



Financial *focus*

Second Quarter
2018 Financial Report

Message from President Dirk Meminger:

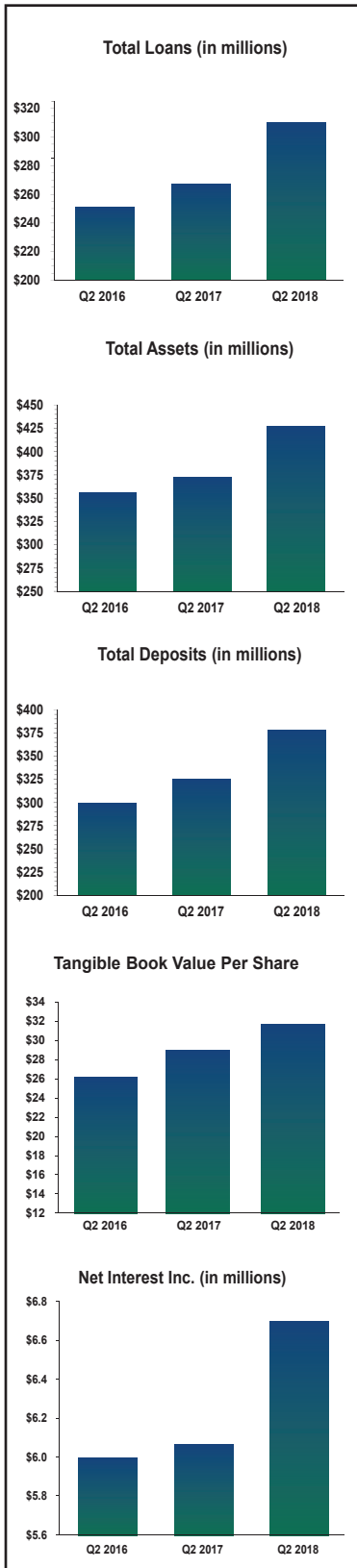
We are pleased to report solid growth in our organization as we remain focused on our core principle of building lasting, engaged relationships that support our communities while delighting our customers. For the second quarter of the year, our lending team delivered strong results with the loan portfolio growing to \$310.0 million, compared to \$267.0 at the same time last year. Commercial lending grew 14.5% and Ag lending increased 29.8%. Net income through the second quarter was \$1.2 million, compared to \$1.4 million at the same time last year due largely to an increase in our loan loss reserves. Our net interest income increased 10.4% from 2017 resulting from the loan portfolio growth and effective management of our funding base. For the first half of the year, we implemented multiple funding initiatives which impacted our overall deposits increasing 16.0% from this time last year. Growth was primarily driven by increases in checking and certificates of deposit.

We continue to see success along the state line; more specifically, our Harvard market is growing as we execute our core principles over a larger footprint with more diverse product offerings. Based on the positive response from the Harvard community and surrounding area, we have submitted a branch application and are hoping to expand our product and service offerings further in the area once final approval is received. We anticipate our Harvard office serving as our prototype for future offices, reflecting the blend of technology and personal service that differentiate us from our competitors. We look forward to continually advancing our product and service offerings to reflect technology and lifestyle changes.

Our business approach is not forcing the consumer to do what we want them to do, but rather designing products that allow them the flexibility to find solutions as they choose. It is critical to continually invest for better products and services so we can serve our customers in the future. As we progress through the year, we will continue to evaluate what is offered and how we can do better for our customers. We recognize our core data processing system upgrade this fall allows a perfect opportunity to deliver enhanced solutions that accomplish this goal. Along with the upgrade, we continue to develop our digital channel as non-banks disrupt the banking sector and technology continues to move at an unprecedented pace. We have found that some people believe they must migrate to a larger institution to obtain desired product offerings. This creates a perfect opportunity to educate our customers and non-customers about the technology services we offer and support with personalized service as needed.

Thank you for your support of Sauk Valley Bank, we look forward to sharing our continued success in 2018.

Dirk Meminger, President & CEO



Celebrating Customer Appreciation Day Friday, June 15 2018



is thankful for our
SWEET
customers!

