA	Commercial Real Estate Finance – Principal - Mackenzie Capital	Director	Director - Chesapeake Bank of Maryland. Director - Superior Service Corp.	Principal – Mackenzie Capital	N/A - 0%	N/A - 0%	N/A

Form FR Y-6

Banks of the Chesapeake, M.H.C.

Fiscal Year Ending March 31, 2015

(1) Name City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title and Position with Holding Company	(3)(b) Title and Position with Subsidiaries	(3)(c) Title and Position with Other Businesses	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries	(4)(c) List Names of Other Companies if 25% or more of Voting Securities are Held
William R. Minton Jarrettsville, MD, USA	Builder/Owner and President - Jarrettsville Builders	Director	Director - Chesapeake Bank of Maryland. Director - Superior Service Corp.	President - Jarrettsville Builders	N/A - 0%	N/A - 0%	N/A
Gail E. Smith Hydes, MD, USA	Executive Vice President (EVP) and Chief Operating Officer (COO) - Chesapeake Bank of Maryland	Director & Secretary	Director, Secretary, EVP, COO - Chesapeake Bank of Maryland. Director and Secretary - Superior Service Corp.	N/A	N/A - 0%	N/A - 0%	N/A
Benny C. Walker Fallston, MD, USA	CPA – Partner - Weyrich Cronin & Sorra, Chartered	Director	Director - Chesapeake Bank of Maryland. Director - Superior Service Corp.	Partner - Weyrich, Cronin & Sorra, Chartered	N/A - 0%	N/A - 0%	N/A
William W. Whitty, Jr. Lutherville, MD, USA	Commercial Real Estate Broker – Principal and Senior Vice President - Mackenzie Commercial Real Estate	Director	Director - Chesapeake Bank of Maryland. Director - Superior Service Corp.	Principal and Senior Vice President - Mackenzie Commercial Real Estate	N/A - 0%	N/A - 0%	N/A

BANKS OF THE CHESAPEAKE, M.H.C.
AND SUBSIDIARIES
Baltimore, Maryland

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014

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CliftonLarsonAllen

CliftonLarsonAllen LLP
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Independent Auditors' Report

The Board of Directors
Banks of the Chesapeake, M.H.C. and Subsidiaries
Baltimore, Maryland

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Banks of the Chesapeake, M.H.C. and Subsidiaries (the Company), which comprise the consolidated statements of financial condition as of March 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banks of the Chesapeake, M.H.C. and Subsidiaries as of March 31, 2015 and 2014 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 16, 2015

CONSOLIDATED FINANCIAL STATEMENTS

BANKS OF THE CHESAPEAKE, M.H.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
March 31, 2015 and 2014

	2015	2014
	(In Thousands)	
ASSETS		
Cash	$ 5,855	$ 5,901
Interest-bearing deposits in other banks	16,658	30,155
Federal funds sold	135	1,200
Total cash and cash equivalents	22,648	37,256
Securities available-for-sale, at fair value	4,985	4,883
Securities held-to-maturity, at amortized cost	8,962	11,200
Loans receivable, net	120,481	113,712
Loans held-for-sale	1,917	378
Premises and equipment, net	2,259	2,421
Federal Home Loan Bank of Atlanta stock, at cost	153	162
Deferred income taxes, net	2,044	2,230
Bank-owned life insurance	6,592	6,275
Foreclosed assets	1,485	1,570
Other assets	981	935
TOTAL ASSETS	$ 172,507	$ 181,022
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 12,690	$ 10,781
Interest bearing	135,636	146,653
Total deposits	148,326	157,434
Advance payments by borrowers for taxes and insurance	913	923
Other liabilities	2,427	2,310
Total liabilities	151,666	160,667
EQUITY		
Retained earnings	20,849	20,424
Accumulated other comprehensive loss	(8)	(69)
Total equity	20,841	20,355
TOTAL LIABILITIES AND EQUITY	$ 172,507	$ 181,022

The accompanying notes are an integral part of the consolidated financial statements.

BANKS OF THE CHESAPEAKE, M.H.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended March 31, 2015 and 2014

	2015	2014
	(In Thousands)	
INTEREST INCOME		
Loans, including fees	$ 5,811	$ 5,500
Mortgage-backed and U.S. Federal agency securities	438	538
Other, primarily certificates of deposit and overnight investments	120	152
Total interest income	6,369	6,190
INTEREST EXPENSE		
Deposits	869	1,229
Net interest income	5,500	4,961
PROVISION FOR LOAN LOSSES	282	791
Net interest income after provision for loan losses	5,218	4,170
NON-INTEREST INCOME		
Gain on sale of loans	150	111
Service charges on deposits	274	261
Income from bank-owned life insurance	192	194
Gain on sale of premises	249	-
Gain on sale of foreclosed assets	-	3
Other	24	13
Total non-interest income	889	582
NON-INTEREST EXPENSE		
Salaries and benefits	2,936	2,916
Data processing fees	477	480
Occupancy	363	362
Loss on sale/write-down of foreclosed assets	169	-
Legal fees	66	49
Deposit insurance premium	144	161
Advertising	112	152
Furniture, fixtures, and equipment	126	127
Other	1,143	1,144
Total non-interest expense	5,536	5,391
Income (loss) before (provision) benefit (for) from income taxes	571	(639)
(PROVISION) BENEFIT (FOR) FROM INCOME TAXES	(146)	297
NET INCOME (LOSS)	$ 425	$ (342)

The accompanying notes are an integral part of the consolidated financial statements.

BANKS OF THE CHESAPEAKE, M.H.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended March 31, 2015 and 2014

	2015	2014
	(In Thousands)	
NET INCOME (LOSS)	$ 425	$ (342)
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized holding gains (losses) on available-for-sale securities arising during the year	101	(111)
Income tax effect related to unrealized holding losses	(40)	43
Total other comprehensive income (loss)	61	(68)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 486	$ (410)

The accompanying notes are an integral part of the consolidated financial statements.

