



First Quarter
2018 Financial Report

Financial *focus*

Message from President Dirk Meminger:

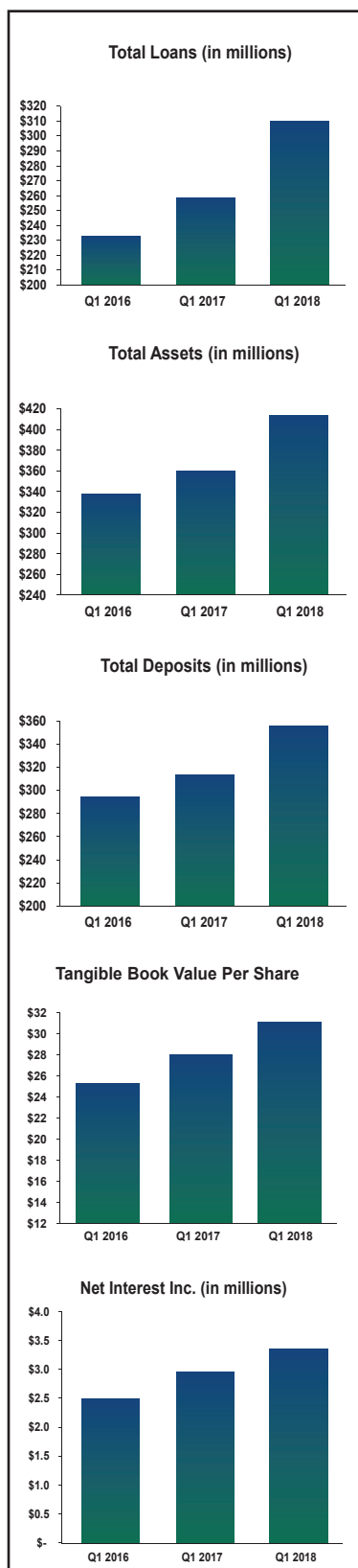
Sauk Valley Bank had a strong quarter to begin the year. Net income was \$600,349, versus \$549,353 at the same time a year ago. Our team delivered strong loan growth for the first quarter of the year. The loan portfolio totaled \$309.8 million as of March 31, 2018, an increase of \$53.0 million or 20.6% from one year ago, and an increase of \$24.1 million or 8.4% from December 2017. The increase was attributed to growth in both Commercial and Agricultural lending, including our newest office in Harvard. During the quarter we recognized a higher provision for loan loss expense compared to this time last year due to our increased loan volume and replenishment of our allowance for a charge-off during first quarter. Total deposits ended the quarter at \$355.5 million, an increase of \$12.7 million from the prior quarter and an increase of \$42.0 million from the same time last year.

Last year we launched a differentiated customer approach with our Innovative Client Solutions (ICS). This allows us to offer premium banking solutions driven by a customized approach and high-touch service. We will continue to expand our services and solutions that are found to be meaningful for our clients. Our newest partnership allows us to serve our community with a student loan refinance solution. We found that many struggle with finding a financial partner that can provide support and resources post-graduation. After researching multiple options, we found a great partnership with Laurel Road Bank, located in Darien, Connecticut. Laurel Road has helped thousands of professionals with graduate and undergraduate degrees to refinance and consolidate federal and private school loans. Not only are they a leader in student loan refinancing, they are dedicated to providing lending solutions with low rates, personalized service and a streamlined process enabled by technology—a true complement to our ICS program.

One primary focus this year is strengthening our operational infrastructure, which includes continuing to make investments in our systems to provide value to our customers and shareholders. As our organization grows, we are constantly looking for ways to make our business more efficient. This time last year, we began to evaluate our core technology operating system to determine a partnership that would support our next phase of growth and create operational efficiencies. After stepping through the evaluation, we found that upgrading our systems with a multi-year investment would provide the strategic partnership our organization needs for the future. Our upgrade will begin in the second quarter, and continue in phases over the next couple of years. We anticipate this upgrade will be seamless for our customers and will enhance the service levels we continue to provide.

We are pleased to start the year with solid financial results and look forward to what the rest of 2018 holds. Thank you for your continued support of Sauk Valley Bank.

Dirk Meminger, President & CEO





Agriculture is made possible by the hard work of America's farms and farm families. This March we celebrated Ag Week by recognizing our Ag Community, Lenders, and Administrative Staff.

