



# Annual Report

A Year in Review

Financial Summary | Community Impact

(866) 626-5996  
[www.saukvalleybank.com](http://www.saukvalleybank.com)

2022

# 2022 ANNUAL REPORT

An annual report is a comprehensive report on a company's activities throughout the preceding year. Annual reports are intended to give shareholders and other interested parties information about the company's activities and financial performance. It includes information such as the company's revenue, expenses, assets, and liabilities, as well as details on its products, services, and market position.

## Contents

3	About Us
4	Letter from the President
5	Our Values
6	Investing in Our Communities
7	Dream Big with SVB
8	Investment in Technology
9	SVB Foundation
10	Financial Report
12	Financial Highlights
13	CEO's Closing Statement
14	Chairman's Statement
15	The Board of Directors



## About Us

Headquartered in Sterling, Illinois, Sauk Valley Bank (SVB) is a locally owned, community financial institution that provides the highest quality products and services. SVB offers solutions that fit various customer financial needs; including personal, commercial, and agricultural.

Sauk Valley Bank has achieved great success in its 20+ year history, including the expansion of its footprint. With various banking locations, the company serves communities throughout Illinois including: Sterling, Rock Falls, Dixon, Harvard, and that of Janesville, Wisconsin.

## Our Mission

Sauk Valley Bank is a locally owned, community bank that aspires to continually provide the exceptional customer service of which its foundation was built upon. Through driving customized solutions, personalized services and products that are truly beneficial, SVB strives to be the customer choice bank.

SVB aims to build *relationships* around *accountability* to our customers and team members by *delighting* them with the *attention* and *respect* they deserve.

*Building lifelong relationships, one customer at a time.*



**2023 Readers' Choice Awards**  
**FAVORITE FINANCIAL ADVISOR**  
3<sup>rd</sup> Place

**2022 Dixon Park District Partner in Facility Build**  
**DIXON FIELDHOUSE NAMED SVB COURTS**  
Fieldhouse Sponsor

**2021 Best of Sauk Valley**  
**BEST BANK & BEST MORTGAGE LENDER**  
Gold Medal 1<sup>st</sup> Place



# Letter from the President

**We remain committed to delivering the highest quality customer service and operational efficiency.**

The past year has been one of continued growth and stability for our bank. Despite challenges in the broader economic environment, we have remained focused on delivering high-quality services to our customers and achieving strong financial results. Our success is due in large part to the dedication and expertise of our employees, as well as our commitment to innovation and customer service.

One of the key areas of focus for our bank has been technology. In recent years, the banking industry has undergone a rapid transformation. We have invested heavily in digital solutions, such as mobile banking and online platforms to better serve our customers and improve operational efficiency.

In addition to our focus on technology and long-term sustainability, we have also remained committed to serving our customers and communities. Whether it's through providing financial education or supporting local organizations, we believe that our success is tied to that of our customers and communities.

As always, we remain committed to delivering the highest standards of customer service, financial performance, and operational efficiency.

**Dirk Meminger**  
President & CEO  
Sauk Valley Bank



# Our Values

**We prioritize employee development through fostering an environment that supports career advancement.**

Outlined in our three-year strategic plan, we address the focus of providing an environment where meaningful relationships can occur with and among our team. As we try to determine the needs of our workforce post-COVID, the development of human capital takes on even greater value. We recognize that the workforce today versus 20 years ago has different goals and desires and we must be willing to address and adapt to the next generation of bankers.

Many organizations make the statement “our people are our greatest asset,” yet approach staffing, training, development and overall personnel management in the same manner as in the past. Retaining our best talent is essential, but in order to do so, we must be willing to provide an environment that is supportive of the investment in our human capital.

One key investment we implemented was a mentoring program where new employees are assigned a mentor upon joining the team. Studies show mentorship programs lead to increased employee engagement, improved retention and higher employee satisfaction. By creating an environment where new and current employees can build a connection early on, the goal is for the new hire to feel support and an investment in their success. The program is designed to set aside time

on a weekly basis for the mentor and mentee to meet and cover key topics along with developing an understanding of the culture. We have found that the approach is more successful when employees are paired from different areas of the organization as it fosters an opportunity for new employees to gain a deeper understanding of the bank, which leads to stronger relationships between areas of the bank. In addition to the experience this provides for the new employee, it creates a development opportunity for the mentor to enhance their skill set.

