SV Financial Inc.

First Quarter
2016 Financial Report

Financial *focus*

Total Loans (in millions)

$230
$220
$210
$200
$190
$180
$170
$160

Q1 2014 — Q1 2015 — Q1 2016

Total Assets (in millions)

$350
$340
$330
$320
$310
$300
$290
$280
$270
$260
$250

Q1 2014 — Q1 2015 — Q1 2016

Total Deposits (in millions)

$300
$290
$280
$270
$260
$250
$240
$230
$220
$210
$200

Q1 2014 — Q1 2015 — Q1 2016

Net Interest Inc. (in millions)

$3.5
$3.0
$2.5
$2.0
$1.5
$1.0
$0.5

Q1 2014 — Q1 2015 — Q1 2016

Tangible Book Value Per Share

$26
$25
$24
$23
$22
$21
$20
$19
$18
$17
$16
$15
$14
$13
$12

Q1 2014 — Q1 2015 — Q1 2016

Message from President Dirk Meminger

Sauk Valley Bank is off to a strong start in 2016. Net income in the first quarter was $564,000, an increase of 2.5% from the first quarter of 2015. Earnings per share increased to $.63 from $.58, a 7.7% increase. The higher earnings per share figure results from some shares being repurchased over the past year. We do not expect share repurchases to continue at the same pace in 2016. As we have said before, the foundation of our earnings – as with most community banks – is our net interest income, representing the difference between our revenue on loans and investments and our cost of deposits and borrowings. Our net interest income increased 12.0% from 2015 due largely to the ongoing growth of our loan portfolio and effective management of our funding costs. The loan portfolio totaled $233.1 million at March 31, 2016. This is an increase of $26.7 million (12.9%) from one year ago and a decrease of $1.0 million (0.4%) from December 2015. Our portfolio typically declines or experiences minimal growth in the first quarter of any year due to repayments on agricultural operating loans. We know and plan for this cyclicality and note that the comparison of growth year over year is more reflective of our ongoing lending activity. We anticipate continued loan growth as we progress through the year. We remain confident in the credit quality of our portfolio and will never compromise our core values to generate balance sheet growth.

An objective for Sauk Valley Bank the past couple years has been increasing non-interest revenue sources for the bank. Our residential mortgage area increased net gains from loan sales to $242,000 from $175,000 one year earlier, an increase of almost 39%. Other revenue sources increased to a much lesser extent. Our goal is to increase revenues by delivering products and services to our customers, not by simply increasing our fees.

Whether we are discussing increased lending or other areas of bank operations, the flip side of increased revenue is the increased cost of operating the bank. Operating costs increased almost $218,000 (9.9%) between first quarter 2016 and 2015. We are always mindful of our cost structure, but also cognizant of the need to maintain the talent and resources to provide the level of service we feel sets Sauk Valley Bank apart from its competitors. A rather significant component of increased operating costs is regulatory compliance. We are appreciative of the banking structure in this country that allows us to exist and prosper. However, it is becoming more difficult to clearly determine the cost/ benefit of ever-increasing regulation and reporting requirements. We know these costs are part of what it takes to keep Sauk Valley Bank operating and that the entire community banking industry is experiencing the same climate. At the end of the day, we simply stand back and see that Sauk Valley Bank is a true community bank with over $233 million in outstanding loans supporting businesses and farmers in the Sauk Valley and that we are servicing over $114 million in residential mortgage loans that support home ownership in our local neighborhoods. The proper balance of profits and community benefits are what this industry is all about.

One community investment we launched at the beginning of 2016 was "Be Great, Donate 8." We know how vital it is to be actively volunteering within our communities, and with that realization, we created a program to provide each employee with 8 hours per year to spend with the organization of their choice. In the first quarter of this year, we have seen incredible adoption of this program, and already can see that it is benefiting our communities as well as our organization.
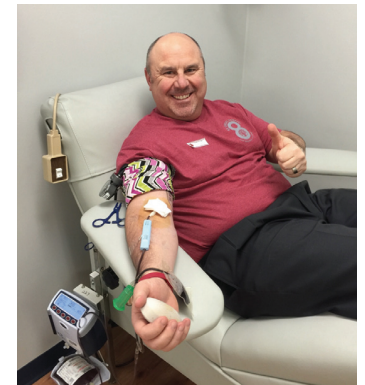
Thank you for supporting Sauk Valley Bank.

Dirk Meminger

Dirk Meminger, President & CEO

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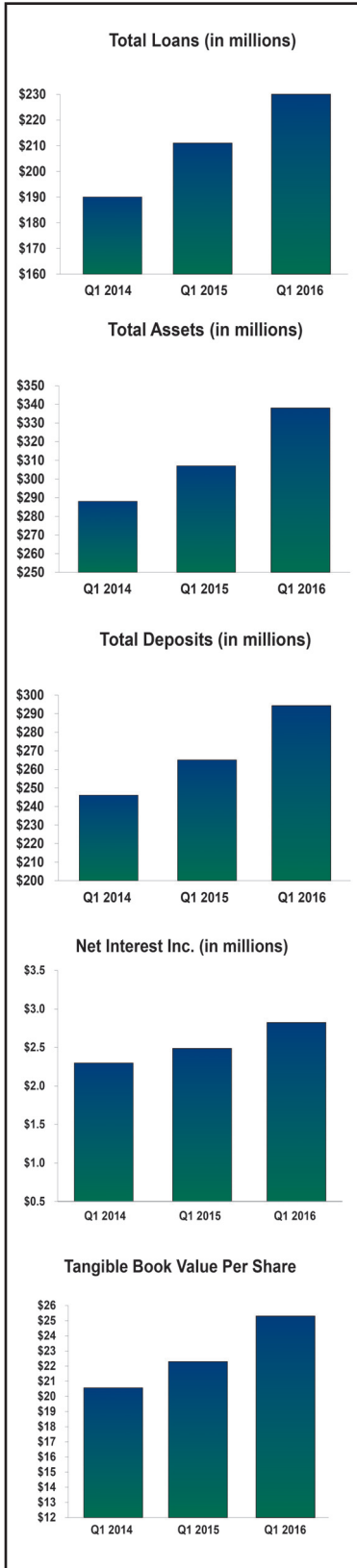
Employees participating in our new volunteer program, "Be Great, Donate 8."

For the First Quarter of the year, Sauk Valley Bank employees have already donated 40 hours!

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