



# ANNUAL REPORT

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2019



▶ FINANCIAL SUMMARY

▶ COMMUNITY IMPACT



**We've come a long way over these last 20 years and I'm proud to say that through it all, we've never lost that fundamental focus on our customers.**

**DIRK MEMINGER**  
President and CEO

# A LETTER FROM THE PRESIDENT

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Sauk Valley Bank has achieved great success in its 20 year history, including the expansion of its footprint. Now with various locations in Sterling, Rock Falls, Dixon, Harvard, and Janesville-Wisconsin, we show no signs of slowing down and continue to look to the future to invest in infrastructure that will drive growth and strengthen relationships with our customers and communities.

## EXPANSION

2019 was an exciting year for Sauk Valley Bank. In May, we completed the acquisition of the Sterling and Rock Falls branches of Illinois Bank & Trust, allowing us to welcome new customers and provide greater access and convenience to existing customers with the addition of our full-service facility on the north side of Sterling.

We have also begun the planning process for our newest market expansion in Harvard, Illinois. This new facility will allow us to better serve the community by providing greater access to services and added convenience. As we look ahead, we will continue to evaluate customer preferences and our ability to best serve those needs when assessing expansion opportunities.



DIRK MEMINGER  
President and CEO,  
Sauk Valley Bank



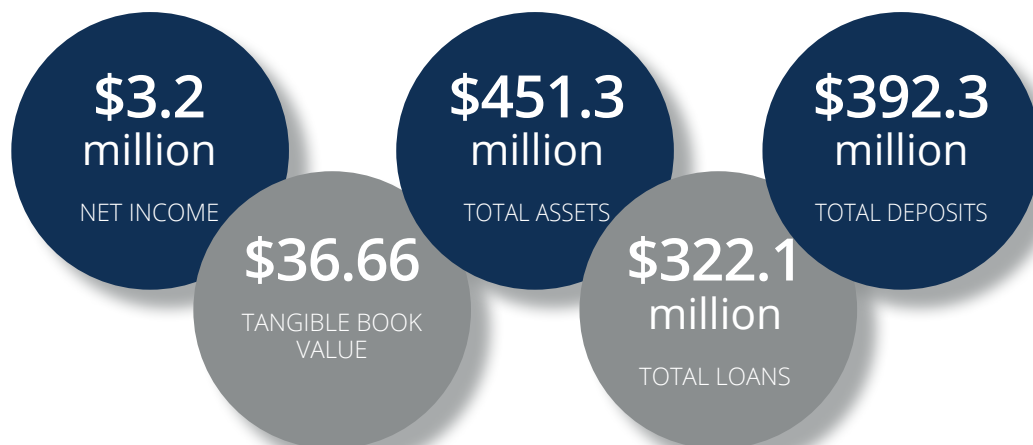
# FINANCIAL SUMMARY

## CONTINUED STRONG AND RELIABLE PERFORMANCE

2019 Performance Summary



The bank continued to drive stable performance with another successful year as net income totaled \$3.2 million, an increase of 15.7%, compared to \$2.8 million for 2018.



Tangible book value of our common stock increased to \$36.66, representing an increase of almost 10% year-over-year.

Total assets grew to \$451.3 million, an increase of \$20.6 million, or 4.8% from the prior year.

The loan portfolio ended the year at \$322.1 million, an increase of \$11 million with the majority of our growth in the Commercial portfolio. The provision for loan losses was

significantly lower this year with a total of \$600,000 versus \$1.9 million in 2018, with our provision primarily allocated to support our continued loan growth.

Upon market evaluation, we determined at the end of this year to close our Bettendorf Loan Production office. We have appreciated our time as an active part of this community and will continue to service Bettendorf area relationships from our Sterling office.

Our total deposits were up 3.1% from the same time last year with a total of \$392.3 million, or \$11.7 million higher than this time last year.

Our performance is a direct result of our continued investment in key areas that will provide long-term growth for our organization; our communities, our employees and our business-which in turn will provide more for our customers.



**Our employees are key in driving critical financial process integration as we continue to maximize results.**

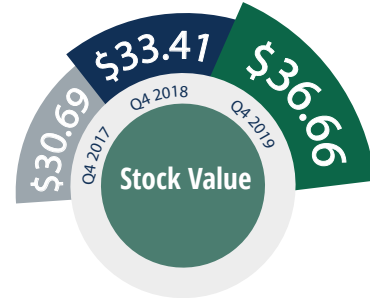
**DIRK MEMINGER**  
President and CEO

# PERFORMANCE AT A GLANCE

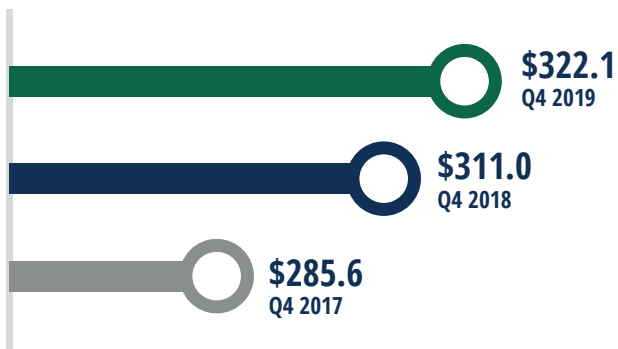
### TOTAL ASSETS (IN MILLIONS)