We have also expanded our onboarding, by placing a greater focus on more meaningful, deeper conversations between an employee and their supervisor. In this environment we believe goals and desires for future growth can be identified and acted upon in a timelier manner. We continue to build and refine our quarterly coaching program, designed to foster open dialogue and place a greater emphasis on development.

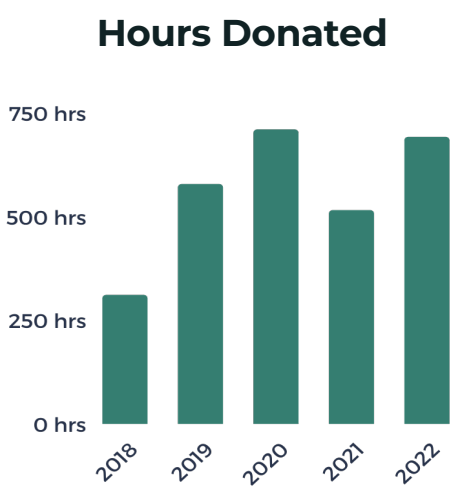
**We believe in investing in our employees' development, providing training opportunities, and supporting career advancement to help them achieve their full potential.**





# Investing In Our Communities

Creating a positive impact and making a difference in the communities we serve.



**692hrs**

In 2022, a total of 692 hours were donated by our employees to our communities.

Strengthening our communities continues to be a key component of our culture. Our employer-sponsored volunteer program is an opportunity for employees to partner with a non-profit of their choice each year. We're pleased to report that in 2022, our team volunteered 692 hours back into our communities. This is an increase of 177 hours or 35% from the prior year. It's also impressive to see that 83% of our team donated time with 52% of our employees volunteering the maximum number of hours.

Over the last seven years, we have seen our employees donate more hours and become involved in more organizations and grow the impact and reach of the program. These organizations desperately need volunteer assistance to fulfill their missions within the communities they serve, and we are proud to play a role in supporting their efforts. Since launching our employee volunteer initiative: **Be Great, Donate 8** in 2016, we have donated a total of 3,635 hours back to our non-profit organizations.

As our footprint and workforce continues to grow, we see our program's reach continuing to expand. We appreciate the relationships that have been built with our non-profits and thank our employees who have made a difference in our communities.

# Dream Big With SVB



Salamandra | Dixon, IL



Bartini's | Rock Falls, IL

**We're proud to partner with the small businesses in our communities to help them work towards achieving their goals.**


Now in its second year, our government and small business lending area continues to grow and expand by helping not only the business, but our communities. We actively work with small businesses and assist non-customers in obtaining local, state and federal funds aimed at providing resources for their business to prosper. As we'll expand on later, the Foundation and our small business lending team continue to work together to drive additional resources to our small businesses, expanding the financing options available.

Additionally, this was the second year of our "Dream Big" campaign. We're proud to partner with

the small businesses in our communities, bringing added awareness and support to helping them achieve their goals.

We know that Sauk Valley Bank can only succeed in part through the support of its team and its partners. One of our key partners is the Federal Home Loan Bank of Chicago (FHLB). Aside from providing strategic banking services, the FHLB provided \$50,000 in grant funding to Sauk Valley Bank to pass on to local small businesses. We want to recognize the FHLB and communicate its service to Sauk Valley Bank and the community banking industry.





**DreamBIG**  
#DreamBigWithSVB  
Celebrating The Businesses That Make Our Communities Strong!

## Celebrating Our Small Businesses

In 2022, we highlighted a new group of businesses that are rooted in our communities and focused on improving these communities every day. We thank them for their trust in Sauk Valley Bank and encourage everyone to support those who make the Sauk Valley a wonderful place to live, work and shop.



# Investment In Technology

Embracing innovation and adopting agile methodologies to serve our customers.

