Blue Valley Ban Corp.

July 29, 2016

Dear Stockholder:

For the quarter ended June 30, 2016, Blue Valley Ban Corp. recognized consolidated net income of $580,000 compared to a net loss of $120,000 in the comparable prior year quarter. For the six months ended June 30, 2016, consolidated earnings improved to $870,000, compared to net income of $489,000 for the prior year-to-date period. Net income per common share for the quarter and year-to-date periods ended June 30, 2016 was $0.11 and $0.16, respectively, compared to net loss per common share of $(0.17) and $(0.14), respectively, for the prior year quarter and year-to-date periods ended June 30, 2015. 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 common share during the periods ended June 30, 2016, compared to the previous year, was the result of an increase to net interest income and non-interest income and the current year impact of the Company's August, 2015 redemption of its $21.75 million of Series A Fixed Rate Cumulative Preferred Stock, partially offset by an increase in non-interest expense. The Company's net interest income increased by $170,000, or 3.7%, during the quarter ended June 30, 2016, compared to the quarter ended June 30, 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 increased by $376,000, or 24.6%, during the quarter ended June 30, 2016, compared to the same period in 2015, primarily due to realized gains on available-for-sale securities of $534,000 and an increase in other income, partially offset by a decline in loans held for sale fee income and service fees.

The Company's non-interest expense increased by $129,000, or 2.5%, for the quarter ended June 30, 2016 compared to the same period in the prior year, due to an increase in the Company's foreclosed asset expense, which was partially offset by declines in salaries and employee benefits and other operating expenses. The 2016 increase in foreclosed asset expense resulted from expenses incurred to remediate impediments to marketability for foreclosed assets held for sale. The 2016 decline in 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.

We recorded a provision for loan loss of $500,000 for the quarter ended June 30, 2016, compared to a $1.25 million provision for the same period in the prior year. Management evaluates credit risk on an ongoing basis, and for the period ended June 30, 2016, determined that the recorded provision resulted in an appropriate level for the allowance for loan losses.

Bank of Blue Valley ("the Bank") improved its total risk-based capital to $72.2 million, resulting in a total risk based capital ratio of 12.86% for the Bank as of June 30, 2016. The Bank has approximately $16.0 million of capital in excess of the regulatory requirement for a well-capitalized institution.

As of June 30, 2016 our financial condition included a $2.3 million decline in the balance of mortgage loans held for sale. The balance of total loans, including mortgage loans held for sale, was $447.2 million as of June 30, 2016, compared to $451.0 million at December 31, 2015. Total deposits at the end of the quarter were $494.7 million, compared to $483.2 million at December 31, 2015.

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

Yours Very Truly,

Robert D. Regnier
President

<u>Managements' Discussion and Analysis of Quarterly Operating Results</u>

Net interest income increased to $4.80 million in the second quarter of 2016 from $4.63 million, compared to the same period in the prior year. The increase is primarily due to increase in the average balance of loans and a reduction in the average rate paid on interest-bearing liabilities, during the second quarter of 2016 compared to the prior year quarter. The decline in the average rate paid on interest-bearing liabilities during the quarter ended June 30, 2016, compared to the prior year quarter, was primarily a result of maturity and redemption of higher-cost FHLBank term advances and maturity and repricing of time deposits.

Credit quality and other factors used to determine the level of the Allowance for Loan Losses precipitated a $500,000 provision for loan loss for the quarter ended June 30, 2016 compared to a provision of $1.25 million for the same period in the prior year. The second quarter 2015 provision was precipitated by loan growth as well as recognition of degrading credit quality of two loans which the Company had previously adversely classified. Management continues to strive to improve the credit quality of the loan portfolio.

Non-interest income increased $376,000, or 24.6%, to $1.9 million for the quarter ended June 30, 2016, compared to the same period in 2015 due to realized gains on available-for-sale securities of $534,000 as well as an increase in other income of $159,000 partially offset by declines of $261,000 in loans held for sale fee income and $61,000 in service fees. During the current quarter, the Company took advantage of an opportunity to sell municipal securities available-for-sale to maximize taxable income to realize deferred tax assets. The increase in other income was the result of the Company's recapture of $189,000 of interest and fee income which had been written off in a loan restructure from a previous period. 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. The decline in service fees was primarily due to $29,000 of prior year income recorded in conjunction with the conversion of a customer rewards program and a decline of $39,000 in our Wealth Management fee income, compared to the same period in 2015.

Non-interest expense increased by $129,000, or 2.5%, for the quarter ended June 30, 2016 compared to the same period in the prior year, due to a $464,000 increase in foreclosed asset expense, which was partially offset by declines of $219,000 in salaries and employee benefits and $101,000 in other operating expenses. The current quarter increase in foreclosed asset expense resulted from expenses incurred to remediate impediments to marketability for foreclosed assets held for sale. The 2016 decline in 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.