BANKS OF THE CHESAPEAKE, M.H.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended March 31, 2015 and 2014

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
		(In Thousands)	
BALANCE, MARCH 31, 2013	$ 20,766	$ (1)	$ 20,765
Net loss	(342)	-	(342)
Other comprehensive loss	-	(68)	(68)
BALANCE, MARCH 31, 2014	20,424	(69)	20,355
Net income	425	-	425
Other comprehensive income	-	61	61
BALANCE, MARCH 31, 2015	$ 20,849	$ (8)	$ 20,841

The accompanying notes are an integral part of the consolidated financial statements.

BANKS OF THE CHESAPEAKE, M.H.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2015 and 2014

	2015	2014
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 425	$ (342)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Net amortization of deferred loan fees and investment discounts/premiums	(171)	(86)
Provision for loan losses	282	791
Gain on sale of loans	(150)	(111)
Gain on sale of foreclosed assets	-	(3)
Loss on sale/write-down of foreclosed assets	169	-
Depreciation and amortization	212	209
(Gain) loss on disposal of premises and equipment	(249)	10
Income from bank-owned life insurance	(192)	(194)
Decrease (increase) in deferred income taxes, net	186	(357)
Effects of changes in operating assets and liabilities:		
Loans held-for-sale	(1,389)	224
Other assets	(46)	706
Other liabilities	117	94
Net cash (used in) provided by operating activities	(806)	941
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available-for-sale:		
Purchases	-	(955)
Securities held-to-maturity:		
Principal payments	2,260	3,305
Net increase in loans	(7,908)	(4,986)
Purchases of premises and equipment	(79)	(405)
Redemption of Federal Home Loan Bank of Atlanta stock	9	68
Purchase of foreclosed assets	(134)	-
Proceeds from sale of foreclosed assets	1,015	128
Proceeds from sale of premises	278	-
Purchase of bank-owned life insurance	(125)	(125)
Net cash used in investing activities	(4,684)	(2,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	(9,108)	(11,582)
Net (decrease) increase in advance payments by borrowers for taxes and insurance	(10)	41
Net cash used in financing activities	(9,118)	(11,541)

BANKS OF THE CHESAPEAKE, M.H.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2015 and 2014
(Continued)

	2015	2014
	(In Thousands)	
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (14,608)	$ (13,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,256	50,826
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,648	$ 37,256
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 869	$ 1,229
Income taxes	$ -	$ -
Cash received during the year for:		
Income taxes	$ -	$ 187
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Transfers to foreclosed assets from loans	$ 965	$ 67

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Banks of the Chesapeake, M.H.C. (the Company) and its wholly-owned subsidiaries, Chesapeake Bank of Maryland (the Bank), and Superior Service Corporation. All intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

The Company's primary business is the ownership and operation of the Bank. The Bank's primary business activity is the acceptance of deposits from the general public and using the proceeds for investments and loan originations. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates in Preparing Consolidated Financial Statements

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and reported income and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the classification and valuation of securities, determination of the allowance for loan losses, the value of foreclosed assets, and the evaluation of realizability of deferred tax assets.

Concentrations of Credit Risk

Most of the Bank's activities are with customers located within the greater Baltimore metropolitan area. The types of securities that the Bank invests in are included in Note 2. The types of lending that the Bank engages in are included in Note 3. A substantial portion of the loan portfolio is represented by loans in this area. The ability of the Bank's debtors to honor their contracts is partially dependent upon the real estate values and general economic conditions of this area. The Bank does not have any significant concentrations to any one industry or customer.

Commercial real estate, including commercial construction and multifamily loans, represented 36.70% and 35.21% of the total portfolio at March 31, 2015 and 2014, respectively. Residential real estate loans represent 62.67% and 63.96% of the total portfolio at March 31, 2015 and 2014, respectively.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash, interest-bearing deposits in other banks, and Federal funds sold, which mature within one day to six years and are carried at cost. Amounts due from financial institutions may at times exceed federally insured limits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities

Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and are reported at amortized cost. Securities not classified as held-to-maturity are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of tax. Realized gains and losses on sales of securities are recorded on the trade date using the specific identification method and are included in earnings and when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

The Bank evaluates debt and equity securities for other-than-temporary impairment (OTTI), at least quarterly. When the Bank does not have the intent to sell a debt security prior to recovery and it is more-likely-than-not that it will not have to sell the debt security prior to recovery, the security would not be considered OTTI unless there is a credit loss. When the Bank does not intend to sell the security and it is more-likely-than-not the Bank will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive loss.

Federal Home Loan Bank of Atlanta Stock

The Bank is required to maintain an investment in the stock of the Federal Home Loan Bank of Atlanta (FHLB) based on two components. The first component is a stock requirement that is equal to 0.20% of the member's total regulatory assets as of the preceding year end. The second component is a stock requirement that is equal to 4.50% of the member's outstanding borrowings. There is no ready market for the FHLB stock; therefore, it has no quoted market value and is reported on the Consolidated Statements of Financial Condition at cost.

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income. For loans carried at the lower of cost or fair value, gains and losses on loan sales (sales proceeds minus carrying value) are recorded in non-interest income, and loan origination fees, net of certain direct origination costs, are deferred at origination of the loan and are recognized in non-interest income upon sale of the loan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future, until maturity or pay-off, are reported at their outstanding principal balance net of the allowance for loan losses and any deferred fees or costs on originated loans.

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment to the yield of the related loan over the contractual life utilizing the interest method.

Accrual of interest is discontinued and previously accrued interest is reversed against interest income, including impaired loans, if they are past due as to maturity or payment of principal or interest for a period of more than ninety days, unless such loans are well-secured and in the process of collection. Determination of a loan's past due status is based on contractual terms. When a payment is received on a loan on non-accrual status, the amount received is allocated to principal and interest based on management's assessment of the ultimate collectability of principal and interest. Loans are returned to accrual status when principal and interest payments are current, full collection of principal and interest is reasonably assured, and there is a sustained period of repayment performance (generally six months) by the borrower in accordance with the contractual terms of principal and interest.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are deducted from the allowance when management believes the un-collectability of the loan balance is confirmed. Subsequent recoveries, if any, are added back to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's regular review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as either doubtful or loss. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Under certain circumstances, the Bank will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Bank for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above in the calendar year of the restructuring. In subsequent years, a restructured loan may cease being classified as impaired if the loan was modified at a market rate and is performing according to the modified terms. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal or interest due, or acceptance of other assets in full or partial satisfaction of the debt. Restructured loans can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accrual status, depending on the individual facts and circumstances of the borrower. Nonaccrual restructured loans are included and treated with other nonaccrual loans.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

The Bank maintains a separate general valuation allowance for each portfolio segment. These portfolio segments include commercial, residential real estate, and consumer and other with risk characteristics described as follows:

> **Commercial**: Commercial loans generally possess a higher inherent risk of loss than other portfolio segments. Adverse economic developments or an overbuilt market impact commercial projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay. These loans generally possess a lower inherent risk of loss than commercial loans. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may limit the borrower's capacity to repay their obligations.

