

A LETTER FROM THE PRESIDENT

A year ago, we fully expected to see the diminishing effects of the pandemic by this time, however, we can all agree that we continue to work through an ever-changing landscape. I want to thank our team for their continued, agile management as they take swift and deliberate actions to provide the resources to assist the needs of our customers and community.

It's also very fitting to thank our customers for their adaptation and acceptance of the changing operating environment. Whether it's the 740 PPP (Paycheck Protection Program) loan and forgiveness process, or providing further assistance to our customers, our core values of RADAR continue to be our guide.

FINANCIAL SUMMARY

Financial performance for the first half of the year was strong with net income totaling \$2.23 million, an increase of 14.4% from last year's \$1.97 million. Total assets were \$578.5 million at June 30, 2021, compared to \$561.4 million at June 30, 2020. Deposits grew \$12.8 million, or 2.6% from this time last year. Our loan portfolio increased \$18.7 million or 5.6%. While our Commercial portfolio grew \$22.8 million, or 12.3%, our Ag portfolio was \$2.5 million lower than this time in 2020, due largely to pay downs within the portfolio. Our non-interest income is up 6.1% from this time last year driven primarily from trust & brokerage.

This quarter, we did make the determination to write off a large lending relationship. While we continue to work with the borrower, we felt this was a prudent decision based on the evaluation of the business's viability.

One key element is our Custodial CD department, which has grown by building on our existing relationships as well as the acquisition of new relationships. This quarter, we surpassed servicing \$1 billion in institutional certificate of deposit relationships and fully expect that number to grow as we continue to build on our success.

PERFORMANCE AT A GLANCE

TOTAL ASSETS (IN MILLIONS)



TOTAL DEPOSITS (IN MILLIONS)



TOTAL LOANS (IN MILLIONS)



NET INTEREST INC. (IN MILLIONS)



TANGIBLE BOOK VALUE PER SHARE



RONALD GERKEN RETIRING FROM BOARD OF DIRECTORS



Bidding a fond farewell to a founding board member and friend.



A FOND FAREWELL

In June, one of Sauk Valley Bank's founding board members, Ron Gerken, retired from the board. From the beginning, Ron, along with our other founders set out to build a different kind of bank—one that provided a differentiated service model and focused on the customer. Ron had a desire and passion to provide relationship-driven financial service, ultimately bringing about just that, as he served over the last 22 years with dedication, vision and integrity.

It's difficult to put into words the profound impact Ron has had on the community and Sauk Valley Bank. We are grateful for Ron's leadership, contributions and enduring partnership over the years. Without Ron, Sauk Valley Bank would not be where it is today. While Ron will be missed tremendously, he will continue to provide guidance with his recent appointment as Chairman Emeritus.

NEW MARKET GROWTH

DIXON

Our two market expansion projects continue to progress. Renovation in Dixon has neared completion with its opening in late July. It has been a pleasure to partner with local businesses and organizations in the community to see this project through completion. As we open our additional location, we look forward to providing added convenience to our customers and continuing to add value to the community as a trusted, financial partner.

HARVARD

Our other construction project in Harvard has been progressing with the majority of the steel construction finished. The completion of our new location is estimated to be mid-fourth quarter of this year and we look forward to sharing our progress through the remainder of the project.



SAUK VALLEY BANK HONORS RON GERKEN ON HIS RETIREMENT

On behalf of our Board of Directors and Sauk Valley Bank, we thank you Ron for all the years you helped our organization grow and we wish you the absolute best in all that is to come.

Best Wishes,
Sauk Valley Bank

GUIDING OUR FUTURE

As we look to the remainder of the year, we will continue to invest in and grow our business, preparing for the economic and regulatory uncertainty that we will undoubtedly face. I am confident that our employees and board are prepared to face these challenges, keeping our customers and community at the heart of all we do. We thank you for your continued trust and support in Sauk Valley Bank.

DIRK MEMINGER
President & CEO