



April 25, 2016

Dear Stockholder:

We continued our progress toward improved operating results and financial condition of the Company during the first quarter of 2016. Our consolidated earnings for the quarter ending March 31, 2016 were \$290,000, compared to \$609,000 for the prior year quarter ending March 31, 2015. Earnings per common share for the quarter ending March 31, 2016 improved to \$0.05, compared to \$0.03 for the prior year quarter ending March 31, 2015. Increased net interest income, further reduction in the balance of our foreclosed assets and deposit growth were key elements of our progress. 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 improvement in earnings per share during the first quarter of 2016, compared to the previous year, was the result of the Company's August, 2015 redemption of its \$21.75 million of Series A Fixed Rate Cumulative Preferred Stock. The Company's net interest income increased by \$373,000, or 8.4%, during the quarter ending March 31, 2016, compared to the quarter ending March 31, 2015, due to an increase in the average balance of loans and a reduction in the average rate paid on interest-bearing liabilities. Non-interest income declined by \$287,000, or 17.9%, during the quarter ending March 31, 2016, compared to the same period in 2015, primarily due to a decline in loans held for sale fee income and other income. The Company's non-interest expense increased by \$107,000, or 2.1%, for the quarter ending March 31, 2016, compared to the same period in 2015.

We reduced our balance of foreclosed assets held for sale by \$519,000 during the quarter ending March 31, 2016 as a result of the sale and valuation adjustments recorded on properties. We recorded a gain on the sale of foreclosed assets held for sale during the first quarter of 2016; however, a valuation adjustment to our foreclosed assets held for sale precipitated an increase to our foreclosed asset expense. We remain resolute in our diligence to continue progress on reducing the balance of these assets.

Total deposits increased by \$15.7 million, or 3.3% during the quarter ending March 31, 2016, compared to December 31, 2015, with all of the increase in the balance composed of transaction accounts.

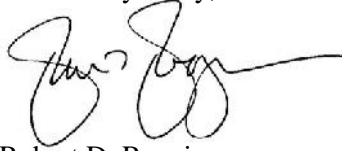
During the quarter ending March 31, 2016, we recorded a \$475,000 provision to the allowance for loan losses compared to no provision during the prior year quarter ending March 31, 2015 to maintain a prudently conservative financial condition for the Company.

Bank of Blue Valley improved its total risk-based capital to \$71.3 million, resulting in a total risk based capital ratio of 12.78% for the Bank as of March 31, 2016. The Bank has approximately \$15.5 million of capital in excess of the regulatory requirement for a well-capitalized institution.

As of March 31, 2016 our financial condition included a \$2.3 million decline in the balance of mortgage loans held for sale and the balance of total loans, including mortgage loans held for sale, were \$447.8 million, compared to \$451.0 million at December 31, 2015. Total deposits at the end of the quarter were \$499.0 million, compared to \$483.2 million at December 31, 2015, respectively.

We remain focused on our strategic goals for 2016 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 \$4.8 million in the first quarter of 2016 from \$4.4 million compared to the same period in the prior year. The increase is primarily due to an increase in average loans and a reduction in the average rate paid on interest-bearing liabilities compared to the prior year quarter. The quarterly average balance of total loans held for investment increased by nearly \$25 million during the first quarter of 2016, compared to the quarter ending March 31, 2015. The decline in the average rate paid on interest-bearing liabilities during the quarter ending March 31, 2016, compared to the prior year quarter, was primarily a result of maturity and redemption of higher-cost FHLBank term advances and time deposits, including brokered deposits.

Credit quality and other factors used to determine the level of the Allowance for Loan Losses precipitated a \$475,000 provision for loan loss for the quarter ending March 31, 2016 compared to no provision for the same period in the prior year. Management continues to strive to improve the credit quality of the loan portfolio.

Non-interest income declined by \$287,000, or 17.9%, during the quarter ending March 31, 2016, compared to the same period in 2015, primarily due to a \$168,000 decline in loans held for sale fee income and a \$64,000 decline in other non-interest income. The decline in loans held for sale fee income resulted from the Company's strategic decision to discontinue originating and selling residential mortgage loans to the secondary mortgage market beginning in 2016. Other non-interest income declined due to the reduction of \$57,000 to other income from valuation adjustments for mortgage forward sales commitments during the quarter ending March 31, 2016 compared to an increase to other income of \$36,000 from valuation adjustments to mortgage forward sales commitments in the quarter ending March 31, 2015, as well \$64,000 of other income recorded during the quarter ending March 31, 2015 in conjunction with the conversion of a customer rewards program, partially offset by a \$72,000 gain on the sale of foreclosed assets held for sale during the first quarter of 2016.

The Company's non-interest expense increased by \$107,000, or 2.1%, for the quarter ending March 31, 2016 compared to the same period in the prior year, as a \$288,000 increase in the Company's foreclosed asset expense was partially offset by declines of \$92,000 in salaries and employee benefits and \$72,000 in other operating expenses. The 2016 decline to salaries and employee benefits was primarily attributable, and the decline in other operating expenses was partially attributable, to the Company's strategic decision to discontinue originating and selling residential mortgage loans to the secondary mortgage market beginning in 2016. The impact of this decision was only partially realized during the first quarter of 2016 and we expect the reduction of expenses to be fully recognized in subsequent periods. A reduction in FDIC premiums also contributed to the decline in other operating during the quarter ending March 31, 2016 compared to the same period in the prior year.

