



Annual Report

A Year in Review

Financial Summary | Community Impact

(866) 626-5996
www.saukvalleybank.com

2023

2023 ANNUAL REPORT

An annual report is a comprehensive report on a company's activities throughout the preceding year. Annual reports are intended to give shareholders and other interested parties information about the company's activities and financial performance. It includes information such as the company's revenue, expenses, assets, and liabilities, as well as details on its products, services, and market position.

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About Us

Headquartered in Sterling, Illinois, Sauk Valley Bank (SVB) is a locally owned, community financial institution that provides the highest quality products and services. SVB offers solutions that fit various customer financial needs; including personal, commercial, and agricultural.

Sauk Valley Bank has achieved great success in its 20+ year history, including the expansion of its footprint. With various banking locations, the company serves communities throughout Illinois including: Sterling, Rock Falls, Dixon, Harvard, and that of Janesville, Wisconsin.

Our Mission

Sauk Valley Bank is a locally owned, community bank that aspires to continually provide the exceptional customer service of which its foundation was built upon. Through driving customized solutions, personalized services and products that are truly beneficial, SVB strives to be the customer choice bank.

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

Building lifelong relationships, one customer at a time.



**2023 Harvard Chamber of Commerce
HARVARD OUTSTANDING
BUSINESS OF THE YEAR AWARD**

**2023 Sauk Valley Top Workplaces
FINANCIAL INSTITUTION**
Top Honor

**2023 Sauk Valley Top Workplaces
LARGE EMPLOYER (100+ EMP.)**
One of the Top Honors

**2023 Sauk Valley Top Workplaces
COMPANY THAT GIVES BACK
TO THE COMMUNITY**
One of the Top Honors

**2023 Illinois Bankers Association
IBA COMMUNITY SERVICE
AWARD**

Letter from the President

Our dedication to community engagement extended beyond financial services, as we actively sought out opportunities to contribute meaningfully to the communities we proudly serve.

This year presented us with a complex scenario marked by fluctuating interest rates and economic uncertainty. Despite these challenges, I am proud to report that Sauk Valley Bank demonstrated determination in

managing interest rate risk, implementing prudent strategies and embracing innovation to serve our customers and community.

Whether innovation involved partners such as FHLB (Federal Home Loan Bank of Chicago), taking advantage of programs like Advantage Illinois for our small businesses, or assisting with volunteer opportunities within our communities, we found ways to partner with our customers and community every day.

Our commitment to customer-centric solutions and community engagement remains unwavering, underscoring our position as a reliable partner in our communities.

Dirk Meminger
President & CEO
Sauk Valley Bank



Market Expansion

Our diversified footprint showcases our continuous expansion and development, reflecting our journey of growth and progress. Our presence not only signifies our increasing reach, but also underscores our commitment to enhancing the well-being of the communities we are a part of.

By actively engaging and investing in these communities, we strive to contribute positively, whether through job creation, economic development, or various community initiatives. In doing so, we aim to enrich the lives of those who call these communities home, fostering a symbiotic relationship built on mutual prosperity and shared success.

In our Janesville market, we're gearing up for a significant expansion of our services, with a particular focus on enhancing offerings such as Business Services and Small Business support, as well as catering to the diverse cash needs of our customers. This strategic move is aimed at better serving the evolving demands of the local community and reinforcing our commitment to being a reliable financial partner.

Under our Janesville team's direction, we are confident in our ability to not only meet, but exceed the expectations of our customers, while also contributing positively to the economic vitality and overall well-being of the Janesville community. This marks an exciting chapter in our journey, and we look forward to making a meaningful impact together.



Janesville Market President

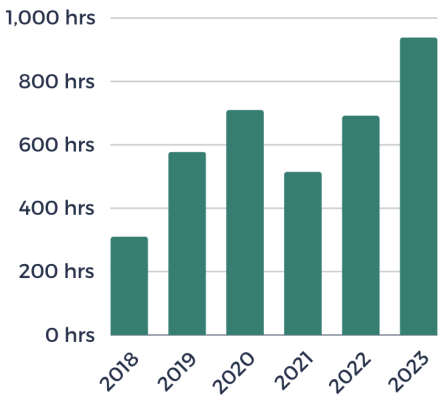
We're delighted to announce the appointment of Ray Oswald as Janesville Market President. We look forward to Ray's strategic vision and hands-on approach in leading our Wisconsin team.



Investing In Our Communities

Fostering a culture of giving back to help build stronger communities.

Hours Donated



939hrs

In 2023, our employees donated a total of 939 hours to support our communities.

Volunteering offers a unique avenue for employees to develop additional skills within teamwork, leadership and communication, enriching their professional growth. Further, we have found that it strengthens our organization as team members collaborate outside of the usual office setting in ways they wouldn't otherwise.

