

# TENACIOUSLY TAKING **CARE** OF BUSINESS

2016 ANNUAL REPORT



LEVERAGING TECHNOLOGY.



BUILDING STRONG RELATIONSHIPS.



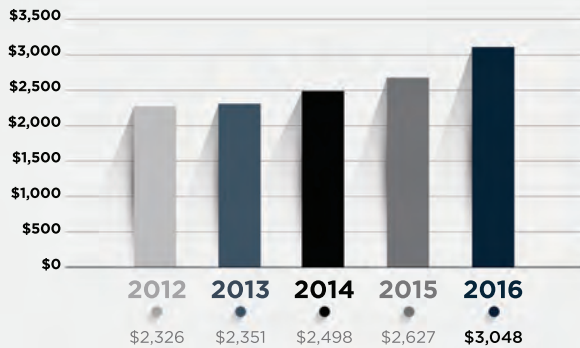
***svb&t corporation***

AND SUBSIDIARY

## FINANCIAL HIGHLIGHTS

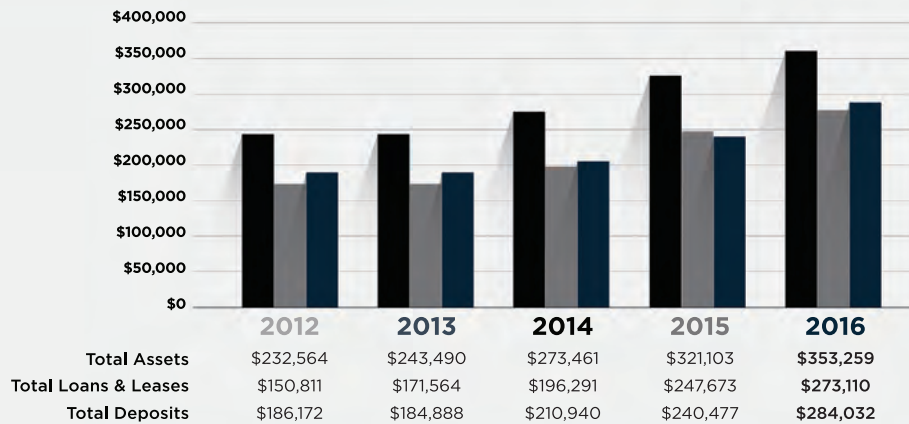
### NET INCOME

(IN THOUSANDS)



### TOTAL ASSETS

(IN THOUSANDS)



## MISSION STATEMENT

Springs Valley Bank & Trust Company's mission is to operate in a relationship-driven culture of integrity, trust, and value. We are a community oriented institution committed to delivering our customers quality financial products and superior services while strengthening shareholder value.

Pictured from left to right: Dr. Timothy & Susan Barry, Family Foot & Ankle Care of Jasper, Vicki Englert, Assistant Vice President and eServices Manager, Springs Valley, Doug Libbert, Vice President & Chief Financial Officer, Matrix Integration, Craig Buse, Senior Executive Vice President & Chief Operations Officer, Springs Valley, Ken Schnaus, Vice President and Commercial Lender, Springs Valley, Phil Lueken, Partner/CFO, Dubois Wood Products, Inc., Steve White, Business Owner, White's Quality Auto Service, Valerie Wilkins, Vice President and Commercial Lender, Springs Valley





**Jamie R. Shinabarger**  
*President and CEO*



**Douglas A. Habig**  
*Chairman of the Board*

## Dear SVB&T Corporation Shareholder:

As indicated in our first Shareholder letter this year, SVB&T Corporation posted another record year in 2016 and significantly added to the franchise value of the organization. We are extremely pleased with the financial performance that Springs Valley Bank & Trust was able to achieve as a result of a true team effort by our staff, management and the Board. Springs Valley continues to focus on consistent financial performance, quality organic asset growth, asset quality improvement, and income diversification.



## RECAP OF RECORD 2016 FINANCIAL PERFORMANCE

- In 2016, audited earnings of \$3.0 Million or \$5.31 basic earnings per share were posted. This is the highest in the Bank's history, and translates to a Return on Average Assets (ROAA) of 0.89%.
- The year-end Stock Valuation Report was received and the results are a very encouraging 40.0% increase from \$50.00 per share market value appraisal (MVA) to \$70.00 per share MVA. This validates the work that has been done over the past year and represents a significant increase in Shareholder value.
- In late 2016, the Board approved and paid a dividend for 2016 of \$0.75 per share, representing a 1.50% return based upon the 2015 year-end stock value of \$50.00.

