



ANNUAL REPORT

2021



► FINANCIAL SUMMARY

► COMMUNITY IMPACT



CONTENTS

To Our Shareholders	3
Living Our Values	4
Innovative Solutions for Small Businesses	6
Sauk Valley Bank Thanks Our Team	7
Expanding Our Geographic Reach	8
Greater Access to Service with Convenience	9
Financial Report	10
Growth & Customer Focus	13
Chairman's Statement	14
The Board of Directors	15

LETTER FROM THE PRESIDENT



CONTINUING TO STRENGTHEN OUR BUSINESS FOR THE FUTURE.

THE FOUNDATION OF OUR SUCCESS TIES BACK TO BEING A CUSTOMER-CENTERED ORGANIZATION AND WE MUST CONTINUE TO NURTURE THAT CULTURE.

—

“Our success continues to center around our team—they serve our customers, communities, drive technology and innovation. As we look to next year and beyond, we will continue to invest in our people, drive efficiency, cybersecurity and technology as they are fundamental to our long-term success.”

Dirk Meminger
President & CEO

In the face of unprecedented challenges, we took steps to position the organization for long-term growth, all while supporting our employees, customers and communities.

The pandemic continues to significantly impact the global and local economic environment, resulting in an even greater need for our organization to step in and be a partner. I am proud of our employees and communities as they’ve weathered the ongoing events with courage and fortitude.

Despite the challenging circumstances, we have managed to keep our branches open to serve customers—keeping everyone safe and providing innovative solutions that allow customers to interact with us based on their preferences. These remarkable efforts were made possible by an aligned and engaged team focused on our customers.

We value the opportunity to be a trusted, financial partner—whether it is assisting our customers or being a source of strength in difficult times.



OUR EMPLOYEES ARE KEY IN DRIVING OUR SUCCESS.



Our culture includes living our core values that focus on building relationships around accountability, delighting customers and team members, delivering attention and respect.

LIVING OUR VALUES

Rising to the Challenge of Building a Culture Around Resiliency.

STRENGTHENING OUR CULTURE THROUGH EMPLOYEE ENGAGEMENT, LOYALTY AND RESILIENCY

Our team is our most valuable asset and source for sustained success.

WE CAN ONLY ACHIEVE OUR MISSION IF WE LIVE OUR CULTURE.



Our values are the beliefs that guide us. At the center of what Sauk Valley Bank stands for is community. We strive to serve our communities with the highest quality of service, while also thinking outside the box and giving back in every way we can.

The way we interact with our customers and co-workers is summed up by our mission statement, known as RADAR:

“We build relationships around accountability to our customers and team members by delighting them with the attention and respect they deserve.”

We aim to build lifelong relationships, one customer at a time.

We couldn’t achieve consistent, above-expected results as an organization over many years without team members who go “above and beyond” every day.

These exceptional team members, nominated by their fellow co-workers, are recognized each year for exemplifying our core values and RADAR philosophy as recipients of the Sauk Valley Bank RADAR Award.

The spirit of teamwork runs deep within and throughout all departments at Sauk Valley Bank.

Much has changed over the years since we were a single-office, but what has not changed is our differentiated culture which includes living our core values.



CULTURE IS AT THE ROOT OF EVERY DECISION WE MAKE



COMMUNITY IMPACT

The **Best of Sauk Valley** is a vote-based contest focusing on and highlighting the best businesses, groups, locations, and services in the Sauk Valley.

For this past contest year, Sauk Valley Bank was excited to learn that we had been voted among the Best of the Sauk Valley for 2021!

We were awarded Gold medals for Best Bank, Best Place to Work and Best Mortgage Lender. We also received the Silver medal for Best Customer Service.

This honor was given to us based on Regional Media’s listeners, area fans,

Everything we do begins with serving our customers and communities, so it comes as no surprise that our team stepped up for another strong year of volunteering through our Be Great, Donate 8 program.

In total, we were able to donate over 515 hours back into our communities. Now more than ever, these hours

Best of Sauk Valley Honor

followers and customers voting for their favorite local businesses in various categories.

We couldn’t be more honored by these distinctions and are proud to have such loyal customers and employees. We want to thank and recognize our team for their commitment and dedication during another year of uncertainty. Our team’s commitment to executing on our culture allowed us to be recognized with this great honor.

Be Great, Donate 8

are filling significant volunteer shortages that many of our nonprofit organizations are experiencing.