Consumer: The consumer loan portfolio is comprised of a large number of small loans. Most loans are made directly for consumer purchases. These loans generally possess a lower inherent risk of loss than commercial loans. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may limit the borrower's capacity to repay their obligations.

Off-Balance Sheet Commitments

In the ordinary course of business, the Bank has entered into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are initially recorded at fair value at the date of foreclosure less estimated costs to sell, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in non-interest income and non-interest expense, respectively.

Premises and Equipment

Land is carried at cost. Premises and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method, based on the useful lives of the respective assets except for leasehold improvements, which are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Maintenance and repairs are charged to non-interest expense while improvements, which extend the useful life, are capitalized and depreciated over the estimated useful life of the improvements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Income Taxes

Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more-likely-than-not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The Bank determined that it was not required to record a liability for unrealizable tax position benefits as a result of implementing the new requirements.

Deferred tax assets are reduced by a valuation allowance if it is deemed more-likely-than-not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Contribution Pension Plan

The Bank has a defined contribution pension plan covering substantially all employees. In order to participate, employees must be 18 years of age and have completed one year of service.

Deferred Compensation Arrangements

The Bank has a deferred compensation plan for directors and officers. This plan covers present and former directors and officers.

Supplemental Executive Retirement Plan

The Bank has a Supplemental Retirement Plan for the Chief Executive Officer.

Bank-Owned Life Insurance

The Bank maintains life insurance policies on certain present and former directors. These policies are split-dollar or director insurance policies. Under the split-dollar insurance policies, the Bank pays the premiums and upon the death of the insured will receive an amount equal to the premiums paid on the policy from the policy date to the date of death. Any remaining proceeds will be paid to the beneficiary. If the policy is surrendered before the date of death, the Bank will receive the lesser of the cash surrender value or the sum of the premiums paid on the policy from the policy date to the date of surrender. Any remaining proceeds will be paid to the Bank. Under the director insurance policies, the Bank receives the cash surrender value if the policy is surrendered, or receives all benefits payable upon the death of the insured. As of March 31, 2015 and 2014, approximately $190,000 and $196,000, respectively, has been included in other liabilities related to the split-dollar insurance policies.

Advertising Costs

All advertising costs are expensed as incurred.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Comprehensive income (loss) includes valuation adjustments on securities available-for-sale, net of tax. For 2015 and 2014, other comprehensive income (loss) includes no reclassification adjustments related to gains or losses on security sales.

Fair Value Measurements

Fair value measurement standards provide a comprehensive framework for measuring fair value and expands disclosures for assets and liabilities reported at fair value. Specifically, it sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In 2015, the Company adopted Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220). ASU 2013-02 amended prior guidance to improve the reporting of reclassifications out of accumulated other comprehensive income (loss) by requiring an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) by component. In addition, an entity is required to present, either on the face of the statement or in the notes, significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items of net income (loss) if the amount reclassified is required under U.S. GAAP. The impact of the adoption of ASU 2013-02 did not have a material impact on the Company's consolidated financial position or results of operations.

NOTE 2 – SECURITIES

The amortized cost and approximate fair value of securities, with gross unrealized gains and losses, at March 31 are as follows:

2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
Securities available-for-sale:				
U.S. Federal agency	$ 4,996	$ 1	$ (12)	$ 4,985
Securities held-to-maturity:				
U.S. Federal agency	$ 1,975	$ 68	$ -	$ 2,043
Mortgage-backed	6,987	567	-	7,554
Total	$ 8,962	$ 635	$ -	$ 9,597

2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
Securities available-for-sale:				
U.S. Federal agency	$ 4,996	$ -	$ (113)	$ 4,883
Securities held-to-maturity:				
U.S. Federal agency	$ 1,960	$ 96	$ -	$ 2,056
Mortgage-backed	9,240	565	-	9,805
Total	$ 11,200	$ 661	$ -	$ 11,861

NOTE 2 – SECURITIES (CONTINUED)

Information pertaining to securities with gross unrealized losses at March 31, 2015 and 2014 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less than 12 Months		12 Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
March 31, 2015			(In Thousands)			
Securities available-for-sale:						
U.S. Federal agency	$ (11)	$ 1,986	$ (1)	$ 999	$ (12)	$ 2,985
March 31, 2014						
Securities available-for-sale:						
U.S. Federal agency	$ (113)	$ 4,883	$ -	$ -	$ (113)	$ 4,883

During the years ended March 31, 2015 and 2014, no securities were called prior to their maturity.

During the years ended 2015 and 2014, the Company did not sell any securities.

Gross unrealized losses of approximately $12,000 and $113,000 existed at March 31, 2015 and 2014, respectively, representing 0.2% and 2.3%, respectively, of the amortized cost basis for such securities. Such losses, which are attributable to single investments, pertain to changes in interest rates rather than credit quality concerns, and are deemed by management to be temporary. Management has the intent and ability to hold these securities to market price recovery or maturity.