Our philosophy is to marry technology solutions with personal service. While the continuing digitization of commerce and the banking industry provides greater convenience, we believe the convenience generally reduces personal interaction and responsiveness. Therefore, we must continue to enhance our technology offerings, but also ensure we don't sacrifice the personal interaction with our customers. This year, we made significant investments

in our mortgage process, allowing a more-convenient method for our customers to apply for a loan and step through the mortgage experience. Not only does it allow greater flexibility for our customers to interact with the process, but it creates efficiencies for our team. As the landscape continues to evolve, it is crucial that our risk management and mitigation also have equal importance to the process.



Looking ahead, we continue to seek faster payment options and additional business solutions to provide convenience and efficiency options for our customers. As we implement these solutions, it is essential that we continue to analyze, identify and invest in cybersecurity.

# SVB Foundation

Creating a positive impact and making a difference in our area through fostering community partnerships.

This year, the Sauk Valley Bank Foundation was formed as a non-profit entity with the purpose of improving the quality of life for families and small businesses within the communities served by Sauk Valley Bank. This will be accomplished by assisting in the development and funding of affordable housing initiatives, as well as supporting lending and other financial incentives that encourage the formation and expansion of small businesses. All of this is done with the goal of strengthening the economic base of our local economies.

The Foundation looks to accomplish its mission in targeted areas through micro lending, financial programs and services to assist the emerging economic needs of the underserved and rural communities. Services such

as this, allow the Foundation to provide non-traditional, necessary and impactful assistance in ways and with products not available to or through Sauk Valley Bank.

**The success of our small businesses is essential to our community's overall economic growth.**

While the Foundation is organized and operated independently of the bank, the bank will support the Foundation with donations and contracted services, specifically focused on grant monitoring, housing programs and loan servicing for small business loan funds. The

initial housing initiatives will be focused within the communities of Sterling and Dixon as supported by the documented lack of affordable housing through recent housing studies. We look forward to expanding the outreach to our other communities.

We appreciate the following members of the community that have agreed to join the board of directors for the foundation and welcome their expertise and passion for improving rural communities; Dr. Lori Cortez, Vice President of Advancements at Sauk Valley Community College, Corey Gabler, Managing Member of Steel River Systems and Brittany Shannon, VP of Marketing for Raynor Garage Doors. These three members join internal directors Robert Hill, Dirk Meminger and Paige Toms.

## What's Next?

We recognize that every community in which Sauk Valley Bank operates could benefit from the efforts of the Foundation and look forward to serving all communities with a focus on small business lending and workforce housing.

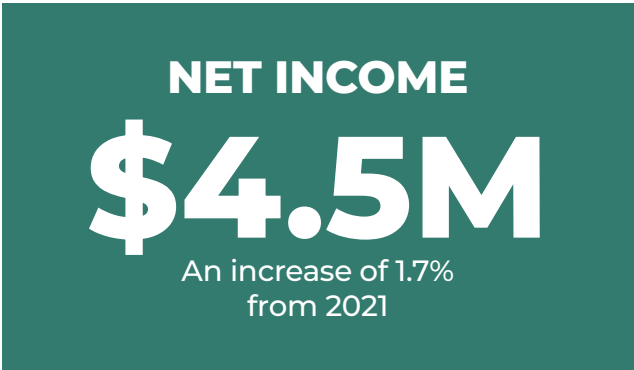




# Financial Report

Consistently executing our culture makes it possible for us to deliver solid results.

