



ANNUAL REPORT

2020



► FINANCIAL SUMMARY

► COMMUNITY IMPACT



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LETTER FROM THE PRESIDENT



AMID 2020'S RAPID CHANGES, WE DELIVERED STRONG RESULTS.

OUR MISSION IS ENDURING. IT DRIVES WHO WE ARE. IT DRIVES EVERYTHING WE DO.

—
“Though 2020 will go down as one of the most challenging years, despite the numerous issues presented by the pandemic, we were able to achieve many great things. It is in times like these that our ability to stay true to Sauk Valley Bank’s mission and purpose is of the utmost importance.”

Dirk Meminger
President & CEO

As a community bank, putting customers first is what we stand for, it’s a part of our foundation.

Who could have anticipated as we began 2020, the incredible challenges a health crisis such as this could place on our communities and nation? This year, our priority has been focused on what we can do to support our customers through the financial and business impacts of the pandemic. We were able to be responsive to the needs of our customers because of our team, our technology and our strong commitment to the communities we serve. Our team is one

that we continue to be proud of, and this year certainly tested the adaptability as well as financial security. Without each of our areas stepping up to face this challenge, we would not have been able to serve our customers and continue our operations with minimal disruption.

Only time will tell what further changes the future will bring, but one thing is for certain, navigating these waters is a partnership and we will continue to be there to help guide our customers and communities along the way.



TECHNOLOGY ENABLED SVB TO
REMAIN RESILIENT



Rising to the challenge of continuing to build an organization that remains resilient in the face of challenging times.

ABOUT OUR CULTURE

Fostering a Culture Around Building Relationships.

ENCOURAGING EMPLOYEE ENGAGEMENT, LOYALTY AND PROFESSIONAL DEVELOPMENT

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

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



Our success continues to be driven by our culture, which is focused on our RADAR principles. We recognize that retaining the culture upon which Sauk Valley Bank was built, is our foremost challenge. Our approach requires intention, effort and focus with a common mindset. We will remain diligent in maintaining a team of bankers focused upon building and maintaining relationships; with one another, our customers and the organizations throughout the communities we serve.

This year, we were not able to physically gather our entire team together as we typically do on a semi-annual basis for our RADAR meetings. The purpose of our

meetings is to invest in our organization through teambuilding, strengthening internal relationships and cultivating an engaged team.

Due to COVID we were not able to interact with one another in-person, however we adapted and continued to hold our meetings in a different way. We are proud of our RADAR committee who created our first ever set of virtual RADAR meetings. Despite the challenges, our team found fun ways to adapt our meetings and bring the team together.



CULTURE IS AT THE ROOT OF EVERY DECISION WE MAKE



COMMUNITY IMPACT

Be Great, Donate 8

In a year that found our non-profits with limited resources and a greater need for assistance, we are proud to have donated more than 700 hours back to our communities through our **Be Great, Donate 8** program. Since the creation of this Employee Volunteer program in 2016, this has been our most successful year as our team embraced the opportunity to

assist the organizations that play such an important part in supporting our communities. We appreciated the ongoing commitment and generous spirit of our employees. They're the driving force behind the success of this incredible program.

COVID-19 Community Assistance

We were fortunate to partner twice this year with the Federal Home Loan Bank of Chicago (FHLB)—providing grant funds to those within our community who needed it most.

The **COVID-19 Relief Program** focused on assisting small businesses and non-profit organizations. With the FHLB, we were able to provide \$20,000 in grant money to many non-profits in our communities.

In the latter part of the year, we participated in the **Target Impact Fund** which addressed racial equity disparities and supported communities hardest hit by COVID-19. Through this partnership, we were able to aid three more area businesses and organizations.

BE GREAT, DONATE 8

710.98 HRS



Our employees gave back to our communities

30+ CHARITIES



We were able to support more than 30 organizations

A CULTURE COMMITTED TO COMMUNITY

COVID ASSISTANCE

\$35,000



With FHLB we were able to fund grants for non-profits

15 NON-PROFITS



Through the grants we offered aid to local organizations

SVB GIVES BACK

Through SVB's *Casual for a Cause* program, employees donated an additional \$719 to our local Toys for Tots.