The amortized cost and fair value of securities by contractual maturity at March 31, 2015 are as follows:

	Amortized Cost	Fair Value
	(In Thousands)	
Securities available-for-sale:		
U.S. Federal agency		
Maturing after one through five years	$ 4,996	$ 4,985
Maturing after five through ten years	-	-
	$ 4,996	$ 4,985
Securities held-to-maturity:		
U.S. Federal agency		
Maturing after one through five years	$ 1,975	$ 2,043
Mortgage-backed	6,987	7,554
	$ 8,962	$ 9,597

NOTE 3 – LOANS RECEIVABLE, NET

Loans receivable consist of the following at March 31:

	2015	2014
	(In Thousands)	
Commercial:		
Mortgage - nonresidential	$ 35,647	$ 34,812
Mortgage - construction	7,653	4,803
Nonmortgage	1,293	779
Residential real estate:		
One to four family residences	61,443	58,571
Construction	94	1,944
Home equity and second mortgages	10,418	10,588
Other	4,196	2,273
Consumer:		
Boat	309	437
Other	453	510
	121,506	114,717
Net deferred loan origination fees	(106)	(200)
Subtotal	121,400	114,517
Allowance for loan losses	(919)	(805)
Loans receivable, net	$ 120,481	$ 113,712

The Bank has purchased loan participations originated by other financial institutions, which are secured by commercial real estate owned by the other financial institution's customers. These loan participations were purchased without recourse and the originating financial institution performs all loan servicing functions on these loans. The total loan participations included in the commercial loan segments totaled $7,325,000 and $6,791,000 at March 31, 2015 and 2014, respectively.

The Bank has sold loan participations to other financial institutions, which are secured by commercial and residential real estate owned by the Bank's customers. These loan participations were sold without recourse and the Bank performs all loan servicing functions on these loans. Loan participations sold and excluded from the commercial and residential real estate loan segments totaled $2,809,000 and $2,440,000 at March 31, 2015 and 2014, respectively.

The following tables are presented net of deferred loan origination fees and therefore will not relate directly back to the total of gross loans as noted above.

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

Specific changes in the allowance for loan losses and recorded investment in loans by segment at March 31 are as follows:

2015	Commercial	Residential Real Estate	Consumer	Total
		(In Thousands)		
Allowance for loan losses:				
Balance at beginning of year	$ 600	$ 195	$ 10	$ 805
Provision charged (credit) to operations	92	192	(2)	282
Recovery of loans previously charged off	73	1	5	79
Loans charged off	(70)	(177)	-	(247)
Ending balance	$ 695	$ 211	$ 13	$ 919
Ending balance: Individually evaluated for impairment	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	695	211	13	919
Ending balance	$ 695	$ 211	$ 13	$ 919
Total loans receivable, net:				
Ending balance: Individually evaluated for impairment	$ 3,142	$ 1,045	$ -	$ 4,187
Ending balance: Collectively evaluated for impairment	41,373	75,076	764	117,213
Ending balance	$ 44,515	$ 76,121	$ 764	$ 121,400

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

2014	Commercial	Residential Real Estate	Consumer	Total
		(In Thousands)		
Allowance for loan losses:				
Balance at beginning of year	$ 378	$ 243	$ 25	$ 646
Provision charged (credit) to operations	814	(26)	3	791
Recovery of loans previously charged off	-	6	1	7
Loans charged off	(592)	(28)	(19)	(639)
Ending balance	$ 600	$ 195	$ 10	$ 805
Ending balance: Individually evaluated for impairment	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	600	195	10	805
Ending balance	$ 600	$ 195	$ 10	$ 805
Total loans receivable, net:				
Ending balance: Individually evaluated for impairment	$ 5,051	$ 471	$ -	$ 5,522
Ending balance: Collectively evaluated for impairment	35,246	72,798	951	108,995
Ending balance	$ 40,297	$ 73,269	$ 951	$ 114,517

Commercial Credit Quality Indicators:

As part of the on-going monitoring of the credit quality of the Bank's loan portfolio, management tracks certain credit quality indicators including trends related to (i) the level of classified loans, (ii) net charge-offs, (iii) non-performing loans, (iv) delinquency status, (v) credit scores (i.e. FICO), (vi) customer bankruptcies, and (vii) the general economic conditions in the market area.

Commercial Loan Classification:

Commercial loans individually evaluated for impairment are classified and rated on a scale of 1 to 8, which include: pass (risk ratings 1, 2, and 3), watch (risk rating 4), special mention (risk rating 5), substandard (risk rating 6), doubtful (risk rating 7), or loss (risk rating 8). A description of the classifications are as follows:

1 – Highest Quality Credit – To qualify as a "1" a credit must be fully secured by cash on deposit in a Chesapeake Bank of Maryland account or properly-margined U.S. Government securities.

2 – Strong Credit – To qualify as a "2" a credit must be secured by: a properly margined portfolio of marketable stocks (NYSE or ASE), U. S. Government bonds, state, municipal or corporate bonds (BAA or better), where some concentration exists; cash on deposit with another financial institution acceptable to Chesapeake Bank of Maryland; or, properly-margined residential real estate where the borrower(s) meet or exceed all underwriting ratio guidelines.

3 – Satisfactory Credit – To qualify as a "3" a credit should be performing relatively close to expectations, with adequate evidence that the borrower is continuing to generate adequate cash flow

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

to service debt. There should be no significant departure from the intended source and timing of repayment, and there should be no undue reliance on secondary sources of repayment. To the extent that some variance exists in one or more criteria being measured, it may be offset by the relative strength of other factors and/or collateral pledged to secure the transaction.

4 – Watch Credit – Has all the characteristics of a "satisfactory" credit, but warrants more than the normal level of supervision due to: (1) aspects of the underwriting that do not conform to policy; (2) credits with high financial or operating leverage; (3) credits subject to cyclical economic or variable industry conditions; (4) credits with positive operating trends and satisfactory financial condition, which are achieving performance expectations at a slower pace than anticipated; or, (5) an adverse event(s) that have affected or could affect the borrower's cash flow, financial posture or ability to continue operating profitably; provided, however, that events or circumstances prompting this rating do not constitute an undue or unwarranted credit risk.

5 – Special Mention – Currently protected but potentially weak assets that deserve management's close attention. If left uncorrected, the potential weaknesses may, at some future date, result in deterioration of the repayment prospects for the credit or the Bank's credit position. These assets constitute an unwarranted credit risk, but do not expose the Bank to sufficient risk to warrant classification.

6 – Substandard Credit – Inadequately protected by the current sound worth and the paying capacity of the borrower or of the collateral pledged, if any. Has a well-defined weakness(es) that jeopardize the liquidation of the debt. Characterized by some distinct possibility that the bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard credits, does not have to exist in individual extensions of credit classified substandard. Loans in this category may be placed on non-accrual status.

