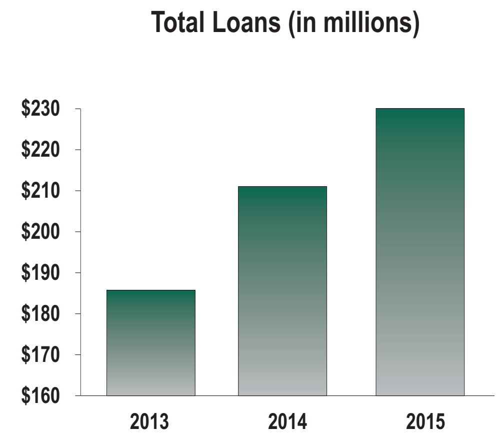
Sauk Valley Bank

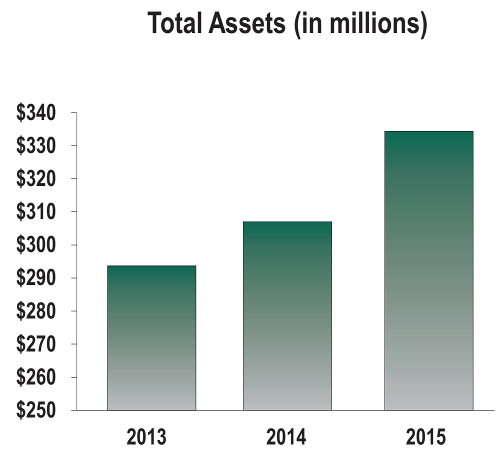
2015 Annual Report

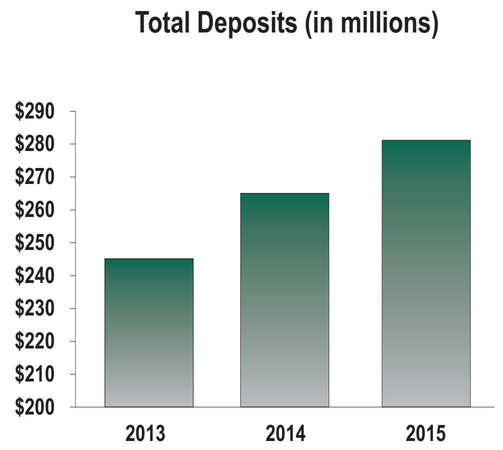
Sauk Valley Bank is a division of SV Financial Inc.

President's Message

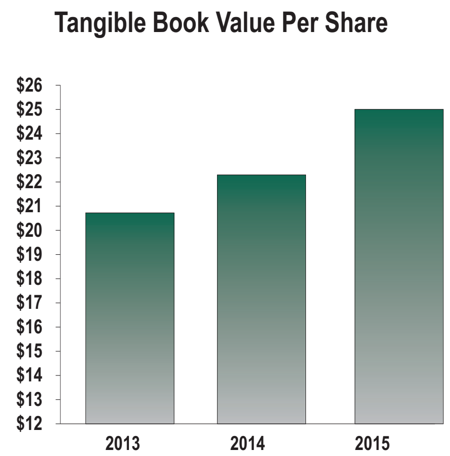
Starting in our trailer 16 ½ years ago, we defined who we wanted to be, and what we wanted to be about. A customer-centric organization that understood one vital way a community thrives is through the investment and partnering with businesses and farmers to help them be successful. We also recognized that we provided products and services that were homogenous with our competitors, so it came down to one differentiator; the customer experience. Providing a company culture that gives structure to these experiences is what we call "hugs." It can also be defined in our RADAR pledge, where we delight our customers. We realize that as we grow, continuing to hire individuals who share this philosophy, as well as refine our skills, will contribute to retaining that vision that was created at the beginning. As we evaluate the benefits of this process thus far, we see it is paying off.

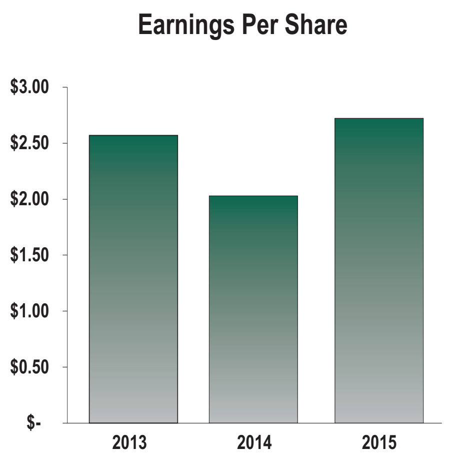


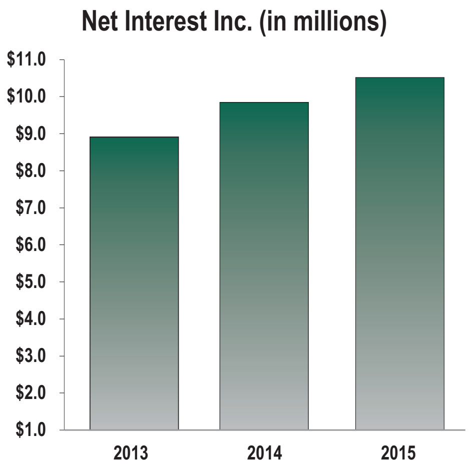




Sauk Valley Bank has completed a successful year both in regards to overall growth and profitability. We ended 2015 with total assets of $334.3 million representing an increase of almost 9% over 2014. The loan portfolio increased $23.4 million representing an 11% increase. The bulk of the loan growth occurred in our commercial business portfolio with agriculture lending also showing an increase. We anticipate each area of our portfolio to experience growth during 2016 as our experienced lending team remains focused on responding to the needs of businesses, farmers and individuals in our area. We have commented on the Ag relationships that have been established in southern Wisconsin the past couple of years. We opened a loan production office in Janesville, WI in September of 2015 and expect this to assist our team in continuing our growth in the Janesville area. We also added a mortgage production office in Lincolnshire, IL in December to facilitate the continued expansion of our Chicago area mortgage lending operation. Mortgage loans originated in our Elgin, Woodstock and Lincolnshire offices will continue to be sold on a servicing released basis. Our intention is to generate income from the process but not assets for the balance sheet. Our growth had its intended positive impact upon earnings for 2015 with net income increasing 27% to $2.4 million, or $2.72 per share. Book value of our common stock increased to $24.99. This represents a 12% increase for







