



November 6, 2015

Dear Stockholder:

For the quarter ending September 30, 2015, Blue Valley Ban Corp. recognized consolidated net income of \$84,000 compared to net income of \$12.2 million in the comparable prior year quarter. For the nine months ended September 30, 2015, consolidated earnings were \$573,000, compared to net income of \$12.3 million for the prior year-to-date period. The prior year comparable results were impacted by our reversal of our \$11.8 million deferred tax asset ("DTA") valuation allowance during the quarter ending September 30, 2014. Loss per common share for the quarter and year-to-date periods ending September 30, 2015 were \$(0.02) and \$(0.16), respectively, compared to net earnings per share of \$2.54 and \$2.41, respectively, for the prior year quarter and year-to-date periods ending September 30, 2014. A copy of Managements' Discussion and Analysis of Operating Results, as well as condensed financial statements of the Company for the period, is enclosed with this letter.

The organization made significant progress in continuing the growth of the Company and continuing to improve the Company's financial condition. Numerous key aspects of the Company's operating results and financial condition for Blue Valley Ban Corp. have been and will continue to be impacted by events which occurred during the quarter ending September 30, 2015:

- We redeemed our \$21.75 million of Series A Fixed Rate Cumulative Preferred Stock (the "Series A") and repaid all associated accumulated dividends and interest. This Series A stock was originally issued and sold by the Company pursuant to the Treasury's Capital Purchase Plan as part of the Troubled Asset Relief Program ("TARP"). Improved earnings and asset quality allowed us to replace this temporary source of capital with more permanent common equity, convertible preferred stock and term loan funding that will contribute and enable the future growth and profitability of the Company.
- We completed the acquisition of the Federal Savings Bank's Overland Park, Kansas branch, including the acquisition of nearly \$29 million of deposits and nearly 800 new customers. These new customer deposits will assist in funding additional loan origination as the Company continues to grow.
- The quarter-to-date average balance of gross loans held for investment increased by nearly \$15 million or 3.5% during the quarter. Much of the increase in the balance of loans resulted from new customer relationships. In today's low interest environment, loan growth is critical to improving the Company's operating performance.
- Net interest income increased by approximately 7.4% and non-interest income increased by approximately \$668,000 during the quarter ended September 30, 2015, compared to the prior year quarter, primarily due to an increase in other operating income from the settlement of collection litigation. Substantial progress continues on eliminating the legacy costs resulting from the previous recession.
- Non-interest expense increased by approximately 23.2% during the quarter ended September 30, 2015, compared to the prior year quarter, primarily due to an increase in foreclosed assets expense. We contracted for the sale of several of the Company's foreclosed real estate held for sale properties, and we have engaged in active negotiation for the sale of several other properties. In this process, the Company wrote down valuations on several properties. The

reduction of the balance of these assets mitigates the risk of future negative impact to our operating performance.

Similarly, key aspects of the 2015 year-to-date operating results and financial condition for Blue Valley Ban Corp. reflected the following trends and results:

- During the first nine months of 2015, gross loans held for investment increased by over \$20 million or 4.8%, and during that period.
- Our non-interest income increased by approximately 23.4%, including increases to non-interest income from loans held for sale, service fees and our wealth management departments, as well as an increase in other operating income from the settlement of collection litigation.
- The 2015 year-to-date provision for loan losses was precipitated by loan growth as well as recognition of degrading credit quality of two loans which we had previously adversely classified.

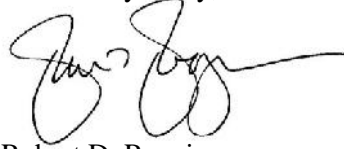
In consideration of credit quality and other factors used to determine the level of the allowance for loan losses and maintain a prudently conservative financial position for the Company, we recorded no provision to the allowance for loan losses during the quarter ended September 30, 2015.

Bank of Blue Valley (“the Bank”) maintained its capital levels above regulatory requirements. The Bank’s total risk-based capital of \$73.1 million resulted in a total risk based capital ratio of 12.98% for the Bank as of September 30, 2015. The Bank has approximately \$16.8 million of capital in excess of the regulatory requirement for a well-capitalized institution.