7 – Doubtful Credit – Has all the weaknesses inherent in a "substandard" credit with the added factor that the weaknesses make collection or liquidation in full, on the basis of current information, conditions and values, highly questionable and improbable. Loans in this category must be placed on non-accrual status and all payments (principal and interest) applied to principal recapture.

The key issue that makes a loan doubtful is the potential for loss. The possibility for loss is extremely high, but because of certain important and reasonably specific pending factors, which may be advantageous and strengthen the credit, a classification as an estimated loss is deferred until a more exact status may be determined. Such pending factors could include proposed merger, acquisition or liquidation procedures, additional capital injection, perfection of liens on additional collateral and refinancing plans. It is not necessary to classify an entire credit doubtful when collection of a specific portion appears highly probable. Therefore, every effort should be made to confirm specific collateral values or other protections against loss in order to minimize the portion of the loan rated doubtful.

8 – Loss Credit – Considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This does not mean that the credit has absolutely no recovery or salvage value, but simply it is neither practical nor desirable to defer writing off all or some portion of the credit, even though partial recovery may be affected in the future. Amounts classified as loss must be charged-off in the period in which they surface as uncollectible.

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

Commercial Credit Exposure:
The commercial real estate credit risk profile based on internal classification by class at March 31 is as follows:

2015	Mortgage - nonresidential	Mortgage - construction	Nonmortgage	Total
		(In Thousands)		
Pass	$ 27,692	$ 5,511	$ 1,054	$ 34,257
Watch	6,125	751	240	7,116
Special mention	1,783	-	-	1,783
Substandard	-	1,359	-	1,359
Total	$ 35,600	$ 7,621	$ 1,294	$ 44,515
2014				
Pass	$ 28,018	$ 2,525	$ 781	$ 31,324
Watch	3,925	-	-	3,925
Special mention	1,794	249	-	2,043
Substandard	1,000	2,005	-	3,005
Total	$ 34,737	$ 4,779	$ 781	$ 40,297

Residential Real Estate and Consumer Loan Credit Quality Indicators:
As part of the on-going monitoring of the credit quality of the residential real estate and consumer loan portfolios, management tracks certain credit quality indicators based on if these loans are performing or non-performing. To differentiate these categories, management tracks the loans' performance and are classified as nonperforming loans when the loan becomes 90 days past due.

Residential Real Estate Credit Exposure:
The residential real estate loan credit risk profile based on payment activity by class at March 31 are as follows:

2015	One to Four Family Residences	Construction	Home Equity and Second Mortgages	Other	Total
			(In Thousands)		
Performing	$ 61,035	$ 95	$ 10,390	$ 4,189	$ 75,709
Non-performing	356	-	56	-	412
Total	$ 61,391	$ 95	$ 10,446	$ 4,189	$ 76,121

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

2014	One to Four Family Residences	Construction	Home Equity and Second Mortgages	Other	Total
			(In Thousands)		
Performing	$ 57,998	$ 1,932	$ 10,315	$ 2,259	$ 72,504
Non-performing	471	-	294	-	765
Total	$ 58,469	$ 1,932	$ 10,609	$ 2,259	$ 73,269

Consumer Credit Exposure:
The consumer loan credit risk profile based on payment activity by class at March 31 is as follows:

2015	Boat	Other	Total
		(In Thousands)	
Performing	$ 310	$ 454	$ 764
Non-performing	-	-	-
Total	$ 310	$ 454	$ 764
2014			
Performing	$ 428	$ 512	$ 940
Non-performing	11	-	11
Total	$ 439	$ 512	$ 951

Information concerning impaired loans by loan class at March 31 is as follows:

2015	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In Thousands)		
With no specific reserve recorded:					
Commercial					
Mortgage - nonresidential	$ 1,783	$ 1,788	$ -	$ 2,289	$ 115
Mortgage - construction	1,359	1,359	-	1,807	67
Residential Real Estate:					
One to four family residences	536	536	-	539	11
Home equity and second mortgages	509	509	-	516	18
Total	$ 4,187	$ 4,192	$ -	$ 5,151	$ 211
Commercial	$ 3,142	$ 3,147	$ -	$ 4,096	$ 182
Residential Real Estate	1,045	1,045	-	1,055	29
Total	$ 4,187	$ 4,192	$ -	$ 5,151	$ 211

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

2014	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no specific reserve recorded:					
Commercial					
Mortgage - nonresidential	$ 2,794	$ 2,803	$ -	$ 3,038	$ 110
Mortgage - construction	2,257	2,257	-	2,454	96
Residential Real Estate:					
One to four family residences	168	168	-	170	9
Home equity and second mortgages	303	303	-	306	16
Total	$ 5,522	$ 5,531	$ -	$ 5,968	$ 231
Commercial	$ 5,051	$ 5,060	$ -	$ 5,492	$ 206
Residential Real Estate	471	471	-	476	25
Total	$ 5,522	$ 5,531	$ -	$ 5,968	$ 231

The Bank had no loans with specific reserves recorded at March 31, 2015 and 2014.

Additional funds committed to be advanced in connection with impaired loans are $-0- at March 31, 2015 and 2014, respectively.

A summary of non-accrual loans by class at March 31 are as follows:

	2015	2014
	(In Thousands)	
Commercial:		
Mortgage - nonresidential	$ -	$ 1,000
Mortgage - construction	72	600
Residential Real Estate:		
One to four family residences	356	471
Home equity and second mortgages	56	294
Consumer:		
Boat	-	11
Total	$ 484	$ 2,376
Foregone interest on non-accrual loans	$ 64	$ 581

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

A summary of past due loans by class at March 31 are as follows:

2015	30-59 Days	60-90 Days	Greater than 90 Days	Total Past Due	Current	Total Loans
			(In Thousands)			
Commercial:						
Mortgage - nonresidential	$ -	$ -	$ -	$ -	$ 35,600	$ 35,600
Mortgage - construction	-	-	72	72	7,549	7,621
Nonmortgage	-	-	-	-	1,294	1,294
Residential Real Estate:						
One to four family residences	170	187	356	713	60,678	61,391
Construction	-	-	-	-	95	95
Home equity and second mortgages	27	50	56	133	10,313	10,446
Other	-	-	-	-	4,189	4,189
Consumer:						
Boat	-	-	-	-	310	310
Other	-	-	-	-	454	454
Total	$ 197	$ 237	$ 484	$ 918	$ 120,482	$ 121,400