## THE YEAR IN REVIEW...THE YEAR AHEAD

In addition to growing the balance sheet organically, your Board and Management Team are intently focused on investigating all avenues for profitable growth as well as income diversification to reduce margin dependency. Specifically, we are committed to growing core deposits to fund balance sheet growth long-term. Short-term, however, we are deploying strategies designed to reduce balance sheet funding pressures (additional focus on ramping up sold mortgages along with generating government guaranteed commercial loan sales). We continue to grow sold mortgage fee income and our home equity loan portfolio through an aggressive marketing plan supported by boots-on-the-ground lender performance. Though competition remains persistent for quality personal and commercial banking relationships, we continue to record more successes than failures in head-to-head opportunities. We remain dedicated to finding innovative ways to improve our competitive standing in all markets we serve and to adding new markets with potential. To that end, the Springs Valley Board and Management Team have a number of notable achievements to share with you from 2016 and a few new initiatives planned for 2017:

- In 2016 the Bank achieved net loan growth in our local markets of \$25.4 Million or 10.27%, and core deposit growth of \$20.3 Million or 16.21%.
- We continued to emphasize stronger credit administration, strong, full-relationship commercial loan growth, and enhanced Agricultural lending focus with the addition of a seasoned Agricultural Relationship Manager.

Pictured from left to right: Nicole Ford, Banking Center Manager, Springs Valley, Kim Messmer, Independent Consultant and Sales Director, Jamie Shinabarger, President & CEO, Springs Valley, Mike Smith, Vice President and Commercial Lender, Springs Valley, Buford DeWitt, DeWitt-Busick Insurance, LLC, Ken Schnaus, Vice President and Commercial Lender, Springs Valley, Catherine Bramlett, Owner, Mad Batter



- The Trust Department surpassed \$450M in assets in 2016 and was a key contributor to the Total Bank enterprise via strong non-interest income.
- **relationshipRewards** was the marquee project for the Bank in 2016 and called for migrating all 6,000 checking account relationships into one of four customized DDA solutions based upon the saving and spending preferences of those customers. This suite of DDAs has also been successful in attracting new deposits into the Bank and creating fee income opportunities.
- Two new Board Members were added in 2016 as a part of our proactive management of Board Succession Planning with a focus on adding diversity both in terms of demographics and skillset.
- Springs Valley Bank established a Captive Insurance Subsidiary owned by our Holding Company, which will further help SVB&T Corporation manage capital and profitability.
- In 2016 the Bank completed a major overhaul of our Risk Department, naming a Risk Officer and adding two compliance analysts. An enhanced BSA Program was brought on-line and dedicated resources were applied.
- We successfully completed several technology projects (CardValet firewall infrastructure; Data-Comm security monitoring; Fiserv Risk Office; Apple Pay; etc.), and strategically added a seasoned IT member to our staff.
- For 2017, a continued heavy investment in digital technology is planned. On the drawing board is a Marketing Customer Information File System (MCIF) to help better identify and serve our customers' financial needs; a basic Customer Relationship Management (CRM) product to assist us with recording and reporting our business development efforts; Online Chat (Link-Live); Instant Issue Debit Cards; and a Mobile Business Platform for business owners on the go. Finally, an enhanced website and an upgrade of the online banking system to include full integration with the Bank's credit card offering is slated for the 4th quarter.
- For 2017, we will continue to implement recommended process improvements, based on a third-party review of our Accounting and Loan Production Departments back in 2015.
- The Stakeholder Engagement Initiative we began in 2016 is expected to continue and expand in 2017. In addition to more frequent and timely communications, we are committed to an inviting Annual Meeting venue and program at the French Lick Resort. We hope you will join us as we share 2016 performance and 2017 plans!

The Directors, officers and employees of Springs Valley Bank & Trust Company remain committed to building shareholder value by all strategic means which are supported by a solid business plan. While we do not embrace the rhetoric that a community bank must be \$1B in size by a certain point in time, we do hold to the philosophy that size does matter in pursuit of long-term viability and franchise value — that is to say, economy of scale is important and must be aggressively pursued in keeping with our pledge to maximize shareholder value in any and all forms. Rest assured, your Board and Management will continue to strive to provide you, our Shareholders, with a nice mix of equity, income and improved liquidity.



**Jamie R. Shinabarger**  
President & CEO



**Douglas A. Habig**  
Chairman of the Board



Information conveyed in this press release regarding Springs Valley Bank & Trust Company's anticipated future performance is forward-looking and therefore involves risks and uncertainties that could cause the results or developments to differ significantly from those indicated in these statements. These risks and uncertainties include, but are not limited to, risks and uncertainties inherent in general and local banking as well as mortgage conditions, competitive factors specific to markets in which the company and its subsidiaries operate, future interest rate levels, changes in local real estate markets, legislative and regulatory decisions or capital market conditions and other factors.

# Selected Consolidated Financial Data of Audited SVB&T Corporation

(In Thousands, Except Shares Outstanding and Per Share Data)