Our financial condition at September 30, 2015 included an increase in total loans, including mortgage loans held for sale, of \$20.3 million to \$443.7 million, compared to \$423.4 million at December 31, 2014. Deposits increased by \$17.9 million to \$486.7 million, compared to \$468.8 million at December 31, 2014 as a result of the branch and deposit acquisition discussed above.

We remain focused on our strategic goals for 2015 and we thank you for your continued support of our Company.

Yours Very Truly,

A handwritten signature in black ink, appearing to read "Bob Regnier", with a long horizontal flourish extending to the right.

Robert D. Regnier
President

Managements' Discussion and Analysis of Quarterly Operating Results

Net interest income increased to \$4.80 million in the third quarter of 2015 from \$4.47 million, compared to the same period in the prior year. The increase is primarily due to an increase in the average balance of total earning assets and an increase in total loans in the composition of average earning assets, an increase in the average rate earned on investment securities, a reduction in the average balance and rate paid on interest-bearing deposits and a reduction in the average rate paid on long-term debt, partially offset by a decline in the average rate earned on loans during the third quarter of 2015 compared to the prior year quarter. The decline in the average rate earned on loans during the quarter ended September 30, 2015 compared to the prior year quarter was primarily a result of changes in market interest rates and competitive factors.

Credit quality and other factors used to determine the level of the Allowance for Loan Losses precipitated no provision to the allowance for loan loss during the quarters ending September 30, 2015 and 2014.

Non-interest income increased \$668,000, or 48.9%, to \$2.03 million for the quarter ended September 30, 2015, compared to the same period in 2014 due to increases in other operating income, loans held for sale fee income and service fees income. The increase in other operating income primarily resulted from the settlement of collection litigation on behalf of the Bank. The increase in mortgage held for sale fee income is attributable to fluctuations in market interest rates resulting in increased purchase and refinance activity. The increase in service fees was primarily the result of implementation of recommendations from a third party review of the Company's operational efficiency and revenue structure.

Non-interest expense increased \$1.3 million, or 23.2%, for the quarter ended September 30, 2015 compared to the same period in the prior year. The increase in non-interest expense was principally attributed to an increase in foreclosed assets expense of \$1.1 million during the quarter ended September 30, 2015 compared to the prior year period, resulting from revised valuations of foreclosed assets held for sale, net of reductions to other real estate owned expense.

Total assets, loans held for investment and deposits at September 30, 2015 were \$643.6 million, \$443.0 million and \$486.7 million, respectively, compared to \$638.4 million, \$422.8 million and \$468.8 million at December 31, 2014, respectively. As of September 30, 2015, the Company's subsidiary, Bank of Blue Valley, maintained capital levels in excess of regulatory requirements for a well-capitalized institution.

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Blue Valley Ban Corp.
Condensed Consolidated Balance Sheets
September 30, 2015 and December 31, 2014
(In thousands, except share data)

	ASSETS	
	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<i>(Unaudited)</i>	
Cash and due from banks	\$ 22,344	\$ 26,575
Interest-bearing deposits in other financial institutions	<u>46,256</u>	<u>42,442</u>
Cash and cash equivalents	68,600	69,017
Available-for-sale securities	76,542	91,372
Mortgage loans held for sale, fair value	788	588
Loans, net of allowance for loan losses of \$8,547 and \$6,386 in 2015 and 2014, respectively	434,408	416,407
Premises and equipment, net	11,793	16,226
Bank-owned real estate held for sale, net	5,816	–
Foreclosed assets held for sale, net	15,234	16,758
Interest receivable	1,678	1,603
Deferred income taxes	12,918	13,445
Prepaid expenses and other assets	10,378	7,539
FHLBank stock, Federal Reserve Bank stock, and other securities	<u>5,487</u>	<u>5,490</u>
Total assets	\$ <u><u>643,642</u></u>	\$ <u><u>638,445</u></u>