2014	30-59 Days	60-90 Days	Greater than 90 Days	Total Past Due	Current	Total Loans
			(In Thousands)			
Commercial:						
Mortgage - nonresidential	$ -	$ -	$ 1,000	$ 1,000	$ 33,737	$ 34,737
Mortgage - construction	-	-	600	600	4,179	4,779
Nonmortgage	2	-	-	2	779	781
Residential Real Estate:						
One to four family residences	186	-	471	657	57,812	58,469
Construction	-	-	-	-	1,932	1,932
Home equity and second mortgages	-	-	294	294	10,315	10,609
Other	-	-	-	-	2,259	2,259
Consumer:						
Boat	11	-	11	22	417	439
Other	80	-	-	80	432	512
Total	$ 279	$ -	$ 2,376	$ 2,655	$ 111,862	$ 114,517

There are no loans as of March 31, 2015 and 2014 which are greater than 90 days past due and accruing interest.

The Bank granted no new troubled debt restructured loans (TDRs) for the years ended March 31, 2015 and 2014.

NOTE 4 – PREMISES AND EQUIPMENT AND RELATED COMMITMENTS

Premises and equipment are summarized by major classification at March 31 as follows:

	2015	2014	Useful Life In Years
	(In Thousands)		
Land	$ 714	$ 731	-
Office buildings and improvements	2,637	2,710	5 - 50
Leasehold improvements	145	145	10 - 15
Furniture, fixtures, and equipment	1,302	1,372	3 - 10
	4,798	4,958	
Accumulated depreciation and amortization	(2,539)	(2,537)	
Total premises and equipment	$ 2,259	$ 2,421	

Depreciation and amortization expense was approximately $212,000 and $209,000 for the years ended March 31, 2015 and 2014, respectively.

The Bank is obligated under a non-cancellable, long-term operating lease for a branch location. The lease expires on December 31, 2016 and contains an option to extend for two additional periods of five years. Minimum annual lease payments are as follows (in thousands):

Year Ended March 31:	
2016	$ 42
2017	31
Total	$ 73

Rent expense was approximately $45,000 and $55,000 for the years ended March 31, 2015 and 2014, respectively.

NOTE 5 – DEPOSITS

Deposits at March 31 consist of the following:

	2015	2014
	(In Thousands)	
Non-interest bearing demand	$ 12,690	$ 10,781
Interest bearing demand	23,314	24,594
Money market	14,185	16,696
Passbook savings	19,346	20,408
	69,535	72,479
Certificates of deposit:	78,791	84,955
Total deposits	$ 148,326	$ 157,434

NOTE 5 – DEPOSITS (CONTINUED)

At March 31, 2015, scheduled maturities of certificates of deposit are as follows (in thousands):

2016	$	34,034
2017		13,182
2018		12,461
2019		10,705
2020		8,409
Total	$	78,791

Deposits are insured to the extent of the aggregate amount of $250,000 (computed individually) by the Federal Deposit Insurance Corporation (FDIC).

Pursuant to a change in the Accounting Standards Codification (ASC 942-405-50-1), the concentration threshold for reporting time deposits was increased from $100,000 to $250,000. The aggregate amounts of time deposits in denominations of $250,000 or more was approximately $6,762,000 as of March 31, 2015. The aggregate amount of time deposits in denominations of $100,000 or more was approximately $34,535,000 as of March 31, 2014.

NOTE 6 – BORROWINGS

The Bank has an agreement with the Federal Home Loan Bank of Atlanta (FHLB) that allows it to obtain advances secured by pledged securities held in safekeeping by the FHLB. Total advances are limited to 15% of total regulatory assets.

The Bank had no outstanding advances at March 31, 2015 and 2014. The amount available for borrowing was $25,480,000 and $27,160,000 at March 31, 2015 and 2014, respectively. Rates on these borrowings vary depending on the length of the borrowing and whether the rate selected is fixed or adjustable.

The Bank also has a $2,000,000 secured federal funds line of credit available with another financial institution at March 31, 2015 and 2014, respectively. No amounts were outstanding at March 31, 2015 and 2014, respectively. Rates on these borrowings are based on the daily fed funds effective rate.

NOTE 7 – BENEFIT PLANS

Deferred Compensation Arrangements

The Bank has deferred compensation agreements with present and former directors and officers. Under the agreements, participants will be paid deferred compensation funded in part by the proceeds in excess of the cash surrender value of life insurance policies. The cost of the insurance is charged to operations as incurred. The Bank recognizes the increase in cash surrender value of the insurance policies as income, which amounted to approximately $192,000 and $194,000 during the years ended March 31, 2015 and 2014, respectively. The Bank's former index retirement benefit plan was converted to a supplemental retirement plan which pays equal annual installments to the plan participants upon retirement. Participants

NOTE 7 – BENEFIT PLANS (CONTINUED)

Deferred Compensation Arrangements (Continued)

are entitled to receive their retirement benefits commencing thirty days following their normal retirement date. Amounts accrued were approximately $464,000 and $546,000 at March 31, 2015 and 2014, respectively, utilizing a 6% interest factor for present value calculations. The liability is intended to be ultimately funded by whole life insurance policies owned by the Bank, insuring the directors. The Bank anticipates that there will be no future payments for the deferred compensation obligation.

The Bank has another compensation deferral plan whereby directors may elect to defer fees and compensation covered by the plan. Participants are eligible to receive the balance of their pre-retirement accounts over a five year period. Amounts accrued at March 31, 2015 and 2014 were approximately $180,000 and $220,000, respectively. The plan is not funded.

Total deferred compensation expense recognized during the years ended March 31, 2015 and 2014 was approximately $19,000 and $8,000, respectively.

Defined Contribution Pension Plan

The Bank sponsors a defined contribution pension plan covering substantially all of its employees. During the years ended March 31, 2015 and 2014, the Bank elected to make no contributions. The amount charged to expense related to this plan totaled $-0- for the years ended March 31, 2015 and 2014, respectively.

