

A LETTER FROM THE PRESIDENT

FINANCIAL SUMMARY

This quarter, the bank continued to demonstrate resilience and adaptability in a challenging interest rate environment. Due to the environment, earnings are down from prior periods. Despite the challenges, we remain focused on our strategic initiatives and serving our customers and communities.

Our balance sheet remains strong this quarter with growth in many of our reporting areas. Total assets grew \$16.8 million, or 2.7% from the same time last year with assets ending the quarter at \$639.5 million. Our loan portfolio grew to \$416.5 million, an increase of \$22.2 million, or 5.6% from this time last year. The Commercial portfolio ended the quarter at \$240 million, or an increase of \$10.6 million from the same time in 2022. The Ag portfolio ended the quarter at \$133.6 million, or an increase of almost \$1 million from the same time last year. Due to a single relationship, non-performing loans increased \$3.9 million, however, we believe there is adequate collateral to prevent any loss. Further, we do not see a deterioration of credit quality within the loan portfolio and are closely monitoring the impact of the rising interest rate environment upon our borrowing relationships.

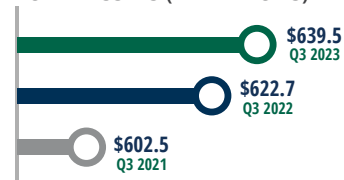
Deposits totaled \$536.4 million, compared to \$567.6 million at the same time last year, or a decrease of 5.5%. The combination of rapidly rising interest rates, totaling 5.25% in short term rates, and the inversion of the interest rate curve, in which shorter term rates are higher than longer term, has resulted in a compression of our net interest margin. Also, since the beginning of the year we have experienced a migration of balances into higher rate alternatives such as certificates of deposit. Many of our relationships have taken advantage of alternative high-rate options through key partners of Sauk Valley Bank. By utilizing these external relationships, we can service and maintain our relationships, while providing competitive rate alternatives. As the rate environment begins to stabilize, we expect a majority of these balances to return to the balance sheet.

Net income through third quarter totaled \$2.4 million, compared to \$3.4 million at the same time last year, or a decrease of 29.1%. Conversely, net income for the third quarter was \$913,756 compared to the previous quarter of \$761,645, or an increase of 20%. As noted, margin compression remains a key contributor together with reduced residential mortgage volume. Higher interest rates as well as a general shortage of available houses within our communities has resulted in an almost 13% reduction in revenues associated with the origination, sale and servicing of mortgage loans.

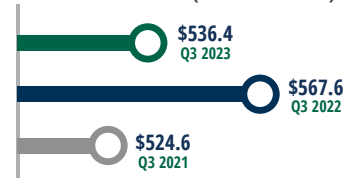
Looking ahead, we anticipate the current rate environment to continue well into next year. There will be opportunities to reinvest cash flows from lower yielding securities into loans, but this will be a gradual process to stabilize interest margin.

PERFORMANCE AT A GLANCE

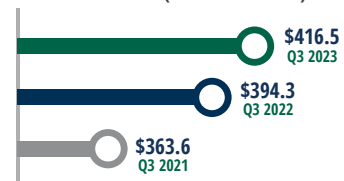
TOTAL ASSETS (IN MILLIONS)



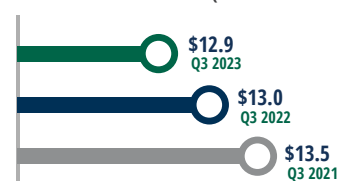
TOTAL DEPOSITS (IN MILLIONS)



TOTAL LOANS (IN MILLIONS)



NET INTEREST INC. (IN MILLIONS)



TANGIBLE BOOK VALUE





HELPING BUILD *Financial Wellness*

BANKING AFTER HOURS

FINANCIAL WELLNESS | BANKING AFTER HOURS

Instilling healthy financial habits at a young age is critical to ensure a stable financial future. As a true, community partner, we play a pivotal role by offering tailored financial education programs, accounts and tools to be financially successful. By teaching budgeting, saving and responsibly managing money, we can empower the next generation with a solid financial foundation. To support youth financial wellness, this summer we opened our locations to accommodate after-hours banking. We recognize that families are not always able to get to the bank during normal hours and we wanted to offer an alternative to help the youth in our community establish good financial habits through hands-on experience. We appreciate the opportunity to support our youth and continue to look forward to driving additional financial stability initiatives.

GUIDING OUR FUTURE

When faced with disruptions and declines, many instinctively focus on cutting costs to maintain profitability, often at the expense of their customer. Our business model has always maintained a customer-centric focus and we intend to continue to execute on our strategic priorities. It is more important than ever to prepare and invest for our future. As we look to the coming year, we are committed to investing in technology, our team, market development and creating efficiencies where possible.

Despite ongoing economic challenges, Sauk Valley Bank continues to demonstrate growth and stability. We appreciate your trust and support in our success and remain dedicated to delivering value to our customers, communities and you-our shareholder. As harvest season is upon us, we would like to wish our Ag community the best.

DIRK MEMINGER
President & CEO



Rock Falls | Banking After Hours



Sterling East | Banking After Hours



Dixon | Banking After Hours



Sterling North | Banking After Hours