SUPPORTING GROWTH THROUGH TECHNOLOGY EXPANSION



OPERATIONAL EXCELLENCE

We are continuing to drive growth through advancements.



DIGITAL EXPERIENCES

Investing in tech to optimize digital experiences.



WORKFORCE ADAPTABILITY

Workforce evolved with remote capabilities.

+65%

Workforce with remote capabilities

Deploying technology & enhancing solutions

Continuing to strengthen our business.

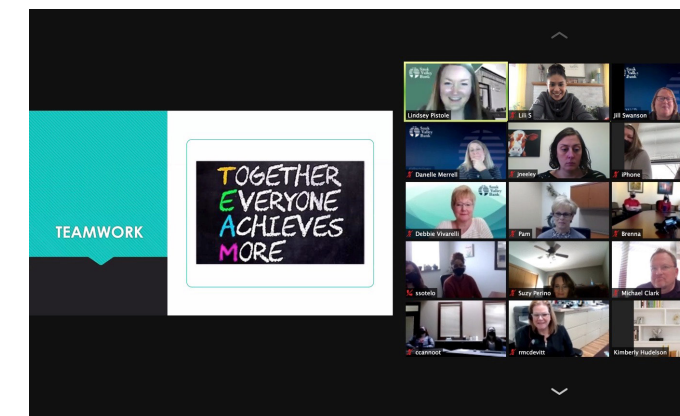
We have always viewed our business as a blend of people and technology. This year gave us an opportunity to focus on adapting the customer experience to be valuable in the face of the pandemic. Many investments made before and during the pandemic have enabled us to re-imagine the customer experience, driving added resources to where it

matters. One example was building the option to set appointments through our online channel, allowing the customer to choose how they want to interact-even offering virtual appointments. While certainly accelerated by the pandemic, we continue to place significant value on our continued investment in digital innovation.

The workplace will change somewhat post-COVID and admittedly with benefits of convenience to all involved. We will focus upon recalibrating the proper mix of personal interaction with the access and convenience of transacting digitally.

Adapting for success & embracing the influence of digital trends in an ever-changing landscape

THE IMPORTANCE OF CYBERSECURITY

Professional Customer Service Standards Zoom presentation | SVB Team Training

2020's DIGITAL TRANSFORMATION

With all the changes brought about in 2020, we've made strides in continuing technology advancements.

We can't talk about deploying technology without discussing how we are continuing to place a greater emphasis on cybersecurity.

This year, we experienced an accelerated shift online partnered with the financial system experiencing an unprecedented digital transformation. Now more than ever, we continue to make significant investments in our cybersecurity framework as we recognize the constantly evolving landscape. While we always try to maximize efficiencies in our operating costs, we recognize security as an area in which we will not be short-sighted by focusing upon minimizing cost.

Our focus remains the safety of personal information and the integrity of our system allowing for convenient and trusted access.

HOW DO WE MANAGE THE RISKS OF OUR DIGITAL WORLD?

01 Additional Layer of Security


Continual investments into upgraded technology maximizes our efficiency and minimizes security risks.

02 Cyber Risk Assessments


Our IT Steering Committee (ITSC) continues to meet on a monthly basis to assess, identify and manage vulnerabilities within the work environment.

03 Employee Training

SVB employees continually take part in trainings in an effort to reduce cyber risk within and help to minimize the impact of a data breach by being aware of cybersecurity best practices.



COMMITTED TO ADVANCING TECHNOLOGIES THAT PREPARE FOR THE FUTURE OF BANKING.



Our growth efforts continue to progress as we've announced another new location to open mid-2021.

DELIVERING NEW MARKET GROWTH



BUILDING FOR OUR
FUTURE

PROVIDING GREATER ACCESS TO SERVICE WITH CONVENIENCE



OUR DIVERSIFIED FOOTPRINT ILLUSTRATES OUR GROWTH WHILE PROVIDING ADDED VALUE TO THE COMMUNITIES WE CALL HOME.

In a time where others may be scaling back on resources and consolidating banking operations, we feel it is an opportunity to provide more for our customers and community with greater access to services. In October, we announced that we will be adding a second location

in Dixon. Our Dixon team has built an incredible foundation and we felt this expansion opportunity would offer added convenience for the community. Construction on the location should wrap up in the late spring with our opening shortly after.