	December 31	
	2016	2015
<b>BALANCE SHEET DATA:</b>		
Total Assets	<b>\$ 353,259</b>	\$ 321,103
Loans Receivable, Including Loans Held for Sale, Total	<b>273,110</b>	247,673
Loans Receivable, Including Loans Held for Sale, Net	<b>269,876</b>	245,030
Investments and Other Earning Assets	<b>57,874</b>	53,106
Deposits	<b>284,032</b>	240,477
Borrowed Funds	<b>29,673</b>	43,480
Stockholder's Equity	<b>35,217</b>	33,159
<b>OPERATING DATA:</b>		
Interest & Dividend Income	<b>\$ 13,572</b>	\$ 11,760
Interest Expense	<b>1,876</b>	1,514
Net Interest Income	<b>\$ 11,696</b>	\$ 10,246
Provision for Loan Loss	<b>750</b>	420
Net Interest Income after Provision for Loan Losses	<b>\$ 10,946</b>	\$ 9,826
Non-interest Income	<b>4,264</b>	3,869
Non-interest Expense	<b>11,091</b>	9,849
Income (Loss) before Income Taxes	<b>4,119</b>	3,846
Income Tax Expense (Benefit)	<b>1,071</b>	1,219
Net Income	<b>\$ 3,048</b>	\$ 2,627
Basic Earnings per Share	<b>\$ 5.31</b>	\$ 4.58
Diluted Earnings per Share	<b>\$ 5.30</b>	\$ 4.57
<b>OTHER DATA:</b>		
Yield on all Interest-earning Average Assets	<b>4.23%</b>	4.25%
Cost on all Interest-bearing Average Liabilities	<b>0.75%</b>	0.71%
Interest Rate Spread	<b>3.48%</b>	3.54%
Net Interest Margin	<b>3.65%</b>	3.70%
Number of Full Service Banking Centers	<b>4</b>	4
Return on Average Assets (net income divided by average total assets)	<b>0.89%</b>	0.89%
Return on Average Equity (net income divided by average total equity)	<b>8.71%</b>	8.21%
Equity to Assets Ratio (average total equity divided by average total assets)	<b>10.24%</b>	10.83%

# SVB&T CORPORATION

## DIRECTORS

### **Douglas A. Habig**

Chairman of the Board  
Springs Valley Bank & Trust Company  
Retired, Kimball International, Inc.

### **John B. Habig**

Retired, Kimball International, Inc.

### **K. Frank Hall**

President, Hall Brothers Transportation

### **Tonya S. Heim**

Vice President of Patient Services  
Memorial Hospital & Health Care Center

### **Jason M. Kelly**

President/CEO of SERVUS

### **Tracy Lorey, Ph.D.**

Superintendent of Greater Jasper  
Consolidated Schools

### **Ronald J. Sermersheim**

Retired, Kimball International, Inc.

### **Jamie R. Shinabarger**

President & CEO  
Springs Valley Bank & Trust Company

### **Ronald J. Thyen**

Retired, Kimball International, Inc.

### **James C. Tucker**

Attorney-at-Law, Tucker & Tucker, P.C.

## SPRINGS VALLEY BANK & TRUST COMPANY EXECUTIVE OFFICERS

### **Jamie R. Shinabarger**

President & CEO

### **Darrell E. Blocker**

Senior Executive Vice President,  
Cashier & CFO

### **J. Craig Buse**

Senior Executive Vice President, COO

### **Martin C. Kaiser**

Senior Executive Vice President,  
Trust Officer

### **Dianna B. Land**

Senior Vice President,  
Human Resources & Marketing

## VICE PRESIDENTS

Michael Egler  
Terry Giesler  
Sandra Hemmerlein  
Angela Jones  
Ross Key  
Greg Matheis  
Douglas Pittman  
Jason Schmitt  
Kenneth Schnaus  
Michael Smith  
Diann Verkamp  
Valerie Wilkins  
Martin R. Wininger

## ASST. VICE PRESIDENTS

Bernita Berger  
Shane Buffington  
Loretta Dorman  
Vicki Englert  
Ansley Jenkins  
Lisa Pinkstaff  
Tina Qualkenbush  
Susan Richardson  
Dustin Rumble  
Brian Smith  
Mary Wendholt



## INDEPENDENT AUDITORS

BKD, LLP, CPA's and Advisors,  
Cincinnati, Ohio

## LEGAL COUNSEL

SmithAmundsen LLC, Indianapolis, Indiana

## TRANSFER AGENT

Springs Valley Bank & Trust Company,  
Trust Department, Jasper, Indiana

## ANNUAL MEETING

The Annual Meeting of Stockholders of SVB&T Corporation will be held on Tuesday, May, 16, 2017 at 6:30 p.m. at the French Lick Resort Event Center, 8670 West State Road 56, French Lick, IN 47432.

## AUDITED FINANCIALS

A copy of the Company's Audited Financial Statement and 2016 Annual Report will be furnished to Shareholders of the Company without charge upon request to Darrell Blocker, SVB&T Corporation, 1500 Main Street, PO Box 830, Jasper, IN 47547-0830, [dblocker@svbt.com](mailto:dblocker@svbt.com).



**springvalley**

BANK & TRUST COMPANY

## SVB&T LOCATIONS

### VALLEY BANKING CENTER

8482 West State Road 56  
French Lick, IN 47432

### PAOLI BANKING CENTER

867 North Gospel Street  
Paoli, IN 47454

### JASPER - MAIN STREET

1500 Main Street  
Jasper, IN 47546

### JASPER - THIRD AVENUE

865 3rd Avenue  
Jasper, IN 47546



**svb&tcorporation**

*Loyal to you, your family, and your future.*

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