Entering the year, the bank set a goal for the employee volunteer program, Be Great, Donate 8 to volunteer 800 hours into the community with 80% of our team completing all 8 of their hours. We are proud to report that we surpassed our hours with a new bank record of 939 hours and 81% of our team volunteering all 8 of their hours. Compared to last year, this was an increase of 247 hours, or 36%. Since the program began in 2016, we have donated an impressive 4,574 hours back into our communities.

We recognize the value of employees volunteering in the community extends far beyond the immediate impact of their actions. It fosters a culture of giving back, promotes collaboration and creates a ripple effect of positive change. As our team and geographic footprint continues to grow, we look forward to our volunteer program

growing and supporting positive social impact within our communities.

This year, we were thrilled to welcome the Harvard School District as our newest partner in the School Spirit Debit Card program. Joining our existing schools of Sterling, Rock Falls, Dixon, Newman and Sauk Valley Community College, the Harvard card will be live and ready for issue in the second quarter of next year. Every transaction made with these cards gives a percentage of interchange revenue back to the schools as a donation, supporting various initiatives within the schools.

Now, you can give back with every swipe. The more you shop with your School Spirit Debit Card, the more your school earns!

We have appreciated the strong relationships with our schools, as well as the opportunity to build a program that will allow further collaboration and support.

Over the course of the past year, our efforts to strengthen ties with schools have yielded significant results. We've witnessed a notable increase in awareness surrounding our banking services, particularly our specialized cards

designed to benefit schools. This heightened visibility has not only amplified our presence in the community but has also underscored the importance of our commitment to education.

We believe that by partnering and encouraging our communities to use their card for everyday spending, Sauk Valley Bank can make a positive, lasting impact for our schools.



The Card That Gives Back

It's a seamless way to give back, effortlessly turning your everyday transactions into opportunities for positive change. It's a powerful testament to the collective impact we can make when we come together in support of our schools.

Investment In Technology

Embracing innovation and adopting agile methodologies to serve our customers.

By harnessing the power of technology we can cultivate a deeper understanding of needs, preferences and concerns for our customers. This insight enables proactive and tailored services, providing value beyond the interaction and allowing the bank to be a trusted financial partner in the customer’s journey. We also recognize that innovation, technology and high-touch service is critical to our long-term success. As a result, this coming year, we are excited to announce our digital banking solution will be elevated to a more modern, convenient, and secure banking

experience for our customers. Included in the enhancement will be a channel for customers to engage in personalized, real-time conversations with our bank team, enabling tailored, instant support.

We must continue to remain mindful of how technology and innovation can support our customer-centric business model and fully expect to add additional enhancements in the coming year to serve our customers.



In our forward-looking approach, we’re committed to exploring faster payment methods and expanding our range of business solutions to enhance convenience and efficiency for our customers. Alongside these advancements, it’s crucial to maintain our focus on analyzing, identifying, and investing in cybersecurity measures.

Financial Report

Consistently executing our culture makes it possible for us to deliver solid results.

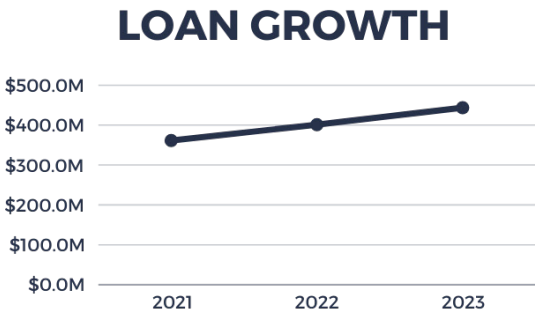
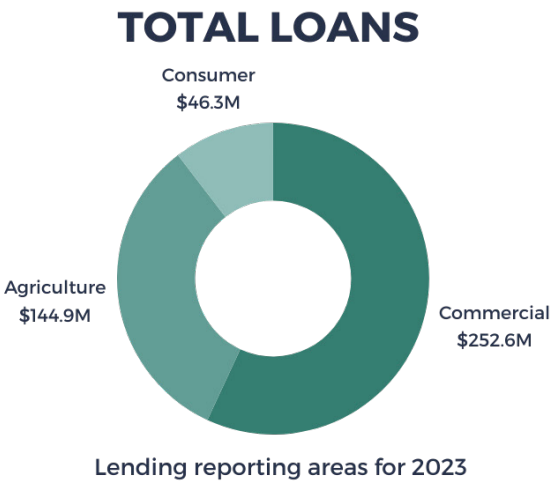
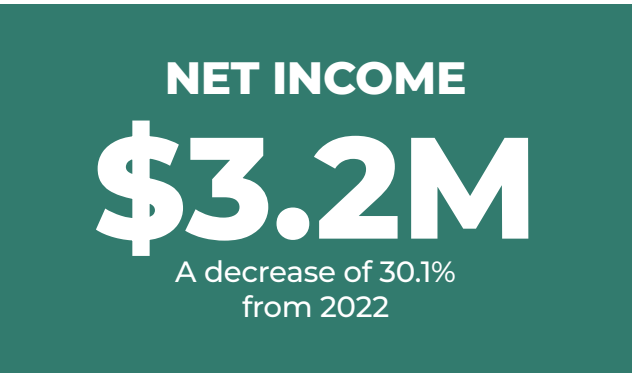
This year the bank experienced healthy balance sheet growth driven primarily from our loan portfolio. While macroeconomic indicators forecasted the commercial sector would slow and cautioned the quality of portfolios would weaken, we experienced healthy demand from our relationships. Our Commercial portfolio grew in 2023 by \$18.1 million, or an increase in 7.7% year-over-year.