Our team supports dozens of nonprofits in our communities with their time, expertise and financial resources and it is rewarding to see the power of our volunteer workforce.

HONORS & ACCOLADES



A CULTURE COMMITTED TO COMMUNITY

BE GREAT, DONATE 8

515 HRS



Our employees gave back to our communities

30+ CHARITIES



We were able to support more than 30 organizations

SVB GIVES BACK



#GivingTuesday is a great opportunity to give back to our communities. We thank our SVB employees for giving back through our Donate 8 program on this special day and every day!



EMPOWERING BUSINESSES WITH THE TOOLS THEY NEED

“

We are using Sauk Valley Bank's Point-of-Sale system through Foodtronicx & love it! We appreciate the personal attention we get as a business. Thank you SVB!

MICHELLE YOUNG
Manager | Nick's Tap

Innovative solutions for small businesses

Leveraging technology to innovate and enhance products, services, security and processes.

The success of our small businesses is essential to our community's overall economic growth. We understand small businesses have unique needs and we aim to provide business owners with the services they need. Consumer features can be too basic and commercial functionality is sometimes too complex and expensive, which is why we were proud to announce that one of our newest partnerships was with a small business solution called Autobooks. This integrated digital invoicing and online payment acceptance platform directly integrates to our customer's online

banking channel, creating a seamless experience for the business and their customers. This solution consolidates many products for our businesses and can save our customers a significant amount of time and money.

In addition, this year, we welcomed Andrew Beswick—Regional Community Development Executive to the team. Since joining, Andrew has been working with local businesses and nonprofit organizations to identify needs and funding options that are not typically offered through traditional lending. This also includes assistance to

those who are in early stages of business development and are looking for resources and a partner to assist with the process. A position such as this typically isn't found in a financial institution, however, we felt it was a necessary resource that would provide value to those small businesses looking for access to programs and services. Initially focused on small businesses, Andrew has moved to also assist with efforts aimed at our communities who are facing housing shortages. This is another example of how we can assist in driving economic and community growth through non-banking partnerships.

SAUK VALLEY BANK THANKS OUR TEAM



AS ONE CHAPTER CLOSSES
ANOTHER ONE OPENS

In 2021 WE WISHED A FOND FAREWELL & WELCOMED OTHERS

On behalf of our Board of Directors and Sauk Valley Bank, we honor and thank our team members for their service and dedication.

Our Dixon market saw new additions as well as bidding farewell to one of our leaders.

After more than 40 years of distinguished service in banking, our Dixon Market President—Don Lovett retired in October. Don joined the organization in 2009 and provided the leadership and direction at a pivotal time in our Dixon market.

Don's passion for the community, strong advocacy of our core values paired with his extensive banking knowledge have made a profound difference. His knowledge and expertise had a substantial impact on the Dixon community and Sauk Valley Bank. We will certainly miss him, but wish him the best as he begins this new chapter.

In light of Don's departure, Mary Oros was appointed Market President as Don transitioned into retirement. Mary's experience, integrity and leadership have already proven valuable within the organization and community.

As Market President, Mary will continue the development of new and existing customer relationships by providing the Dixon community with additional resources to support economic growth. Mary is passionate about the community she serves. Her appointment will not only support our organizational growth strategies, but will also continue to enhance our philosophy of focusing on the needs of our customers and community. We welcome her in this new role.

STRENGTHENING OUR
BUSINESSES BEGINS WITH
BUILDING THE BEST TEAM.



“Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results.”

Andrew Carnegie



Right: Don Lovett



Mary Oros

Our financial strength provides the resources to enhance the communities across our growing footprint.

EXPANDING OUR GEOGRAPHIC REACH



SAME ROOTS.
DIFFERENT SOIL.

PROVIDING MORE FOR OUR CUSTOMERS & THE HARVARD COMMUNITY



THROUGH HARVARD'S MARKET EXPANSION, WE LOOK FORWARD TO MEETING THE GROWING AND DIVERSE NEEDS OF OUR CUSTOMERS AND COMMUNITY.

In March, we began construction on a new full-service location in Harvard, Illinois. With each new site, we have an opportunity to innovate with new ideas for branch design to address the ever-changing needs of our customers. This location offers new technology and capabilities not typically

seen in a traditional branch, which provide many ways to connect with our customers based on their preferences. By the end of December, construction was completed, and we were able to move operations into the new facility. We welcomed the remainder of our staff, completing the team and extending

our full-service offering to the customers and community of Harvard. I would like to thank the team of four who opened our first location in Harvard. Because of their hard work and commitment to the community, we were able to expand and offer a full range of services with our new location.



