



Financial *focus*

Second Quarter
2015 Financial Report

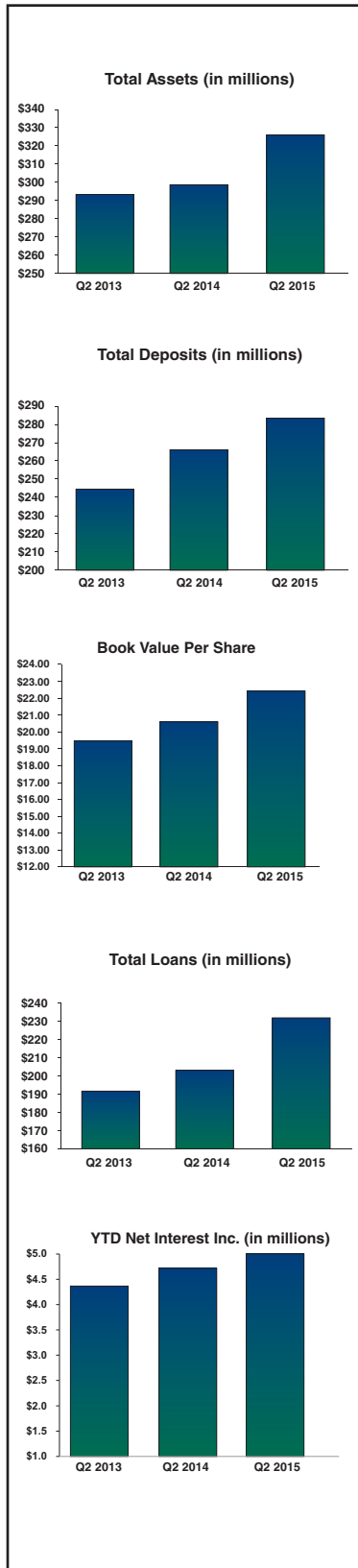
Message from President Dirk Meminger

Net income for the six months ended June 30 was \$1.2 million, an increase of 41% from last year's \$863,000. Year-to-date earnings represent \$1.35 per share and an 11.4% return on equity. As with first quarter, both net interest income and non-interest revenues contributed to increased earnings. Net interest income increased \$366,000 or 7.8% and non-interest revenues increased \$568,000 or 116.9% between the first half of 2015 and 2014. Net interest income was driven largely by the continued growth of our loan portfolio, which increased \$23.7 million or 12.2% over the prior year. Our loan growth has been diversified throughout our main market area and was also assisted by our growth in ag lending in southern Wisconsin and our loan office in Bettendorf, Iowa. We anticipate more modest growth in our portfolio during the second half of the year. The continued growth of our residential mortgage origination process was the primary contributor to increased non-interest revenues, representing roughly 80% of the increase. The origination of residential mortgage loans for sale increased to \$26.3 million in 2015 from \$5.8 million in 2014 and we anticipate continued growth within this area of our lending operation. Our investment and trust operations continue to generate increased revenue as well. The really exciting part is not only are we generating improved operating performance, but we are also growing and expanding customer relationships with Sauk Valley Bank. The numbers represent businesses, farms and individuals who are achieving their financial objectives with the assistance of Sauk Valley Bank. Also consistent with first quarter was the noted increase in operating costs between 2015 and 2014. Operating costs increased \$606,000 or 16.0% in 2015 compared to the prior year. The vast majority of the increase is compensation and benefits expense associated with additional bankers joining the Sauk Valley Bank team. Sauk Valley Bank had total assets of \$326.5 million at June 30, 2015 which exceeds our anticipated level for December 2015. As such, we anticipate modest balance sheet growth during the second half of the year. While balance sheet growth may moderate, the loan portfolio has the ability to continue its growth via a transfer of funds from the securities portfolio.

We will be opening a loan production office in Janesville, Wisconsin during third quarter to facilitate the continued growth of our Wisconsin ag portfolio. Our Senior Vice President of Ag Lending, Terry Huseth, will be relocating to the Janesville area in the next few months. Terry lived and worked in the Janesville area for many years prior to joining Sauk Valley Bank. The Janesville area loans will assist in continuing our growth as well as adding further diversification to the bank's loan portfolio.

We look forward to the opportunities of the second half of the year and the continued growth of Sauk Valley Bank.

Dirk Meminger, President & CEO





Ken Nelson Retires From Sauk Valley Bank Board of Directors

Ken Nelson
Sauk Valley Bank
Founding Board Member
July 9, 1999 to July 16, 2015



*We thank Ken for 16
years of service and
dedication.*

Sauk Valley Bank Welcomes New Board Member



The Sauk Valley Bank Board of Directors is pleased to welcome Steve Munson as a new board member. Steve owns and operates The Medicine Shoppe in downtown Sterling. He graduated from the University of Illinois and moved to Sterling in 1983 where he worked for 17 years at the Sterling Rock Falls Clinic Pharmacy. Steve opened The Medicine Shoppe in May of 2000. He is active in the community presently serving on the City of Sterling

Planning Commission and the Sauk Valley Chamber Board of Directors. Steve is a long time member of the Sterling Noon Rotary Club. He and his wife Melody, also a pharmacist, reside in Sterling and have four grown children.