the year and together with the dividend paid in February of 2015, the value of holding SV Financial stock was roughly 14%.

Operating results were consistent throughout the year. Net interest income benefited from our lending operation and increased $674,000 or almost 7% from 2014. Mortgage related revenues increased to $1.4 million from $541,000 a year earlier. Our investment and trust services revenues also increased substantially, totaling $441,000 in 2015 compared to $264,000 in the prior year. All other areas of fee income increased as well. We can say such fees increased for the most part from our bankers serving more individuals and businesses in the area and not from simply increasing the fees charged for specific products and services. We are confident in the value delivered by our bankers in relation to the costs passed along to our customers and further recognize that our long term success is tied directly to our customers' long term success. We will not have our revenues dependent upon consistently increasing fees but rather by earning more business from the customers and communities we serve. Also consistent throughout the year were rising operating costs, which increased $1.3 million or 17% from last year. Almost 90% of the increase was attributed to compensation and benefits. It is amazing to think that Sauk Valley Bank employed almost 100 bankers as of December 2015. We would have been a bit snug in the trailer 16 ½ years ago.

We expect 2016 to be another year of growth for Sauk Valley Bank. The stock market has declined significantly as this letter is being written and there are those experts stating we are headed for a recession. Our feeling is quite the opposite. While recognizing the impact of lower commodity prices upon our farm partners, we remain optimistic that hard work and prudent financial management will see us through. The operations of Sauk Valley Bank have been expanded greatly over the past few years. We believe there is ample opportunity for continued growth in our current footprint and look forward to our bankers expanding existing relationships and initiating new ones.

We will never tire of thanking our bankers, customers, communities and you our shareholders for supporting Sauk Valley Bank.

President & CEO

SV Financial Inc.
Selected Consolidated Financial Data

	Year Ended December 31,		
	2015	2014	2013
Income Statement Data:			
Interest Income	$ 11,954,469	$ 11,335,095	$ 10,465,787
Interest Expense	1,438,596	1,492,991	1,557,250
Net Interest Income	10,515,873	9,842,104	8,908,537
Provision for Loan Losses	75,000	325,000	375,000
Non-Interest Income	2,357,478	1,203,024	1,202,893
Non-Interest Expense	9,161,277	7,923,674	6,431,509
Pre-Tax Earnings	3,637,074	2,796,454	3,304,921
Income Tax Expense	1,195,000	879,937	1,099,400
Net Income	2,442,074	1,916,517	2,205,521
Per Common Share Data:			
Earnings	$ 2.72	$ 2.03	$ 2.37
Tangible Book Value per Share	24.99	22.29	20.72
Book Value per Share	25.07	22.69	20.18
Shares Outstanding	896,828	942,041	931,570
Balance Sheet Data at Period End:			
Total Assets	$ 334,311,485	$ 307,493,548	$ 293,639,499
Total Loans	234,187,626	210,824,928	185,703,470
Allowance for Loan Losses	2,600,452	2,270,328	2,023,414
Total Investment Securities	79,865,398	77,655,320	88,870,089
Total Deposits	281,136,269	265,173,624	245,101,712
Total Stockholders' Equity	22,484,689	21,378,206	18,803,782
Loan to Deposit Ratio	83.30%	79.50%	75.77%
Average Ratios:			
Return on Average Assets	0.76%	0.64%	0.78%
Return on Average Stockholders' Equity	11.22%	9.63%	12.00%
Net Interest Margin	3.42%	3.86%	3.34%
Asset Quality Ratios:			
Net Charge-Offs as a Percentage of Average Total Loans	(0.12%)	0.04%	0.32%
Non Performing Loans to Total Loans	0.88%	1.47%	1.57%
Allowance for Loan Losses as a Percentage of Total Loans	1.11%	1.08%	1.09%

Ronald Gerken
Chairman of the board

Robert Hill
Vice Chair

Dirk Meminger
President and CEO

John Berge
Director

James L Reese
Director

Kelly Keaschall
Director

Mary Whelan
Director

Dr. David Yeager
Director

Steve Munson
Director

A note from the chairman:

Our organization takes great pride in serving our customers, community and you-our shareholder. As our footprint continues to expand, we understand the importance of sustaining the culture of a customer-centric organization. Building off of the strong foundation that has been set, and continuing to look for ways to invest in our future is what will create long-term, sustainability for Sauk Valley Bank. On behalf of the Board of Directors, I would like to thank you for your continued investment in Sauk Valley Bank.

Sincerely,

Ronald Gerken

Ronald Gerken
Chairman of the Board

R.A.D.A.R.

At Sauk Valley Bank,

We build our
RELATIONSHIPS

around
ACCOUNTABILITY

to our customers and team members by
DELIGHTING

them with the
ATTENTION

and
RESPECT

they deserve.