GREATER ACCESS TO SERVICE WITH CONVENIENCE

ANOTHER LOCATION TO SERVE OUR CUSTOMERS IN OUR DIXON MARKET

We are fortunate to be in the communities we serve and look forward to future partnerships as we all work to continue to strengthen the great community of Dixon.

Encouraged by steady growth in our market, we expanded our investment in Dixon with a second location. Construction was completed late summer '21 and by the end of July, we opened on the north side of town providing greater convenience for our customers and community.

Thank you to our team who was responsible for the project and the community partnership that provided the ability to add our second location.

Shortly after our second location opened, we had the opportunity to partner with

the Dixon Park District and City of Dixon to bring the reality of a Phase 1 construction for a community facility to fruition.

This facility will provide Park District administration offices, two regulation sized courts, access to volleyball nets, batting cages and basketball hoops to the residents and surrounding communities near Dixon.

For more than 20 years, community members have been working towards a community center that would provide amenities to the residents. This project not only underscores our commitment

to the Dixon community, but also demonstrates our ongoing approach of partnering with the communities we serve in delivering more than traditional banking services. Sauk Valley Bank is honored to be part of this historic moment in Dixon and we are committed to serving the community and the entire region. We recognize that investing in this project will result in economic growth opportunities and additional community development for Dixon and the surrounding area, which aligns with our purpose of being a true, community partner.



OUR GROWTH EFFORTS CONTINUE

We've progressed with a new Dixon location and expanded our Harvard location.

We've taken great steps toward further supporting our customers, communities and employees during one of the most challenging periods we've faced. By contributing to economic stability, we also advance our long term success.

FINANCIAL REPORT

NET INCOME FOR
THE YEAR TOTALED

\$4.4MILLION

An increase of 16.81% from 2020



- **8 Sauk Valley Bank** locations across Illinois and Wisconsin
- **7 Full Service** locations
- **1 New Location** opened in 2021



Total Net Income (In Millions)



Total Deposits (In Millions)



FINANCIAL PERFORMANCE

The commitment of our employees consistently executing our culture made it possible for us to deliver solid results.

Despite another year of economic uncertainty, Sauk Valley Bank delivered solid financial results. A majority of our reporting areas posted solid performance for the year.

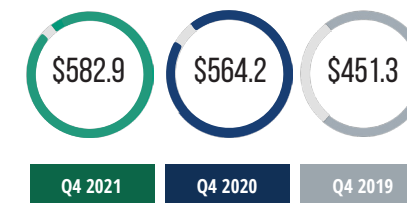
Net income totaled \$4.4 million versus \$3.8 million in 2020, or an increase of 16.81%. Total assets at year-end were \$582.9 million, an \$18.7 million dollar increase over the prior year of \$564.2 million.

Our lending portfolio grew \$26.3 million,

or 7.9% from the same time last year. The Commercial portfolio grew \$15.3 million, or 7.8% and the Ag portfolio grew \$12.8 million or 11.4% from this time last year.

We experienced higher loan losses than typical during the past year, with the larger losses involving businesses that were negatively impacted by the covid environment—although other factors contributed as well. Looking to the year ahead, we do not anticipate any ongoing deterioration of the lending portfolio.

Total Assets (In Millions)



Total Loans (In Millions)



TANGIBLE BOOK VALUE PER SHARE



INVESTING IN GROWTH THROUGH TECHNOLOGY

The unprecedented pace of change and disruption in our industry has forced us to focus on technology, cybersecurity and digital delivery.

This year we made several enhancements to our product offerings, including a streamlined online account opening process that saves our applicants time and steps when opening an account. We cannot emphasize enough the value of remaining proactive when it comes to cybersecurity. We must remain mindful and diligent of protecting our customers and our information as the cyber landscape continues to change and evolve.

Our liquidity position remains strong as deposits in our demand accounts continue to grow. Deposits totaled \$505.9 million at the end of the year, which is an increase of \$16 million or 3.3%. At this time last year, we fully expected rates to adjust slightly, but have not yet seen that movement, which is causing liquidity to remain intact within our demand accounts. We do expect higher interest rates in the coming year and feel prepared for the changes and potential

volatility such increases may present.