Supplemental Executive Retirement Plan

The Bank has a Supplemental Executive Retirement Plan (SERP), which provides supplemental retirement benefits to the Chief Executive Officer of the Bank. The SERP provides for annual payments of $30,000 for ten years upon reaching retirement age of 65. The amounts accrued as of March 31, 2015 and 2014 related to the Plan were approximately $13,000 and $0, respectively.

NOTE 8 – OFF-BALANCE SHEET COMMITMENTS

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to originate loans, commercial and standby letters of credit, personal overdraft protection, home equity lines of credit, and undisbursed portions of construction loans, and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers. These commitments have fixed expiration dates and many are expected to expire without being extended. Therefore, total commitments do not necessarily represent future cash requirements.

NOTE 8 – OFF-BALANCE SHEET COMMITMENTS (CONTINUED)

The following financial instruments were outstanding whose contract amounts represent credit risk at March 31:

	Contract Amount	
	2015	**2014**
	(In Thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commercial letters of credit	$ 370	$ 200
Standby letters of credit	769	803
Commercial lines of credit	617	2,025
Personal overdraft and lines of credit	179	194
Home equity lines of credit	4,592	4,426
Fixed rate loan commitments	788	3,716
Construction loan commitments	5,316	7,337
Total	$ 12,631	$ 18,701

Commercial letters of credit are agreements issued by the Bank on behalf of a customer authorizing another bank to make payments to a certain beneficiary. The Bank is committed to honor drawings made under the letters of credit which are generally secured by real estate or cash. Standby letters of credit are conditional commitments issued by the Bank guaranteeing performance by a customer to a third party. These letters of credit are issued primarily to support private borrowing arrangements, generally limited to real estate transactions. Collateral is generally required by the Bank and management believes proceeds obtained through a liquidation of such collateral would be sufficient to cover future payments required under these guarantees. The current amount of the liability as of March 31, 2015 and 2014 for guarantees under commercial and standby letters of credit is not material.

Unfunded commitments under commercial lines of credit, personal overdraft and lines of credit, and home equity lines of credit are commitments for possible future extensions of credit to existing customers. With the exception of personal overdraft and lines of credit, these lines of credit are generally collateralized, contain a specified maturity date, and may not be drawn upon to the total extent to which the Bank is committed.

Unfunded loan commitments generally pertain to loans that will be collateralized by first mortgage loans.

NOTE 9 – CONTINGENCIES

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

As of March 31, 2015 and 2014, the Bank has sold loans subject to recourse in the amount of $3,885,000 and $1,958,000, respectively, to third parties. These loans have been sold with recourse provisions that may require repurchase in the event of default within periods ranging from four to nine months. Historically, no loan sales have been terminated. The Bank has not recorded a contingent liability related to loans sold with recourse.

NOTE 10 – REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total risk-based, Tier I (core) capital (as defined in the regulations) and of Tier 1 common equity (as defined) to risk-weighted assets (as defined), and of Tier I (core) capital (as defined) to adjusted total assets (as defined). As of March 31, 2015 and 2014, the Bank meets all capital adequacy requirements to which it is subject.

As of March 31, 2015, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I (core) risk-based, Tier I (core), and Tier 1 common equity leverage ratios as set forth in the table that follows. There have been no conditions or events since that notification that management believes have changed the Bank's category.

Regulatory capital amounts and ratios for the Bank are as follows at March 31:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Correction Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
2015						
Total risked-based capital (to total risked weighted assets)	$ 19,744	17.07%	$ 9,254	8.00%	$ 11,567	10.00%
Tier I (core) capital (to total risk weighted assets)	18,799	16.23%	6,940	6.00%	9,254	8.00%
Tier I (core) capital (to adjusted total assets)	18,799	11.08%	6,778	4.00%	8,473	5.00%
Tier I common equity (to total risk weighted assets)	18,799	16.23%	5,212	4.50%	7,529	6.50%
2014						
Total risked-based capital (to total risked weighted assets)	$ 19,026	17.49%	$ 8,703	8.00%	$ 10,879	10.00%
Tier I (core) capital (to total risk weighted assets)	18,168	16.70%	4,351	4.00%	6,527	6.00%
Tier I (core) capital (to adjusted total assets)	18,168	10.16%	7,155	4.00%	8,944	5.00%

NOTE 10 – REGULATORY MATTERS (CONTINUED)

The March 31, 2015 capital ratios are calculated under the Basel III capital rules that became effective on January 1, 2015. Prior period capital ratios were calculated under the prompt corrective capital rules that were in effect for those periods.

In July 2013, the Federal Reserve Board and the FDIC issued final rules implementing the Basel III regulatory capital framework and related Dodd-Frank Wall Street Reform and Consumer Protection Act changes. The rules revise minimum capital requirements and adjust prompt corrective action thresholds. The final rules revise the regulatory capital elements, add a new common equity Tier I capital ratio, increase the minimum Tier 1 capital ratio requirements and implement a new capital conservation buffer. The rules also permit certain banking organizations to retain, through a one-time election, the existing treatment for accumulated other comprehensive income (loss). The Bank has made the election to retain the existing treatment for accumulated other comprehensive income (loss). The final rules took effect for the Bank on January 1, 2015, subject to a transition period for certain parts of the rules.

The March 31, 2015 table preceding includes the new regulatory capital ratio requirements that became effective on January 1, 2015. Beginning in 2016, an additional capital conservation buffer will be added to the minimum requirements for capital adequacy purposes, subject to a three year phase-in period. The capital conservation buffer will be fully phased-in on January 1, 2019 at 2.5 percent. A banking organization with a conservation buffer of less than 2.5 percent (or the required phase-in amount in years prior to 2019) will be subject to limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. At the present time, the ratios for the Bank are sufficient to meet the fully phased-in conservation buffer.

