

## A LETTER FROM THE PRESIDENT

### FINANCIAL SUMMARY

In the first quarter, two bank failures along with actions taken by the Federal Reserve and banking regulators have raised concerns regarding the safety of the banking system. Interestingly, the most recent data reported by the industry indicates that financial strength is commensurate with being as good as it has been in a very long time. The overall banking industry remains strong, resilient, well-capitalized and liquid.

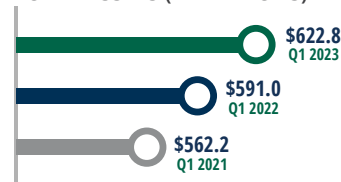
Net income for the first quarter was \$718,986 versus \$982,038 a year ago. Results were impacted by net interest margin compression and higher compensation and benefits. Total assets ended at \$622.8 million, an increase of \$31.8 million, or 5.4%, compared to \$591.0 million at the same time last year. Deposits totaled \$522.9 million at the end of the first quarter of this year, which is an increase of \$1.7 million from the same time last year. We believe our deposits were stable during the first quarter of 2023 through the recent market turmoil. Deposits did decline in the first quarter as we worked with a large depositor through the anticipated sale of their business and the migration of funds as a result. While this impacted balances, the quality of our deposits and relationships have not been impacted. We appreciated the opportunity to serve this relationship and look forward to working with them on future partnerships. In addition, given the current rate environment, many of our depositors have migrated funds into higher interest accounts, impacting our interest expense.

Our loan portfolio totaled \$395.0 million at the end of the first quarter, an increase of \$38.5 million, or 10.8% compared to the same time last year. Our Commercial portfolio grew \$19.4 million, or 9.1%, compared to last year. Our Ag portfolio also grew with a significant portion of the increase attributed to operating lines. The Ag portfolio ended at \$125.2 million, an increase of \$8.1 million, or 6.9% compared to March 31, 2022.

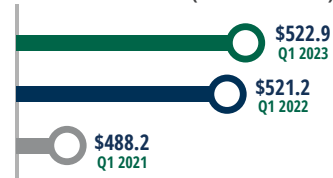
At the start of the year, the bank adopted the newly required CECL (Current Expected Credit Losses) methodology for estimating allowances for credit losses. The migration to new accounting rules for loan loss reserves takes into consideration relevant information about past events, current conditions and macroeconomic forecasts about future conditions. The allowance for loan losses increased in the first quarter by \$500,000, which should be noted, is not attributed to any deterioration of the portfolio, rather the expectations of the standards that have been adopted. As required, the amount was not reflected as an expense but rather charged,

### PERFORMANCE AT A GLANCE

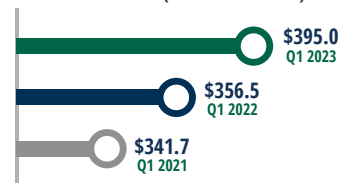
#### TOTAL ASSETS (IN MILLIONS)



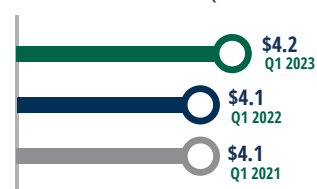
#### TOTAL DEPOSITS (IN MILLIONS)



#### TOTAL LOANS (IN MILLIONS)



#### NET INTEREST INC. (IN MILLIONS)



#### TANGIBLE BOOK VALUE





## Investing in Our Communities

### FINANCIAL SUMMARY—CONT.

net of income tax, directly against the capital of the company. This accounting pronouncement will be adopted by all community banks in 2023. As we continue throughout the year and beyond, the bank will continue to monitor credit relationships and practice prudent portfolio management.

While the economic environment remains uncertain, Sauk Valley Bank spends a significant amount of time and resources positioning the bank to generate solid, sustainable financial performance. Interest rate risk modeling and stress test scenarios demonstrate the ability to withstand economic pressures to meet and exceed regulatory expectations. The bank also has numerous alternative funding partners such as the FHLB (Federal Home Loan Bank).

### GUIDING OUR FUTURE

Community banks play a vital role in supporting local economies through financial services to individuals and small businesses. We have a deep understanding of our customer's needs and can offer personalized solutions. Community banks also help foster a sense of community by reinvesting in local businesses and supporting our non-profit organizations. One initiative we are proud to continue offering in our communities is our employee volunteer program, *Be Great, Donate 8*. This initiative supports community volunteerism by encouraging employees to partner with local non-profits. We have already started the year strong, supporting our local non-profit organizations with a record number of hours donated in the first quarter.

Despite a challenging economic environment, we have maintained our focus on innovation, solid asset quality, operational efficiency and a superior customer experience. We continue to invest in technology and talent to enhance the bank and generate long-term sustainable value for our customers, community and you—our shareholder. The strength of our organization lies in our team, and I am incredibly proud of the work they perform every day to uphold our commitment to our customers and community.

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

**DIRK MEMINGER**  
President & CEO



Donate 8 | Sauk Valley Foodbank



Donate 8 | Granny Rose Animal Shelter



Donate 8 | Red Cross Blood Donation



Donate 8 | Sauk Valley Foodbank