Interest income totaled \$19.9 million, which was 7.1% higher than 2020. Net interest income was up 15.6% or \$2.1 million. The year benefited from revenues generated by the paycheck protection program. While the revenue recognized was nice, we will gladly sacrifice a repeat for a more normal operating environment for our business community.

Looking to the year ahead, we fully expect loan growth and residential mortgage sales to be lower, which depending upon the extent of interest rate volatility, may place pressure on earnings. However, 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,		
	2021	2020	2019
Income Statement Data			
Interest Income	\$19,905,947	\$18,581,349	\$18,872,155
Interest Expense	2,120,800	3,341,905	4,710,182
Net Interest Income	17,785,147	15,239,444	14,161,973
Provision for Loan Losses	1,850,000	1,450,000	600,000
Non-Interest Income	3,125,275	3,609,309	2,565,304
Non-Interest Expense	13,249,706	12,357,046	11,925,265
Pre-Tax Earnings	5,808,166	5,001,079	4,202,011
Income Tax Expense	1,361,558	1,194,422	980,611
Net Income	4,446,608	3,806,656	3,221,400
Per Common Share Data			
Earnings	5.05	4.30	3.64
Tangible Book Value per Share	45.30	40.59	36.66
Book Value per Share	46.40	43.65	37.11
Shares Outstanding	881,128	886,128	886,128
Balance Sheet Data at Period End			
Total Assets	582,869,270	564,179,198	451,341,155
Total Loans	361,541,796	335,213,485	322,066,241
Allowance for Loan Losses	5,226,631	5,001,248	4,095,720
Total Investment Securities	191,454,138	167,959,385	100,857,416
Total Deposits	505,926,265	489,879,780	392,269,259
Total Stockholders' Equity	40,881,391	38,681,870	32,881,758
Loan to Deposit Ratio	70.40%	68.43%	82.10%
Average Ratios			
Return on Average Assets	0.76%	0.67%	0.71%
Return on Average Stockholders' Equity	10.88%	9.84%	9.80%
Net Interest Margin	3.12%	3.06%	3.32%
Asset Quality Ratios			
Net Charge-Offs as a Percentage of Average Total Loans	0.45%	0.16%	0.02%
Non-Performing Loans to Total Loans	1.51%	1.90%	2.04%
Allowance for Loan Losses as a Percentage of Total Loans	1.45%	1.49%	1.27%



Ultimately, our strong cultural foundation sets us apart and allows us to remain differentiated among our competitors. Long-term growth and success in a consolidating industry depends on our ability to attract and retain employees that share those values. We must nurture the talent of those individuals to ensure they have the tools to build relationships, collaborate across business lines and provide innovative solutions—internally and externally.

As 2021 has come to a close, Sauk Valley Bank has found itself to be well-positioned for the future. Our organization was founded on the vision of serving our customers and community as a true partner. We remain committed to that guiding principle and will continue to be prepared and agile to respond to our environment.

Despite uncertainty among many fronts, I’m confident in our ability to execute, to perform both in the short and long term, and to deliver increased shareholder value.



Enhancing customer experience through delivering excellence
 As we look to next year and beyond, we'll continue to invest in our people, drive efficiency, cybersecurity and technology as they are fundamental to our long term success.

I would like to express my gratitude and appreciation for our employees, who are committed to delivering a superior banking experience for every customer.
 Finally, I would like to thank you for your confidence and for your continued support as we work to deliver for our customers, employees, communities and you—our shareholder.

Dirk Meminger
 President & CEO

CHAIRMAN'S STATEMENT



Chairman of the Board
Robert Hill

On behalf of the Board of Directors, I would like to express my heartfelt appreciation for our team as they have faced ongoing challenges related to the pandemic and have emerged stronger and more resilient.

We appreciate the opportunity to continue to be a trusted, financial partner and will remain focused on providing long-term value for our customers, community and you—our shareholder.

Thank you for your ongoing support and trust in Sauk Valley Bank.

Sincerely,

Robert Hill | Chairman of the Board

Our mission is enduring. It drives who we are. It drives everything we do.

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

BOARD OF DIRECTORS



Delivering for our customers
and communities, today and in
better days ahead.

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



Sauk Valley Bank Honors Ron Gerken on his Retirement

In June, one of Sauk Valley Bank's founding board members, Ron Gerken, retired from the board.

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.

Ron will continue to provide guidance as Chairman Emeritus.



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