Total assets, loans held for investment and deposits at March 31, 2016 were \$649.0 million, \$447.8 million and \$499.0 million, respectively, compared to \$638.2 million, \$448.7 million and \$483.2 million at December 31, 2015, respectively. As of March 31, 2016, 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
March 31, 2016 and December 31, 2015
(In thousands, except share data)

	ASSETS	
	March 31, 2016	December 31, 2015
	<i>(Unaudited)</i>	
Cash and due from banks	\$ 20,803	\$ 22,178
Interest-bearing deposits in other financial institutions	<u>29,516</u>	<u>23,655</u>
Cash and cash equivalents	50,319	45,833
Available-for-sale securities	103,186	91,560
Mortgage loans held for sale, fair value	–	2,258
Loans, net of allowance for loan losses of \$5,249 and \$4,731 in 2016 and 2015, respectively	442,505	443,962
Premises and equipment, net	11,622	11,739
Bank-owned real estate held for sale, net	5,896	5,892
Foreclosed assets held for sale, net	9,125	9,644
Interest receivable	1,627	1,727
Deferred income taxes	12,317	12,902
Prepaid expenses and other assets	7,626	7,923
FHLBank stock, Federal Reserve Bank stock, and other securities	<u>4,804</u>	<u>4,805</u>
Total assets	<u>\$ 649,027</u>	<u>\$ 638,245</u>

Blue Valley Ban Corp.
Condensed Consolidated Balance Sheets
March 31, 2016 and December 31, 2015
(In thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
	<i>(Unaudited)</i>	
LIABILITIES		
Deposits		
Demand	\$ 143,160	\$ 129,180
Savings, NOW and money market	258,523	251,765
Time	<u>97,288</u>	<u>102,297</u>
Total deposits	498,971	483,242
Other interest-bearing liabilities	29,952	35,746
Long-term debt	72,751	72,786
Interest payable and other liabilities	<u>1,617</u>	<u>1,745</u>
Total liabilities	<u>603,291</u>	<u>593,519</u>
STOCKHOLDERS' EQUITY		
Capital stock		
Preferred stock, \$1 par value, convertible to common stock; pari passu with common stock upon liquidation; authorized 1,000,000 shares; issued and outstanding 2016 – 471,979 shares; 2015 – 471,979 shares	472	472
Common stock, par value \$1 per share; authorized 15,000,000 shares; issued and outstanding 2016 – 5,380,516 shares; 2015 – 5,371,353 shares	5,381	5,371
Additional paid-in capital	30,714	30,657
Retained earnings	8,566	8,276
Accumulated other comprehensive income (loss), net of income tax (credit) of \$403 in 2016 and \$(33) in 2015	<u>603</u>	<u>(50)</u>
Total stockholders' equity	<u>45,736</u>	<u>44,726</u>
Total liabilities and stockholders' equity	<u>\$ 649,027</u>	<u>\$ 638,245</u>

Blue Valley Ban Corp.
Condensed Consolidated Statements of Operations
Three Months Ended March 31, 2016 and 2015
(In thousands, except share data)

	Three Months Ended March 31, 2016	2015
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
INTEREST INCOME		
Interest and fees on loans	\$ 5,157	\$ 4,889
Federal funds sold and other short-term investments	45	31
Available-for-sale securities	481	486
Dividends on FHLBank and Federal Reserve Stock	21	22
Total interest income	<u>5,704</u>	<u>5,428</u>
INTEREST EXPENSE		
Interest-bearing demand deposits	59	60
Savings and money market deposit accounts	95	79
Other time deposits	187	234
Federal funds purchased and other interest-bearing liabilities	6	5
Long-term debt, net	581	647
Total interest expense	<u>928</u>	<u>1,025</u>
NET INTEREST INCOME	4,776	4,403
PROVISION FOR LOAN LOSSES	<u>475</u>	<u>—</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>4,301</u>	<u>4,403</u>
NON-INTEREST INCOME		
Loans held for sale fee income	95	263
Service fees	869	924
Other income	348	412
Total non-interest income	<u>1,312</u>	<u>1,599</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,679	2,771
Net occupancy expense	645	662
Foreclosed assets expense	431	143
Other operating expense	1,419	1,491
Total non-interest expense	<u>5,174</u>	<u>5,067</u>
INCOME BEFORE INCOME TAXES	439	935
PROVISION FOR INCOME TAXES	<u>149</u>	<u>326</u>
NET INCOME	<u>290</u>	<u>609</u>
DIVIDENDS AND ACCRETION ON PREFERRED STOCK	<u>—</u>	<u>489</u>
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 290</u>	<u>\$ 120</u>
BASIC EARNINGS PER SHARE	<u>\$0.05</u>	<u>\$0.03</u>
DILUTED EARNINGS PER SHARE	<u>\$0.05</u>	<u>\$0.03</u>