NOTE 11 – INCOME TAXES

The provision (benefit) from income taxes consists of the following for the years ended March 31:

	2015	2014
	(In Thousands)	
Current:		
Federal	$ -	$ 16
State	-	-
	-	16
Deferred:		
Federal	164	(267)
State	(18)	(46)
	146	(313)
Total	$ 146	$ (297)

NOTE 11 – INCOME TAXES (CONTINUED)

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

	2015	2014
	(In Thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 415	$ 376
Unrealized losses on available-for-sale securities	5	46
Deferred compensation	259	302
Net operating loss and charitable contribution carryforwards	1,190	1,174
Reserve for delinquent interest	25	229
Capitalized foreclosed asset expenses and write-down	168	141
Total deferred tax assets	2,062	2,268
Deferred tax liabilities:		
Federal Home Loan Bank of Atlanta stock dividends	(6)	(15)
Depreciation	(12)	(23)
Total deferred tax liabilities	(18)	(38)
Net deferred tax asset	$ 2,044	$ 2,230

The Bank has Federal and Maryland net operating loss carryforwards of approximately $2,721,000 and $4,228,000, respectively, which begin expiring in 2027.

The amount computed by applying the statutory federal income tax rate to loss before income tax benefit for the years ended March 31 differs from the taxes provided for the following reasons:

	2015		2014	
	Amount	**Percent of Pretax Loss**	**Amount**	**Percent of Pretax Loss**
	(In Thousands)			
Statutory federal income tax rate	$ 194	34.00%	$ (217)	34.00%
State income tax net of federal income tax effect	(11)	-1.93%	(30)	4.69%
Permanent differences, primarily income from bank-owned life insurance	(55)	-9.63%	(60)	9.39%
Other	18	3.15%	10	-1.56%
Total tax expense (benefit)	$ 146	25.59%	$ (297)	46.52%

NOTE 11 – INCOME TAXES (CONTINUED)

Qualified thrift lenders, such as the Bank, are not required to provide a deferred tax liability for bad debt reserves for tax purposes that arose in fiscal years beginning before December 31, 1987. Such bad debt reserve for the Bank amounted to approximately $3,132,000 with an income tax effect of approximately $1,230,000 at March 31, 2015 and 2014, respectively. This bad debt reserve would become taxable if certain conditions are not met by the Bank.

The Company files income tax returns in the U.S. Federal jurisdiction and Maryland. The Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years before 2011.

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Company uses various valuation approaches according to the GAAP fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. GAAP defines levels within the hierarchy based on the reliability of inputs as follows:

- **Level 1** – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- **Level 2** – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- **Level 3** – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The estimated fair values of the Company's financial instruments are summarized as follows. The fair values of a significant portion of these financial instruments are estimates derived using present value techniques prescribed by the Financial Accounting Standards Board (FASB) and may not be indicative of the net realizable or liquidation values. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future values.

Cash and cash equivalents
The carrying amount is a reasonable estimate of fair value for cash and cash equivalents due to the short-term nature of these investments.

Investment securities
Fair value is based upon market prices quoted by dealers for investment securities, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Loans receivable, net
The fair value of loans receivable, net was estimated based on discounted cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, except for adjustable rate mortgages which were considered to be at market rates. These rates were used for each aggregated category of loans as reported on the Farin Insight Report.

Impaired loans
Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with GAAP. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with GAAP, impaired loans where an allowance is established on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Loans held-for-sale
The carrying value of loans held-for-sale is a reasonable estimate of fair value.

Federal Home Loan Bank of Atlanta stock
The carrying amount of Federal Home Loan Bank of Atlanta stock is a reasonable estimate of fair value.

Bank-owned life insurance
The fair value of bank-owned life insurance is the cash surrender value.

Foreclosed assets
Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are initially recorded at the lower of the carrying amount or fair market value at the date of foreclosure less estimated costs to sell. An appraisal is required at the time the real estate is acquired. If acquired for more than the fair market value, the difference is charged off. The fair market value (less disposition costs) at the date of acquisition then becomes the carrying value of the foreclosed asset. The further recognition of a loss is required if subsequent evaluation shows the carrying value to be greater than the net realizable value. Initial valuation and revaluation should be supported by an appraisal or other documentation sufficient to support the asset value. Revaluation of real estate held for investment is performed annually. If valuation discloses a lack of proper documentation to support the book value of the property, a reappraisal should be performed. Annual evaluation of foreclosed assets held for investment should include an analysis of the income produced, if any, from the property.

Ground rents and accrued interest
Ground rents net of any valuation allowance, accrued interest receivable, and accrued interest payable are considered to be at their estimated fair value.

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Deposits

The fair value of demand deposits, savings accounts, and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated based on discounted cash flows using the rates currently offered on deposits of similar remaining maturities. These rates were used for each aggregated category of certificates of deposit as reported on the Farin Insight Report.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of March 31:

2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Recurring:				
Securities available-for-sale	$ -	$ 4,985	$ -	$ 4,985
Non-recurring:				
Foreclosed assets	$ -	$ -	$ 1,485	$ 1,485
2014				
Recurring:				
Securities available-for-sale	$ -	$ 4,883	$ -	$ 4,883
Non-recurring:				
Foreclosed assets	$ -	$ -	$ 1,570	$ 1,570

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes financial instruments in which the ending balances at March 31 are not carried at fair value in their entirely on the Consolidated Statements of Financial Condition:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	$ 22,648	$ 22,648	$ 37,256	$ 37,256
Securities held-to-maturity	8,962	9,597	11,200	11,861
Loans receivable, net	120,481	121,522	113,712	111,719
Loans held-for-sale	1,917	1,917	378	378
Federal Home Loan Bank of Atlanta stock	153	153	162	162
Bank-owned life insurance	6,592	6,592	6,275	6,275
Ground rents	218	218	212	212
Accrued interest	464	464	392	392
Financial liabilities:				
Deposits	148,326	143,715	157,434	155,884
Accrued interest	1	1	1	1

NOTE 13 – TRANSACTIONS WITH RELATED PARTIES

The Bank has no outstanding loans to related parties during the years ended March 31, 2015 and 2014.

Deposits from related parties held by the Bank at March 31, 2015 and 2014 amount to approximately $1,186,000 and $580,000, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management evaluated subsequent events through June 16, 2015, the date the consolidated financial statements were available to be issued. Events or transactions occurring after March 31, 2015, but prior to June 16, 2015 that provided additional evidence about conditions that existed at March 31, 2015, have been recognized in the consolidated financial statements for the year ended March 31, 2015. Events or transactions that provided evidence about conditions that did not exist at March 31, 2015 but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended March 31, 2015.