Additionally, the Ag portfolio had strong performance, with \$14.4 million in growth or 11.1% from the same time last year with the portfolio ending the year at \$144.9 million. In total, the bank’s loan portfolio grew 10.6% or an increase of \$42.5 million ending the year at \$443.8 million.

Through providing financial resources and support, we are able to deliver customized solutions.

A significant contributor to our growth was leveraging key programs such as Advantage Illinois and Ag Invest. Advantage Illinois empowers community banks to deploy funds for local economic growth. By providing financial resources and support, it enables Sauk Valley Bank to offer tailored solutions to small businesses within our community. It also facilitates access to capital for small businesses, fostering entrepreneurship and job creation. This year, the partnership with Advantage Illinois facilitated \$7.8 million to small businesses within our communities, providing access to capital needed for sustainable economic development.

Another significant contributor was the partnership with the Illinois State Treasurer’s



Ag Invest program. Sauk Valley Bank was able to provide qualified farmers, agri-businesses and agriculture professionals below-market rate loans to start, expand or add value to their farm operations. Loans provided by the bank can be used for the purchase of farm equipment, purchase of land, construction-related expenses, provide operating lines of credit or other costs related to conventional or sustainable farming. With our partnership this year, we were able to issue an impressive \$12.0 million of credit to our Ag relationships. Looking ahead, we remain committed to a disciplined approach to credit risk analysis and asset quality to ensure our growth is managed and stable.

For the year, our deposits grew slightly, ending the year at \$543.8 million. This is up 1.8% or \$9.7 million from the same time last year. Balances grew in our checking and Certificates of Deposit, while a decrease occurred in our savings and money market accounts. Headed into this year, we expected to see customers reallocate funds into higher earning alternatives and found a majority of those funds shifted into Certificates of Deposit.

While many of our reporting areas saw growth, the bank continued to experience margin compression which resulted in net income

of \$3.2 million, down \$1.4 million, or 30.1% from last year. As we look to the coming year, we will continue to navigate a challenging interest rate environment by employing effective asset-liability management and exploring multiple alternatives to improve our net interest margin.

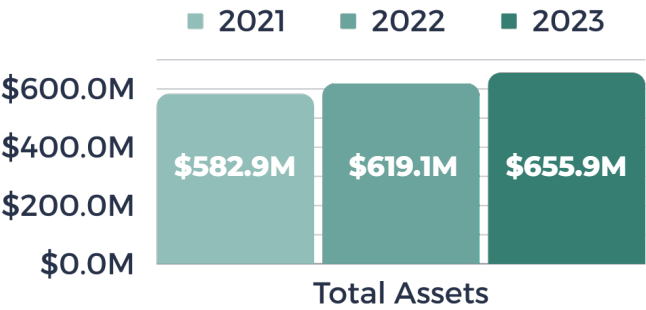
At the end of the year, Book Value excluding comprehensive income and loss increased by 5.6%, ending the year at \$52.82 versus \$50.04 from the prior year. Additionally, our total assets grew \$36.8 million, or 5.9% to end the year at \$655.9 million.

Our commitment to prudent risk management and diligent monitoring has ensured continued strength of our loan portfolio.

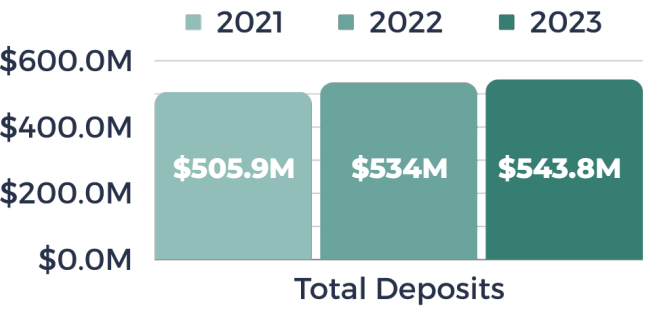


With a solid foundation in place and a track record of success to guide us, we are well-positioned to navigate whatever challenges may arise and continue driving sustainable growth for the benefit of all.

