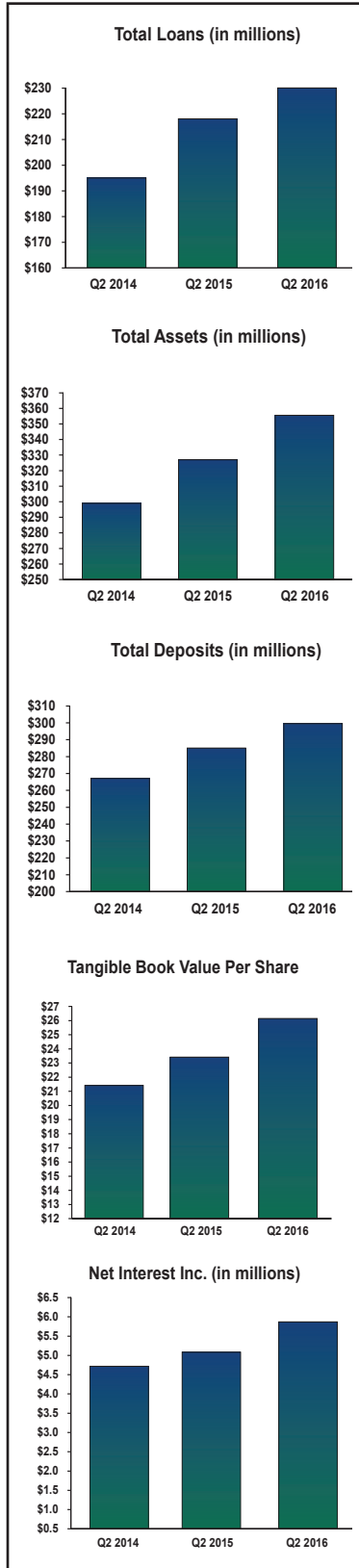




# Financial *focus*

Second Quarter  
2016 Financial Report



## Message from President Dirk Meminger

Sauk Valley Bank had strong performance for the second quarter of 2016. Net income was \$799,000, an increase of 20.3% from the second quarter of 2015. For the first six months of 2016, net income totaled \$1.36 million, an increase of 12.3% from 2015. Earnings per share increased to \$1.52 from \$1.35, representing a 12.9% increase.

Our net interest income increased 15.5% from this time in 2015 as a result of continued loan growth. The loan portfolio totaled \$245 million at June 30, 2016. This is an increase of 13% from one year ago, and a 5.5% increase from March 31, 2016. The growth was driven by continued development in our newer markets, as well as strong performance from our core banking footprint. While we expected growth in our Quad Cities and Janesville markets, our core market is also growing at a reasonable pace.

While our operating costs have increased, we anticipated some of these expenses when we planned for 2016. Technology continues to change the financial landscape at an amazing pace. Making investments in technology to drive and support critical functions within our company are vital as we continue to grow. At the beginning of the year, we began the process of converting our customers' debit cards to EMV/Chip technology. We knew that creating a safer, transactional environment would benefit our consumers, our businesses who accept merchant payments and our organization. We will have completed our reissue of debit cards by mid-third quarter of this year. Our approach to this project was not just to reissue cards, but rather use the process as an opportunity to educate customers on the national conversion underway to chip-card technology. Whether it was through direct communication or online resources, our priority was to deliver an outstanding customer experience.

While a major component of success can be measured in statistics, we attribute our continued growth to our core DNA since inception; culture. We know that if we continue to focus on hiring individuals that support our RADAR mission, the specific skills required for positions can be learned. We encourage our team to think and interact with one another and our customers differently. We know that we cannot waiver from the culture and core beliefs that have brought us to this point. This philosophy also carries through to our community where we are proud to see adoption of our newest employee initiative: Be Great, Donate 8 in which every employee is encouraged to work 8 hours for a charity of their choice. We donated 111 hours within our communities during the first half of 2016 and we hope our program grows from here. We know that our giving becomes part of our receiving, and look forward to continuing to give to the Sauk Valley area.

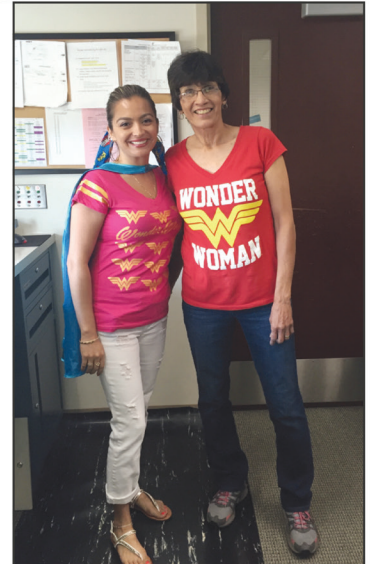
Thank you for your continued support of Sauk Valley Bank.

Dirk Meminger, President & CEO





Super Heroes for our customers!



Customer Appreciation Day 2016