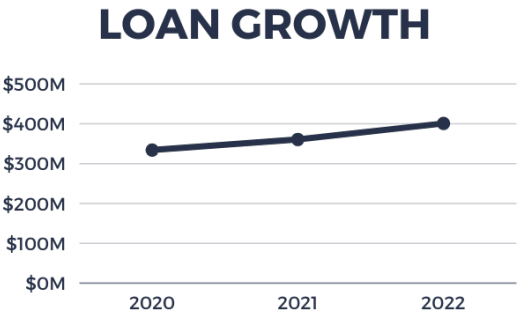
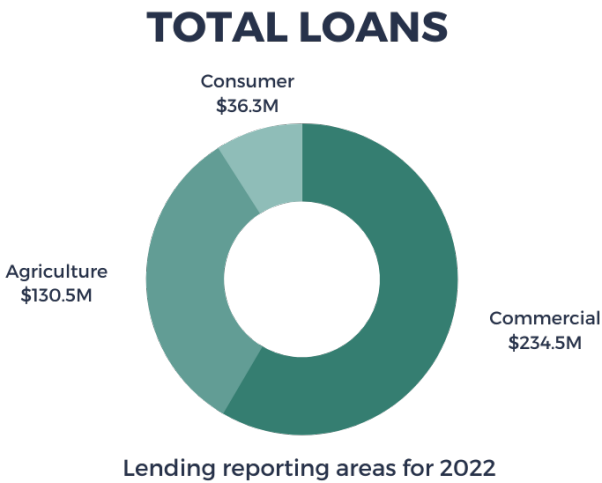
We are pleased to share that Sauk Valley Bank had another strong year of positive operating performance. Total assets grew from \$582.9 million at the end of 2021 to \$619.1 million at the end of 2022, an increase of 6.2%. A significant contributor was growth in the loan portfolio, which ended the year at \$401.3 million, an increase of \$39.8 million.



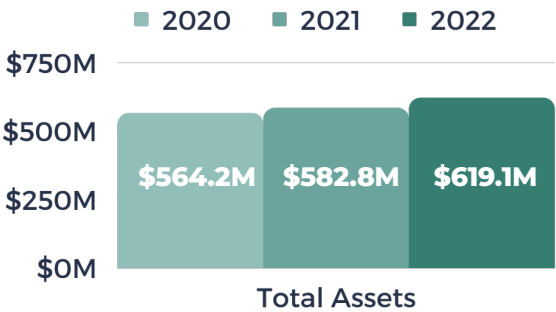
All reporting areas of lending saw growth this past year with Commercial increasing \$23.4 million or 11.1% and Agriculture increasing \$5.4 million or 4.3%. While our asset quality remains strong, we will continue to monitor our key risk indicators and practice prudent portfolio management.

Deposits also saw an increase, with total deposits ending at \$534 million, for an increase of 5.6%. Checking, savings, NOW and Money Markets saw growth year-over-year of 9% or a total of \$37.5 million. Operating expenses were up 10.4% mainly attributed to adding new positions, competitive wages and rising costs of technology. Overall net income was up almost 2% from last year.

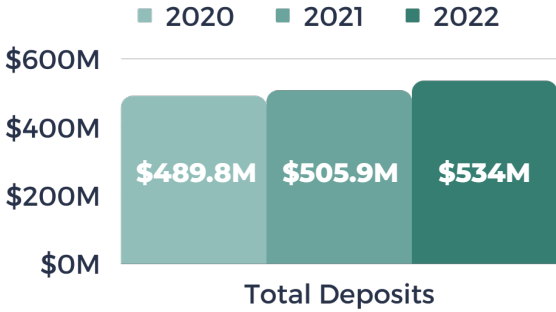
Net interest income for 2022 was \$17.6 million compared to \$17.8 million for the prior year. The prior year includes non-recurring interest and fees associated with the Paycheck Protection Program. Considering only recurring revenues provides an increase of 11.1% in net interest income. While interest rate risk has been non-existent for years, we entered this year prepared for the anticipated increases. Comprehensive rate modeling and situational analysis positioned us to remain agile and responsive as rates increased. Looking ahead, we expect liquidity and margins may tighten. Therefore, we must continue to devote time and resources to our ongoing scenario evaluations to properly manage the remainder of this rate cycle.



## Total Assets



## Total Deposits



# A Year In Review

While it was a challenging year to manage through the economic volatility, our results demonstrate that when our team is engaged and focused on the same vision and goals, the bank can fulfill its core mission of operating as a true, community partner. The commitment of our employees consistently executing our culture made it possible for us to deliver solid results.

Our long-term objectives continue to be focused on our culture, combined with investments in innovation, creating efficiencies and managing expenses appropriately.