Blue Valley Ban Corp.
Condensed Consolidated Balance Sheets
September 30, 2015 and December 31, 2014
(In thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<i>(Unaudited)</i>	
LIABILITIES		
Deposits		
Demand	\$ 136,421	\$ 120,974
Savings, NOW and money market	248,448	248,166
Time	<u>101,793</u>	<u>99,619</u>
Total deposits	486,662	468,759
Other interest-bearing liabilities	37,005	30,780
Long-term debt	72,819	71,528
Interest payable and other liabilities	<u>2,776</u>	<u>8,918</u>
Total liabilities	<u>599,262</u>	<u>579,985</u>
 STOCKHOLDERS' EQUITY		
Capital stock		
Series A preferred stock, \$1 par value, \$1,000 liquidation preference; authorized 15,000,000 shares; issued and outstanding 2015 – 0 shares; 2014 – 21,750 shares	–	22
Series B preferred stock, \$1 par value, convertible to common stock, pari passu with common stock upon liquidation; authorized 1,000,000 shares; issued and outstanding 2015 – 471,979 shares; 2014 – 0 shares	472	–
Common stock, par value \$1 per share; authorized 15,000,000 shares; issued and outstanding 2015 – 5,337,818 shares; 2014 – 4,649,001 shares	5,338	4,649
Additional paid-in capital	30,436	45,328
Retained earnings (accumulated deficit)	8,185	9,030
Accumulated other comprehensive income, net of income tax credit of \$34 in 2015 and \$380 in 2014	<u>(51)</u>	<u>(569)</u>
Total stockholders' equity	<u>44,380</u>	<u>58,460</u>
Total liabilities and stockholders' equity	<u>\$ 643,642</u>	<u>\$ 638,445</u>

Blue Valley Ban Corp.
Condensed Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2015 and 2014
(In thousands, except share data)

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INTEREST INCOME				
Interest and fees on loans	\$ 5,263	\$ 5,024	\$ 15,193	\$ 15,298
Federal funds sold and other short-term investments	18	25	59	64
Available-for-sale securities	481	522	1,441	1,544
Dividends on FHLBank and Federal Reserve Stock	28	35	150	152
Total interest income	<u>5,790</u>	<u>5,606</u>	<u>16,843</u>	<u>17,058</u>
INTEREST EXPENSE				
Interest-bearing demand deposits	62	66	184	204
Savings and money market deposit accounts	88	79	248	225
Other time deposits	212	305	638	964
Federal funds purchased and other interest-bearing liabilities	6	7	17	19
Long-term debt, net	<u>618</u>	<u>677</u>	<u>1,915</u>	<u>2,018</u>
Total interest expense	<u>986</u>	<u>1,134</u>	<u>3,002</u>	<u>3,430</u>
NET INTEREST INCOME	4,804	4,472	13,841	13,628
PROVISION FOR LOAN LOSSES	<u>—</u>	<u>—</u>	<u>1,250</u>	<u>400</u>
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	<u>4,804</u>	<u>4,472</u>	<u>12,591</u>	<u>13,228</u>
NON-INTEREST INCOME				
Loans held for sale fee income	210	166	734	505
Service fees	898	854	2,773	2,541
Realized gains on available-for-sale securities	—	—	(5)	16
Other income	<u>926</u>	<u>346</u>	<u>1,660</u>	<u>1,121</u>
Total non-interest income	<u>2,034</u>	<u>1,366</u>	<u>5,162</u>	<u>4,183</u>
NON-INTEREST EXPENSE				
Salaries and employee benefits	2,719	2,737	8,307	7,986
Net occupancy expense	792	751	2,123	2,070
Foreclosed assets expense	1,587	473	1,878	2,187
Other operating expense	<u>1,638</u>	<u>1,508</u>	<u>4,626</u>	<u>4,624</u>
Total non-interest expense	<u>6,736</u>	<u>5,469</u>	<u>16,934</u>	<u>16,867</u>
INCOME (LOSS) BEFORE INCOME TAXES	102	369	819	544
PROVISION (BENEFIT) FOR INCOME TAXES	<u>18</u>	<u>(11,786)</u>	<u>246</u>	<u>(11,786)</u>
NET INCOME (LOSS)	<u>84</u>	<u>12,155</u>	<u>573</u>	<u>12,330</u>
DIVIDENDS AND ACCRETION ON PREFERRED STOCK	<u>196</u>	<u>489</u>	<u>1,333</u>	<u>1,250</u>
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ (112)</u>	<u>\$ 11,666</u>	<u>\$ (760)</u>	<u>\$ 11,080</u>
BASIC EARNINGS (LOSS) PER SHARE	<u>\$ (0.02)</u>	<u>\$ 2.54</u>	<u>\$ (0.16)</u>	<u>\$ 2.41</u>
DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ (0.02)</u>	<u>\$ 2.54</u>	<u>\$ (0.16)</u>	<u>\$ 2.41</u>