



Third Quarter
2015 Financial Report

Financial *focus*

Message from President Dirk Meminger

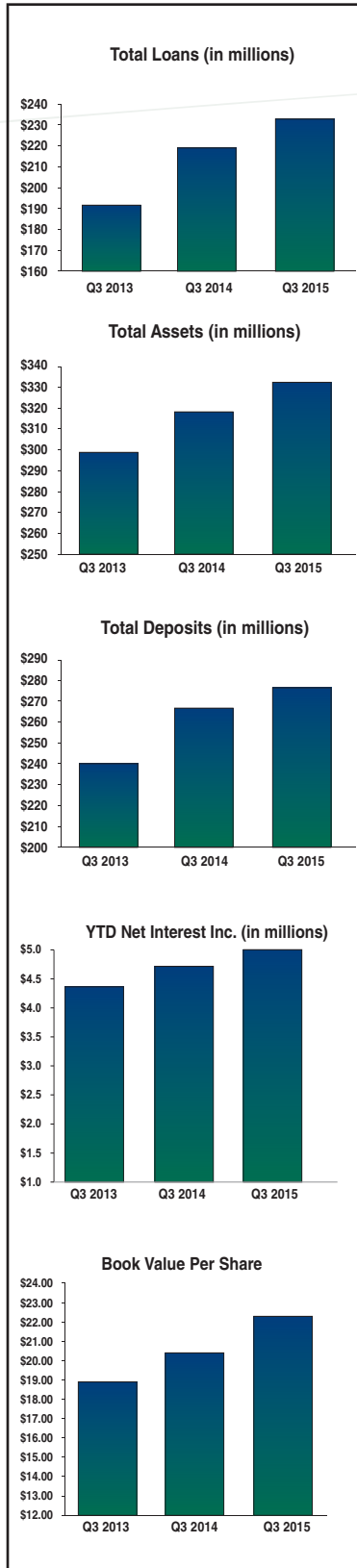
We are pleased to report positive operating results for the third quarter of the year. Net income for the nine months ended September 30 was \$1.9 million, an increase of over 35% from last year's \$1.4 million. Our year-to-date earnings represent an 11.9% return on equity and has resulted in a tangible book value of \$24.20 per share at September 30. Assets totaled \$323.7 million at September 30, an actual decline of \$2.8 million from June 30. We expected assets to remain relatively unchanged, so a small decrease during the quarter is well within reason. We anticipate increased assets during the fourth quarter. Our comments from prior quarters regarding operating results apply yet again to third quarter. Net interest income has increased \$521,000 or 7.2% from 2014 and non-interest revenues have increased \$950,000 or 114.2% from last year. The costs associated with growing the bank and increasing earnings grew 18.2% from 2014. The increase in net interest income is the result of our continued loan growth. Sauk Valley Bank's loan portfolio increased \$11.7 million or 5.6% from September 2014. Growth continues to be well diversified between commercial and agricultural as well as between our core banking footprint and our Bettendorf and Janesville lending offices. We mentioned last quarter that our Janesville office was expected to open during third quarter, which it did. We welcomed Ellen Check to our team as an administrative assistant in Janesville to support the continued growth of our Wisconsin lending operation. The office is located at 2509 Morse Street. Our non-interest revenue growth resulted primarily from our increased residential mortgage lending operation, which originated almost \$50 million in residential mortgages year-to-date.

The increased operating costs are largely due to higher compensation and benefits. While increasing costs are supposed to be a negative, we view them as a necessity for Sauk Valley Bank to maintain its customer service standards. We are pleased with the bank's growth and excited about its future, although we recognize growth at the expense of deteriorating service levels will lead to disappointment. We recognize a portion of our increased operating costs are associated with increased regulation. We have not spent a great deal of time attempting to quantify a total cost number. The fact is the regulatory cost of operating a bank has and appears will continue to increase. We remain focused upon serving our customers and communities and growing Sauk Valley Bank in accordance with the rule book, regardless of how thick the book becomes.

As we continue our commitment to generate sustained value for the next generation, we recognize the investments we make today are part of the building process for a well-positioned future for Sauk Valley Bank.

We wish everyone involved in farming a safe and prosperous harvest season.

Dirk Meminger, President & CEO





CUSTOMER APPRECIATION DAY 2015

Showing our team spirit for our customers!



We love our customers!