# Financial Highlights

SV FINANCIAL INC.  
Selected Consolidated Financial Data

	YEAR ENDED DECEMBER 31,		
	2022	2021	2020
Income Statement Data			
Interest Income	\$21,701,370	\$19,905,947	\$18,581,349
Interest Expense	4,142,912	2,120,800	3,341,905
Net Interest Income	17,558,458	17,785,147	15,239,444
Provision for Loan Losses	-	1,850,000	1,450,000
Non-Interest Income	2,970,558	3,125,275	3,609,309
Non-Interest Expense	14,616,900	13,237,537	12,357,046
Pre-Tax Earnings	5,906,791	5,820,334	5,001,079
Income Tax Expense	1,370,593	1,361,558	1,194,422
Net Income	4,536,198	4,458,776	3,806,656
Per Common Share Data			
Earnings	5.15	5.06	4.30
Tangible Book Value per Share	50.04	45.32	40.59
Book Value per Share	35.22	46.41	43.65
Shares Outstanding	881,128	881,128	886,128
Balance Sheet Data at Period End			
Total Assets	619,077,621	582,869,270	564,179,198
Total Loans	401,324,018	361,541,797	335,213,485
Allowance for Loan Losses	5,413,709	5,226,631	5,001,248
Total Investment Securities	178,884,691	191,401,228	167,959,385
Total Deposits	534,030,096	505,914,098	489,879,780
Total Stockholders' Equity	31,036,789	40,893,558	38,681,870
Loan to Deposit Ratio	74.14%	70.40%	68.43%
Average Ratios			
Return on Average Assets	0.73%	0.76%	0.67%
Return on Average Stockholders' Equity	10.29%	11.17%	9.84%
Net Interest Margin	2.98%	3.12%	3.06%
Asset Quality Ratios			
Net Charge-Offs as a Percentage of Average Total Loans	-0.05%	0.45%	0.16%
Non-Performing Loans to Total Loans	0.50%	1.51%	1.90%
Allowance for Loan Losses as a Percentage of Total Loans	1.35%	1.45%	1.49%



## CEO's Closing Statement

Looking ahead, we remain agile and prepared to face the anticipated upcoming economic challenges. We are also prepared to provide support and resources to our customers and communities. As a trusted, financial partner, we are here in prosperous and challenging times. We will continue to focus on the means with which our communities can grow, thereby providing ongoing growth opportunities for Sauk Valley Bank.

For whatever lies ahead, we're proud to be there for our customers, employees and communities.

I would like to express my gratitude and appreciation to the team for their hard work and dedication this past year. I would also like to express my gratitude to our board of directors for their guidance and support.

Thank you for your continued investment and trust in Sauk Valley Bank. We are fortunate to serve our customers, communities and you, our shareholder.

Dirk Meminger  
President & CEO  
Sauk Valley Bank





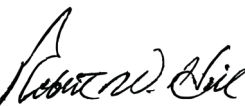
# Chairman’s Statement

I want to thank the team for their hard work, dedication and steadfast commitment to delivering value for our customers, communities and shareholders.

Looking ahead, we recognize that the economic challenges will continue, but we are confident in our ability to navigate the uncertainty that may lie ahead. We remain focused on delivering long-term value to our shareholders and building a sustainable future for our bank, our customers and communities.

Thank you for your continued trust and support.

Sincerely,



**Robert Hill**  
Chairman of the Board  
Sauk Valley Bank

**Our mindset and investments are focused on growth and transformation. We aspire to be the customer choice bank whose foundation is built upon putting customers first. We aim to drive customized solutions, personalized services and products that are truly beneficial.**



# Board of Directors

Sauk Valley Bank’s Board of Directors is comprised of individuals from the business, financial, medical, and legal communities. The Board includes a diverse range of skills, experience and perspective necessary to continually guide strong and reliable performance, ultimately driving growth for shareholders.



**Robert Hill**  
Chairman of the Board



**Ronald Gerken**  
Chairman Emeritus



**Kelly Keaschall**  
Vice Chair



**Dirk Meminger**  
President and CEO



**John Berge**  
Director



**Steve Munson**  
Director



**Dr. David Yeager**  
Director



**Mary Whelan**  
Director



**Tim Zollinger**  
Director



**Todd Dail**  
Director





SAUKVALLEYBANK.COM

