

A LETTER FROM THE PRESIDENT

FINANCIAL SUMMARY

In the face of current economic challenges, community banks play a pivotal role in fostering stability and growth within local economies and Sauk Valley Bank has remained focused on serving our communities. Historically we have reported consistent growth throughout our balance sheet and earnings. Given the current interest rate environment, the bank expects to report lower earnings in 2023 compared to 2022. Evolving market dynamics and the fastest rate increase in over 40 years has required thorough planning and proactive strategies to successfully navigate the economic environment. We are proud to report continued progress, positive financial performance and an unwavering dedication to supporting growth within our communities. The bank remains solidly profitable, just below prior year levels.

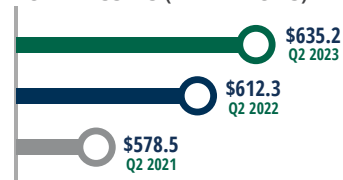
Our balance sheet remains strong with deposits totaling \$554.1 million at the end of June, which is an increase of \$31.2 million from the prior quarter, or 6%. Comparing year-over-year, it is a slight decrease, or .8% primarily driven from the seasonality associated with the business cycles of some of our larger depositors. In addition, our forecasted trends last year projected some migration of deposit dollars to longer-term options and we have found this has occurred with our Certificate of Deposits increasing \$23 million from the same time in 2022.

Our loan portfolio grew to \$401.9 million, an increase of \$17.6 million or 4.6% from this time last year. The Commercial portfolio ended the quarter at \$233.2 million, or an increase of \$1.9 million from the same time in 2022. The Ag portfolio ended the quarter at \$128.4 million, or an increase of \$3.7 million from the same time in 2022. Overall, our credit quality remains solid and we continue to focus on prudent portfolio management.

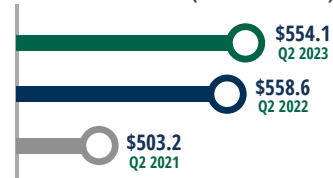
Total assets were \$635.2 million at the end of the second quarter, increasing \$22.9 million, or 3.8% from the same time last year. Net income through the second quarter totaled \$1.5 million, compared to \$2.2 million at this same time last year. While this is a decrease year-over-year, net income for the quarter was \$761,645 compared to last quarter of \$717,986, or an increase of 6%. We continue to experience margin compression, however, we remain focused on our customers and are willing to accept the increased cost to serve those relationships.

PERFORMANCE AT A GLANCE

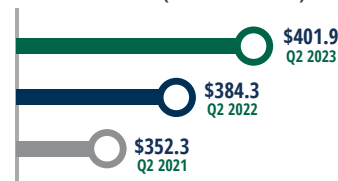
TOTAL ASSETS (IN MILLIONS)



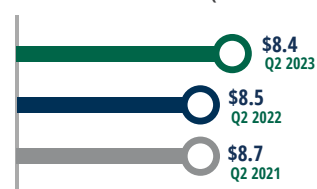
TOTAL DEPOSITS (IN MILLIONS)



TOTAL LOANS (IN MILLIONS)



NET INTEREST INC. (IN MILLIONS)



TANGIBLE BOOK VALUE





Fostering Innovation



FINANCIAL SUMMARY—CONT.

Despite the ongoing economic environment and pressures, we are not making decisions that could have long-term negative consequences based upon what we believe is a short-term interest rate environment. Remaining focused on our strategic initiatives positions us to diversify our revenue streams and thrive as economic conditions improve.

SCHOOL PARTNERSHIP PROGRAM

Last year, the bank developed strategic partnerships with Sterling, Newman, Rock Falls and Dixon High Schools to co-brand debit cards that give back. The response from the community has been overwhelmingly positive and we are excited to announce our newest partnership with Sauk Valley Community College. SVCC will be allocating their donated funds to the Impact Program, an earned tuition program that provides students the opportunity to earn tuition toward their certificate or degree. We look forward to working with SVCC and launching the card this coming quarter.

GUIDING OUR FUTURE

One of our strategic priorities centers on fostering innovation, collaboration and addressing the ongoing digital transformation that is impacting our industry. Our commitment to focusing on technology included two key projects this past quarter. First, we launched an upgraded version of our mobile banking application, which included added functionality and increased back-end security for our customers and bank. Our other customer engagement technology initiative was our website. This project gave us an opportunity to create new, updated content that is more relevant and informative to our visitors. Fresh and engaging content reinforces the bank as a reliable source of information, driving credibility and giving visitors an experience beyond informational content.

As we look to the remainder of the year, we will continue to focus on growth, resilience and adaptability, while we aim to navigate the ever-changing landscape and continue to serve our customers and community in the way they have come to expect from Sauk Valley Bank.

Thank you for your continued trust and support.

DIRK MEMINGER
President & CEO



Rock Falls | School Spirit Card - Show Your Colors



Sterling | School Spirit Card - Show Your Colors



Dixon | School Spirit Card - Show Your Colors



School Spirit Card - Show Your Colors