



2017 Annual Report

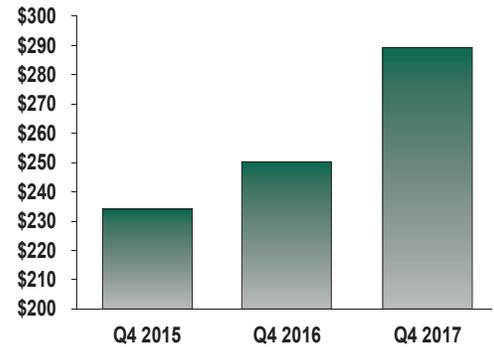
President's Message

2017 was another outstanding year for Sauk Valley Bank. Many of our key indicators demonstrate the overall health of our organization. As I have shared in the past, it is our team's continued ability to deliver on our RADAR principles that drives the strength of the bank.

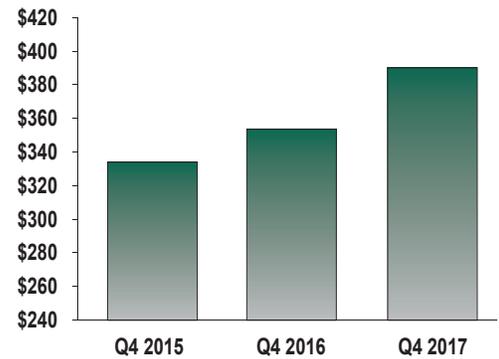
Community involvement continues to be one of our principal values. As a bank, serving the communities across our footprint through employee volunteer efforts directly links us to the success of those communities. This year we wrapped up our second year of civic engagement with our Employee Volunteer Program-Be Great, Donate 8. Our approach to volunteerism is similar to our business approach; our success relies on the combined energies and efforts of each of our team members. When we all work together great things happen. In 2017 our employees donated an impressive 483 hours, with 71% of our workforce donating their time to organizations and projects that are important to the communities we serve. Not only is our volunteer program growing, but it has been recognized as one of 9 financial institutions in Illinois through American Bankers Association Foundation's Community Commitment Awards that contribute to economic growth, community development, and overall well-being. Each time one of our employees was donating their time to a local charity, they were making a difference, and it was creating a positive impact. Our future plans for this program allow our outreach to grow as our organization continues to grow, and we know that social responsibility will always be a significant way to serve our customers and communities.

This year, we took a number of steps to better position the bank to service customers and meet their needs. We recognize the digital landscape is transforming our industry. More consumers conduct banking via mobile and online channels than all other traditional methods combined. This means we must continue to develop our technology both in-house and online to meet the needs of our customers. In 2017 we added multiple technologies to assist in servicing our customers outside of the traditional banking facilities and operating hours. Our focus was to improve the customer experience through enhanced digital delivery. The addition of services such as: online account opening, digital wallets (Apple Pay®, Samsung Pay™, Android Pay™ and Masterpass), advancements in online bill pay and other online product delivery, allow our customers to do their banking when they want and how they want. The result of these enhancements has brought greater adoption and overall utilization of our online channel. While our investment in technology is and will continue

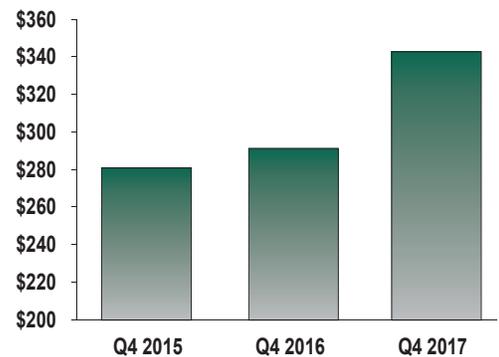
Total Loans (in millions)



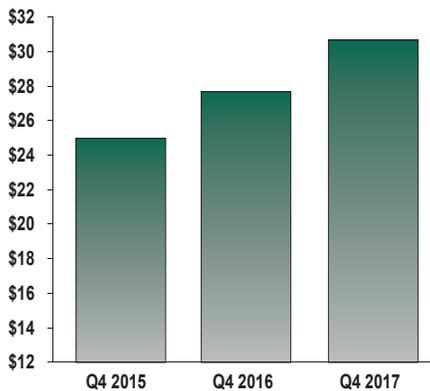
Total Assets (in millions)



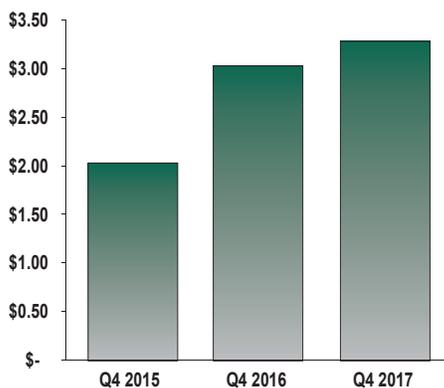
Total Deposits (in millions)



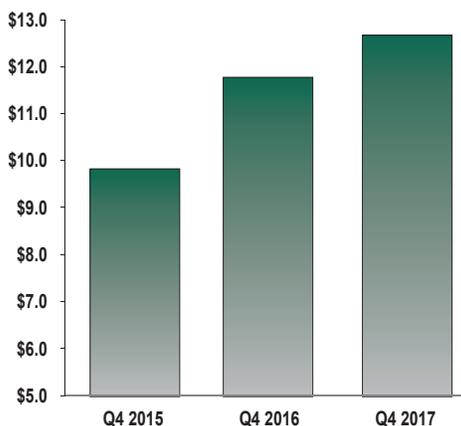
Tangible Book Value Per Share



Earnings Per Share



Net Interest Inc. (in millions)



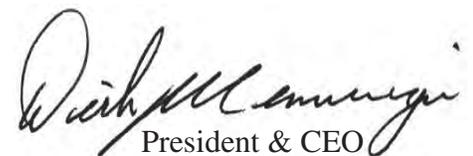
to be significant, it must always marry back to who we are—a service entity committed to building and cultivating lasting relationships.

