

▶ SECOND QUARTER | 2020 FINANCIAL REPORT

A LETTER FROM THE PRESIDENT

Around the globe, the COVID-19 pandemic has created a severe public health crisis and rapid economic change. With no signs of an immediate end to the pandemic, it's critical we continue to deliver on our mission to remain committed to our customers and provide responsive services.

Over two decades, we've learned to be resilient, embrace change and adjust during market upheavals. In the same manner, I'm proud to say that through our current environment, we're proud of how swiftly our Business Resiliency Team (formerly Pandemic Response Team) mobilized our employees and continues to lead us through this turbulent time in order to continue to empower our departments to thrive and adapt accordingly. Amid global uncertainty, we are committed to emerging stronger from this storm.

Due to the current environment, the desire for digital banking services has increased. Customers are continuing to utilize our online account opening and mobile banking products. In the month of May alone, we opened a sizable number of accounts, equivalent to that of a full service location, through our Solutions Center, which is our highest monthly total to date. Respectively, we are progressing with the expansion of our Solutions Center to complement our digital channel.

Our progression continues on other fronts as well. The beginning of the second quarter saw the election of Tim Zollinger to our Board of Directors. As we continue to drive market expansion and invest in infrastructure that will strengthen our relationships with our customers and communities, Tim's insights and experiences will be a driving force to future success.

FINANCIAL SUMMARY

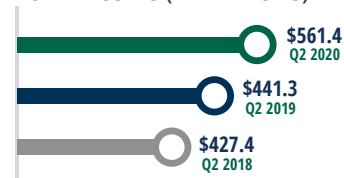
Sauk Valley Bank generated \$1,194,981 in net income during the second quarter, bringing year-to-date earnings to \$1,973,598. This represents a 48.5% increase year-over-year, however, a portion of this increase is partially offset by the impact of Paycheck Protection Program (PPP) loans. While the majority of our financial indicators are significantly ahead of anticipated results, we expect modest growth in most areas of our business for the remainder of the year.

Presently, we have issued \$31 million in loan assistance through PPP and another \$85 million in loan deferment options. The majority of our customers continue to pay us through the relief period and recently, we completed our first round of loss mitigation plans and customers have made their first regular payment. At the end of the second quarter the loan portfolio totaled \$333.6 million, which is an increase of \$17.4 million, or 5.5% from this time last year and our deposits grew \$100.7 million, or 25.8% from this time last year. Our deposit growth was due in part to our typical increase in deposit base of our many seasonal municipal relationships.

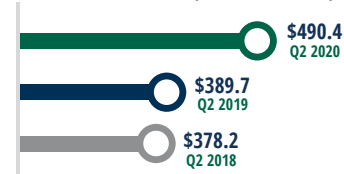
Operating expenses are up by a 3% increase from this time last year. We planned for upgrades and additional products that would continue to provide significant benefit internally as well as to our customers. We feel it is prudent to continue with these investments as technology will continue to play a larger role in how our customers choose to interact and do business as a result of our new environment.

PERFORMANCE AT A GLANCE

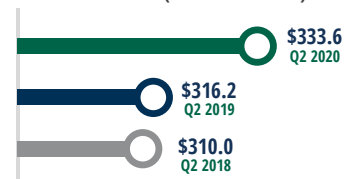
TOTAL ASSETS (IN MILLIONS)



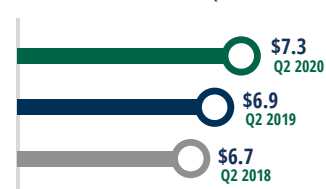
TOTAL DEPOSITS (IN MILLIONS)



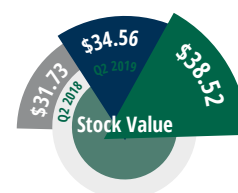
TOTAL LOANS (IN MILLIONS)



NET INTEREST INC. (IN MILLIONS)



TANGIBLE BOOK VALUE PER SHARE





JAMES L. REESE

RETIRING FROM BOARD OF DIRECTORS



Join us in bidding a fond farewell to our board member and friend.



A FOND FAREWELL

I have some bittersweet news to share this quarter. Following a long career, the June Board meeting was the last for one of our Board of Directors, James L. Reese.

In May of 2004, Jim was appointed as a member of our Board of Directors, while also a partner at Ward, Murray, Pace and Johnson, P.C. He served on many boards and associations throughout his extensive career, including a past President to the Whiteside County Bar Association and in various capacities within the Illinois State Bar Association (Assembly; Local Government Law Section Council; General Practice Section Council). He has served in numerous local civic organizations and capacities, in addition to serving as City Attorney for the City of Rock Falls, Illinois, since 1981.

Jim has been instrumental in shaping Sauk Valley Bank into its current prosperous state over his 16-year tenure. Part of Jim's legacy is his leadership and strategic contributions that he's obtained over his 50+ year career as an attorney, which have greatly aided in positioning Sauk Valley Bank for future success.

Jim's diverse range of skills, experience and perspective continually guided our strong and reliable performance, which ultimately drove growth for the benefit of our shareholders.

The entire Sauk Valley Bank family will be forever thankful to Jim for his leadership over the years. Though we'll miss Jim, his contributions, commitment and guidance will remain a part of our company and culture for many years to come.

GUIDING OUR FUTURE

As we look at the remainder of the year and beyond, we recognize it is hard to predict when this pandemic will ultimately end, including the economic impact and recovery that will need to occur. We continue to be well-positioned to navigate the uncertain economic environment and are working closely with our local business customers and farmers to be a trusted, financial partner.

DIRK MEMINGER
President & CEO

SAUK VALLEY BANK HONORS JAMES L. REESE ON HIS RETIREMENT

On behalf of our Board of Directors and Sauk Valley Bank, we thank you Jim 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