We continue to progress with our new building in Harvard, Illinois and anticipate opening later in the year. We want to thank the community of Harvard for their partnership and support and look forward to continuing to build lasting relationships in the community.

SAUK VALLEY BANK THANKS OUR RETIREES



AS ONE CHAPTER CLOSSES
ANOTHER ONE OPENS

2020 SAW US BID A FOND FAREWELL TO THREE OF OUR OWN

On behalf of our Board of Directors and Sauk Valley Bank, we honor our retiring team members, friends & colleagues.

Sauk Valley Bank is here today because of the foresight and dedication of our employees.

This year, we saw the retirement of three long-standing team members of our organization.

Russ Spitzer, Senior Commercial Lender retired after 16 years with the bank. Russ has been an integral part of our lending team over the years. We appreciate his dedication, guidance, and commitment to the businesses and organizations within our communities.

After 21 years, we bid farewell to Pat Jones, one of our founding employees. This was a bittersweet honor to celebrate all that Pat has done for our organization. There's so much to say about Pat and yet no words could ever express what her commitment,

dedication and guidance have meant to us these past 21 years. We appreciate Pat's contribution over the years. Pat's impact to the bank is cemented into our history; forever remaining a part of our company and culture.

Our past June Board meeting was the last for one of our Board of Directors, James L. Reese. Jim has been instrumental in shaping Sauk Valley Bank into its current prosperous state over his 16-year tenure. The entire Sauk Valley Bank family will be forever thankful to Jim for his leadership over the years.

We wish Russ, Pat and Jim the best as they begin their next chapter as they will truly be missed.

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: Russ Spitzer



Right: Pat Jones



Right: Jim Reese

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

\$3.8 MILLION

An increase of 18.2% from 2019



Paycheck Protection Program (PPP)

During the 1st Round of PPP:

- **347 businesses and non-profits** assisted
- **\$34 million** in submitted applications
- **Over 4,000 jobs** impacted

Total Net Income (In Millions)



FINANCIAL PERFORMANCE

Our initial projections heading into the year couldn't have imagined the uncertainty 2020 would bring.

Total Deposits (In Millions)



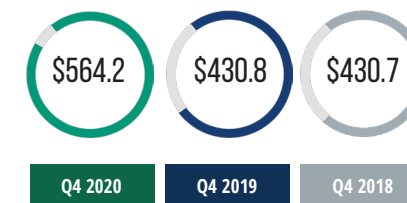
Despite a volatile, economic climate, Sauk Valley Bank delivered solid financial results with a diversified revenue mix. By taking advantage of our strong liquidity position, the generation of above-market growth in residential mortgage originations and assisting our customers through the Paycheck Protection Program (PPP), net income for the year totaled \$3.8 million, an increase of 18.2% from 2019.

As we approach the coming year, we

have evaluated the best way to position ourselves and feel it is prudent to build substantial reserves to address the uncertain economic environment that remains.

Through the hard work and dedication of our employees, we were able to assist in the financial needs of our customers and communities through the Paycheck Protection Program (PPP). Our small businesses are the backbone of our

Total Assets (In Millions)



Total Loans (In Millions)



TANGIBLE BOOK VALUE PER SHARE



STRENGTH IN UNCERTAIN TIMES

Our performance is a result of our continued investment in areas that will provide long-term growth for our organization.

Tangible book value increased to \$40.59, representing an almost 11% increase for the year. Total assets grew to \$564.2 million, an increase of \$112.8 million, or 25%. The loan portfolio ended the year at \$335.2 million, an increase of \$13.1 million primarily resulting from growth in the Commercial portfolio.

communities. Their success is vital and essential to our economy's overall growth and they deserve all the support we can provide. When all was said and done, during the first round of PPP, we worked with 347 businesses and non-profits, for a total of \$34 million dollars in submitted applications, impacting over 4,000 jobs.

In addition to PPP, we were determined to provide financial relief to our consumer and business customers

who may need assistance. In March, we created deferral programs to assist our customers manage through the pandemic. Since then, we have provided payment deferrals on over \$31 million in loan balances. By year-end, a large portion of these customers had already exited the deferral program.