In late October, an opportunity became available that would allow us to expand our client base and build relationships in a new market. Harvard, Illinois became a compelling strategic and cultural fit to add to our organization. With technology allowing us to replicate our high-touch model, it created a unique growth opportunity similar to our existing facilities in Bettendorf, Iowa and Janesville, Wisconsin. This facility is a Loan Production Office that focuses on Commercial, Ag, and Mortgage lending with team members rooted in the community. With similar demographics to our core communities, we fully expect the integration of this office to mirror the success of our other locations.

For the year we delivered strong financial results with net income of \$2.9 million, a 7.4% increase from 2016. Tangible book value of our common stock increased to \$30.69, representing an almost 11% increase for the year. Total assets grew to \$390.3 million, an increase of \$36.4 million, or 10.3%. Our organization delivered balanced growth in both lending and funding with our total loan portfolio growing \$35.4 million, an increase of 14.1%. Maintaining excellent asset quality and lending within our specialties of Commercial and Ag drove above state average performance. Commercial lending grew \$27.2 million, or 20.8%, and Ag Lending grew \$13.1 million, or 15.7%. Core deposits (checking, savings, NOW and Money Market) grew \$31.2 million, or 14.4%. We launched multiple retail initiatives in 2017 as well, growing our total deposit balances to \$342.9 million, an increase of 17.6%. Our consumer and business deposits were up \$51.4 million dollars.

Our success is driven by our dedicated team, building lifelong relationships with our customers. We appreciate you, our shareholders, as well as our valued customers for your support and for the trust you place in us. I would also like to thank the Board of Directors for their ongoing service and valuable guidance.

As we look forward to the coming year, our priorities are to continue to drive innovation, strengthen our delivery channels, and create a more integrated customer experience across all of our distribution channels. I have complete faith we will see the growth of this organization continue in 2018.


President & CEO

SV Financial Inc.

Selected Consolidated Financial Data

	Year Ended December 31,		
	2017	2016	2015
Income Statement Data:			
Interest Income	\$ 15,076,163	\$ 13,456,076	\$ 11,954,469
Interest Expense	2,386,275	1,662,421	1,438,596
Net Interest Income	12,689,888	11,793,655	10,515,873
Provision for Loan Losses	400,000	400,000	75,000
Non-Interest Income	2,945,797	2,857,888	2,357,478
Non-Interest Expense	10,757,676	10,222,206	9,161,276
Pre-Tax Earnings	4,478,009	4,029,337	3,637,075
Income Tax Expense	1,563,874	1,316,404	1,195,000
Net Income	2,914,135	2,712,933	2,442,075

Per Common Share Data:

Earnings	\$ 3.28	\$ 3.03	\$ 2.72
Tangible Book Value per Share	30.69	27.69	24.99
Book Value per Share	30.35	26.98	25.07
Shares Outstanding	888,128	896,828	896,828

Balance Sheet Data at Period End:

Total Assets	\$ 390,306,274	\$ 353,881,354	\$ 334,311,485
Total Loans	285,687,933	250,316,511	233,371,681
Allowance for Loan Losses	2,749,238	2,402,820	2,600,452
Total Investment Securities	81,189,865	80,337,282	79,865,398
Total Deposits	342,856,517	291,486,470	281,136,269
Total Stockholders' Equity	26,953,608	24,195,446	22,484,689
Loan to Deposit Ratio	83.33%	85.88%	83.01%

Average Ratios:

Return on Average Assets	0.76%	0.78%	0.76%
Return on Average Stockholders' Equity	10.94%	11.36%	11.22%
Net Interest Margin	3.42%	3.46%	3.42%

Asset Quality Ratios:

Net Charge-Offs as a Percentage of Average Total Loans	0.00%	0.25%	<0.12%>
Non Performing Loans to Total Loans	0.89%	0.59%	0.88%
Allowance for Loan Losses as a Percentage of Total Loans	0.96%	0.96%	1.11%



Robert Hill
Vice Chair



Dirk Meminger
President and CEO



John Berge
Director



James Reese
Director



Kelly Keaschall
Director



Dr. David Yeager
Director



Mary Whelan
Director



Steve Munson
Director



Ronald Gerken
Chairman of the Board

A note from the chairman:

On behalf of the Board of Directors, I would like to share our appreciation to the Sauk Valley Bank team for their commitment to continuing to build and develop lasting relationships. This dedication drives our business performance, and is critical to our future success. Our priorities remain focused on meeting the financial needs of those in all of our communities. To our shareholders, thank you for your continued support and investment of Sauk Valley Bank.

Sincerely,

Ronald Gerken

Ron 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.