Total Assets



Total Deposits



Looking Ahead

Headed into the coming year, we fully expect to remain in an elevated interest rate environment that will continue to challenge our net interest margin. Despite economic challenges, we intend to remain focused on investing in technology to meet the evolving needs of our customers while maintaining prudent portfolio management to ensure long-term stability and growth.

Financial Highlights

SV FINANCIAL INC.
Selected Consolidated Financial Data

| | YEAR ENDED DECEMBER 31, | | |
|----------------------------------------------------------|-------------------------|--------------|--------------|
| | 2023 | 2022 | 2021 |
| Income Statement Data | | | |
| Interest Income | \$29,493,236 | \$21,701,370 | \$19,905,947 |
| Interest Expense | 12,270,914 | 4,142,912 | 2,120,800 |
| Net Interest Income | 17,222,322 | 17,558,458 | 17,785,147 |
| Provision for Loan Losses | 16,000 | - | 1,850,000 |
| Non-Interest Income | 2,635,262 | 2,965,233 | 3,125,275 |
| Non-Interest Expense | 15,865,131 | 14,616,900 | 13,237,537 |
| Pre-Tax Earnings | 3,976,453 | 5,906,791 | 5,820,334 |
| Income Tax Expense | 803,313 | 1,370,593 | 1,361,558 |
| Net Income | 3,173,140 | 4,536,198 | 4,458,776 |
| Per Common Share Data | | | |
| Earnings | 3.62 | 5.15 | 5.06 |
| Tangible Book Value per Share | 52.82 | 50.04 | 45.32 |
| Book Value per Share | 41.01 | 35.22 | 46.41 |
| Shares Outstanding | 876,628 | 881,128 | 881,128 |
| Balance Sheet Data at Period End | | | |
| Total Assets | 655,858,611 | 619,077,621 | 582,869,270 |
| Total Loans | 443,837,755 | 401,324,018 | 361,541,797 |
| Allowance for Loan Losses | 5,992,623 | 5,413,709 | 5,226,631 |
| Total Investment Securities | 173,833,244 | 178,884,691 | 191,401,228 |
| Total Deposits | 543,772,653 | 534,030,096 | 505,914,098 |
| Total Stockholders' Equity | 35,946,439 | 31,037,789 | 40,893,558 |
| Loan to Deposit Ratio | 80.52% | 74.14% | 70.40% |
| Average Ratios | | | |
| Return on Average Assets | 0.48% | 0.73% | 0.76% |
| Return on Average Stockholders' Equity | 6.85% | 10.29% | 11.17% |
| Net Interest Margin | 2.93% | 2.98% | 3.12% |
| Asset Quality Ratios | | | |
| Net Charge-Offs as a Percentage of Average Total Loans | -0.02% | -0.05% | 0.45% |
| Non-Performing Loans to Total Loans | 1.19% | 0.50% | 1.51% |
| Allowance for Loan Losses as a Percentage of Total Loans | 1.35% | 1.35% | 1.45% |



CEO's Closing Statement

As we look to the coming year, we remain focused on prioritizing long-term success over short-term gains. Regardless of the challenges that face our industry and organization, we remain committed to our purpose of serving our customers and community. By making strategic decisions that align with our long-term vision, we feel this will ensure balanced growth, stability and a lasting positive impact on the communities we proudly serve.

By embracing strategic foresight, we strive to chart a course that not only ensures our own stability, but also contributes to the resilience and vitality of the communities we proudly call home.

On behalf of the team, we would like to thank our customers, communities and you-our shareholder for your ongoing trust in Sauk Valley Bank. We look forward to sharing our success in the coming year.

Dirk Meminger
President & CEO
Sauk Valley Bank




Chairman's Statement

On behalf of our directors, I would like to express my gratitude to our team of exceptionally talented and dedicated individuals.

Looking ahead, the bank is positioned to provide enhanced technology offerings and improved operational efficiency, ensuring that our services remain responsive to the evolving needs of our communities.

While the road ahead may hold lingering economic uncertainty, I am confident that the strength and resilience of our team will continue to guide us through any challenges we may encounter. Our commitment to the community, combined with the spirit of collaboration within our bank, positions us for sustained success.

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

Sincerely,




Robert Hill
Chairman of the Board
Sauk Valley Bank

Our values are the compass that steers our actions. Community lies at the heart of Sauk Valley Bank's identity. We are dedicated to delivering the highest quality of service to our communities, while also fostering innovation and actively contributing in any way we can.



Board of Directors

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



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