We remain well-positioned and are prepared for a range of economic scenarios that we may face in the

coming year. We have effective credit risk management in place and while we are appropriately provisioned, we will continue to closely monitor our loan portfolio. We anticipate lower loan growth paired with a low interest rate environment which will put pressure on earnings. As a result, this will require an increased focus on creating efficiencies and alternate sources of non-interest income.

FINANCIAL HIGHLIGHTS

SV FINANCIAL INC.

Selected Consolidated Financial Data

	YEAR ENDED DECEMBER 31,		
	2020	2019	2018
Income Statement Data			
Interest Income	\$18,581,349	\$18,872,155	\$17,577,929
Interest Expense	3,341,905	4,710,182	3,938,510
Net Interest Income	15,239,444	14,161,973	13,639,419
Provision for Loan Losses	1,450,000	600,000	1,875,000
Non-Interest Income	3,609,309	2,565,304	2,101,666
Non-Interest Expense	12,362,201	11,925,265	10,346,291
Pre-Tax Earnings	5,001,079	4,202,011	3,519,795
Income Tax Expense	1,194,422	980,611	735,422
Net Income	3,806,656	3,221,400	2,784,373
Per Common Share Data			
Earnings	4.30	3.64	3.14
Tangible Book Value per Share	40.59	36.66	33.41
Book Value per Share	43.65	37.11	32.32
Shares Outstanding	886,128	886,128	886,628
Balance Sheet Data at Period End			
Total Assets	564,179,198	451,341,155	430,765,369
Total Loans	335,213,485	322,066,241	311,039,170
Allowance for Loan Losses	5,001,248	4,095,720	3,572,936
Total Investment Securities	167,959,385	100,857,416	79,027,327
Total Deposits	489,879,780	392,269,259	380,555,843
Total Stockholders' Equity	38,682,590	32,881,758	28,653,211
Loan to Deposit Ratio	68.43%	82.10%	81.73%
Average Ratios			
Return on Average Assets	0.67%	0.71%	0.67%
Return on Average Stockholders' Equity	9.81%	9.80%	9.75%
Net Interest Margin	3.06%	3.32%	3.49%
Asset Quality Ratios			
Net Charge-Offs as a Percentage of Average Total Loans	0.16%	0.02%	0.21%
Non-Performing Loans to Total Loans	1.90%	2.04%	2.55%
Allowance for Loan Losses as a Percentage of Total Loans	1.49%	1.27%	1.15%



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

GROWTH & CUSTOMER FOCUS

Our team has weathered one of the most complicated and demanding years. Even as the challenges of the pandemic forced some to be quarantined and others to step in and help, they have risen to the challenge and remain focused on being here to serve our customers and community. On behalf of myself and the Board, I would like to express our deepest gratitude to our team for all their hard work and dedication.

We would also like to thank our healthcare workers, first responders, front-line employees and small businesses in all the communities in which Sauk Valley Bank operates. We appreciate all you are doing during these incredibly difficult times and are honored to support you in any way possible.



DELIVERING FOR OUR CUSTOMERS

As we look ahead to 2021, we are optimistic that our Bank will emerge from this pandemic stronger than it was before.

Regardless of the challenges that lie ahead in the coming months and years, we are incredibly grateful to have the opportunity to serve you—our shareholders, our customers and community.

Thank you for your continued support.

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 deep gratitude and appreciation to the team at Sauk Valley Bank.

In a year that has tested our resilience with incredible health and economic challenges, the team has demonstrated their ability to adapt while continuing to focus on providing the best experience possible.

As we enter the new year, we recognize there is a high degree of uncertainty. However, we are confident that we will continue to create

sustainable long-term value for our customers, communities, and you—our shareholder.

We thank you for your continued trust and confidence in Sauk Valley Bank.

Sincerely,

Robert Hill | Chairman of the Board

2020 opened up new opportunities to adapt and rise to the needs at hand.

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
Vice Chair



DIRK MEMINGER
President and CEO



JOHN BERGE
Director



STEVE MUNSON
Director



KELLY KEASCHALL
Director



DR. DAVID YEAGER
Director



MARY WHELAN
Director



TIM ZOLLINGER
Director



TODD DAIL
Director



**Looking to the
future of Sauk
Valley Bank**

Despite the continuing economic uncertainty, our Board of Directors, Leadership team and employees look to the future of SVB with confidence.



SAUKVALLEYBANK.COM