Total assets, loans held for investment and deposits at June 30, 2016 were $645.4 million, $447.2 million and $494.7 million, respectively, compared to $638.2 million, $448.7 million and $483.2 million at December 31, 2015, respectively. As of June 30, 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

June 30, 2016 and December 31, 2015

(*In thousands, except share data*)

ASSETS

	June 30, 2016	December 31, 2015
	(Unaudited)	
Cash and due from banks	$ 22,090	$ 22,178
Interest-bearing deposits in other financial institutions	33,637	23,655
Cash and cash equivalents	55,727	45,833
Available-for-sale securities	96,451	91,560
Mortgage loans held for sale, fair value	–	2,258
Loans, net of allowance for loan losses of $5,877 and $4,731 in 2016 and 2015, respectively	441,345	443,962
Premises and equipment, net	11,599	11,739
Bank-owned real estate held for sale, net	5,892	5,892
Foreclosed assets held for sale, net	8,904	9,644
Interest receivable	1,546	1,727
Deferred income taxes	11,420	12,902
Prepaid expenses and other assets	7,674	7,923
FHLBank stock, Federal Reserve Bank stock, and other securities	4,805	4,805
Total assets	$ 645,363	$ 638,245

Blue Valley Ban Corp.

Condensed Consolidated Balance Sheets

June 30, 2016 and December 31, 2015

(*In thousands, except share data*)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2016	December 31, 2015
	(Unaudited)	
LIABILITIES		
Deposits		
Demand	$ 151,471	$ 129,180
Savings, NOW and money market	258,101	251,765
Time	85,082	102,297
Total deposits	494,654	483,242
Other interest-bearing liabilities	28,675	35,746
Long-term debt	72,714	72,786
Interest payable and other liabilities	2,174	1,745
Total liabilities	598,217	593,519
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 – 5,384,964 shares; 2015 – 5,371,353 shares	5,385	5,371
Additional paid-in capital	30,746	30,657
Retained earnings	9,146	8,276
Accumulated other comprehensive income (loss), net of income tax (credit) of $931 in 2016 and $(33) in 2015	1,397	(50)
Total stockholders' equity	47,146	44,726
Total liabilities and stockholders' equity	$ 645,363	$ 638,245

Blue Valley Ban Corp.

Condensed Consolidated Statements of Operations

Three and Six Months Ended June 30, 2016 and 2015

(*In thousands, except share data*)

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
INTEREST INCOME				
Interest and fees on loans	$ 5,144	$ 5,041	$ 10,301	$ 9,930
Federal funds sold and other short-term investments	55	10	100	41
Available-for-sale securities	428	474	909	960
Dividends on FHLBank and Federal Reserve Stock	81	100	102	122
Total interest income	5,708	5,625	11,412	11,053
INTEREST EXPENSE				
Interest-bearing demand deposits	56	62	115	122
Savings and money market deposit accounts	96	81	191	160
Other time deposits	152	192	339	426
Federal funds purchased and other interest-bearing liabilities	6	6	12	11
Long-term debt, net	594	650	1,175	1,297
Total interest expense	904	991	1,832	2,016
NET INTEREST INCOME	4,804	4,634	9,580	9,037
PROVISION FOR LOAN LOSSES	500	1,250	975	1,250
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	4,304	3,384	8,605	7,787
NON-INTEREST INCOME				
Loans held for sale fee income	–	261	95	524
Service fees	890	951	1,759	1,875
Realized gains on available-for-sale securities	534	(5)	534	(5)
Other income	481	322	829	734
Total non-interest income	1,905	1,529	3,217	3,128
NON-INTEREST EXPENSE				
Salaries and employee benefits	2,598	2,817	5,277	5,588
Net occupancy expense	654	669	1,299	1,331
Foreclosed assets expense	612	148	1,043	291
Other operating expense	1,396	1,497	2,815	2,988
Total non-interest expense	5,260	5,131	10,434	10,198
INCOME (LOSS) BEFORE INCOME TAXES	949	(218)	1,388	717
PROVISION (BENEFIT) FOR INCOME TAXES	369	(98)	518	228
NET INCOME (LOSS)	580	(120)	870	489
DIVIDENDS AND ACCRETION ON PREFERRED STOCK	–	648	–	1,137
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 580	$ (768)	$ 870	$ (648)
BASIC EARNINGS (LOSS) PER SHARE	$0.11	$(0.17)	$0.16	$(0.14)
DILUTED EARNINGS (LOSS) PER SHARE	$0.11	$(0.17)	$0.16	$(0.14)