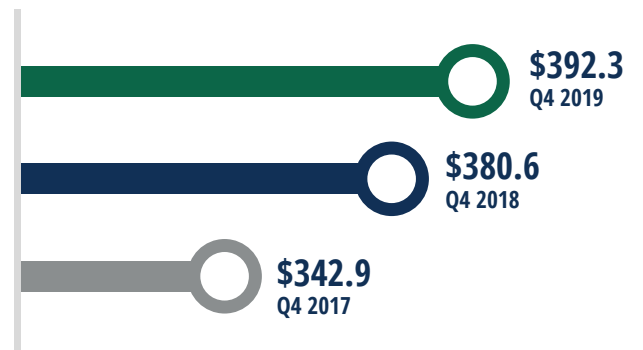
### TANGIBLE BOOK VALUE PER SHARE



### TOTAL LOANS (IN MILLIONS)



### TOTAL DEPOSITS (IN MILLIONS)



### TOTAL NET INCOME (IN MILLIONS)

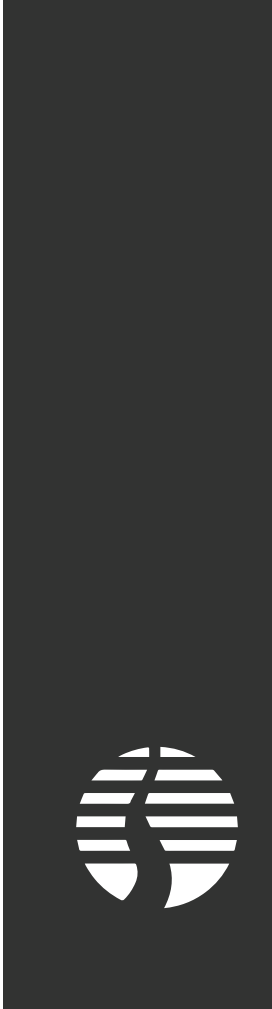


# WORKFORCE DEVELOPMENT



We would not be able to accomplish our strategic objectives without the hard work and dedication of our employees. Our employees truly embrace our customer-centric model and vision, and it is essential to provide our team with the resources to learn, grow and build meaningful careers at Sauk Valley Bank. Whether it is an expanded range of training or quarterly development meetings, our employees are our greatest asset and deserve our continued investment.

We have also partnered with local workforce development teams to create, sustain and retain a viable workforce that can support current and future business within our communities. This team is focusing on the skills necessary to remain competitive in our communities as well as our industry. What is exciting about this development strategy is the common goal of providing local resources to support local employee development and in turn investment in our community.



# COMMUNITY IMPACT

## GIVING BACK TO OUR COMMUNITIES

One organization at a time.



One example of investment in the communities we serve is our employee volunteer program—Be Great, Donate 8.

Our program began in 2016 and has continued to gather momentum as our footprint grows and our communities become aware of the partnership we offer.

Since the creation of the program in 2019, our employees have volunteered numerous hours and engaged with various non-profit organizations.

We are proud to share that, for the 2019 year, our employees have contributed a total of 578 volunteer hours. This translates to thousands of dollars that our organization has reinvested back in to the communities we serve.

As we look ahead, we understand the underlying need for volunteerism is widespread, so we look forward to continuing our mission of giving back.

## GIVING BACK IN 2019

### 30+ CHARITIES



We've been fortunate to support more than 30 organizations in helping enhance the well-being of our local communities.

### 100+ EMPLOYEES



Our employees take pride in giving back with their countless volunteer hours.

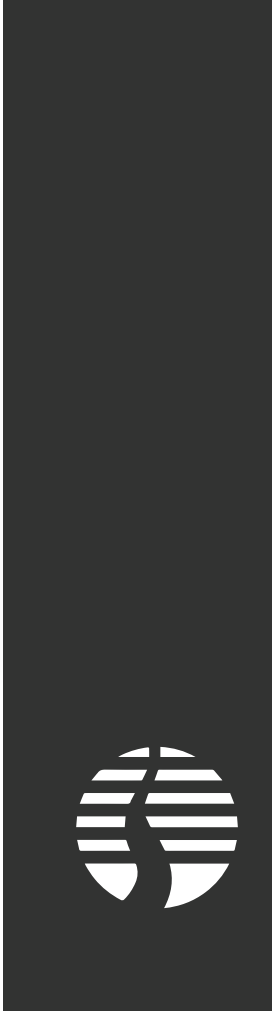
### 578 HOURS



Through the power of our amazing employees, we've been able to invest 578 hours through Be Great, Donate 8 into our communities.







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We truly recognize our responsibility as citizens, so when it comes to giving back, we want our communities to know they can count on us.

DIRK MEMINGER  
President and CEO

## GUIDING OUR FUTURE

### DELIVERING THE BEST CUSTOMER SOLUTIONS

Experienced teams, consistent execution.

As our relationships grow in size and complexity, they require a financial partner who can provide the solutions they need. A key strategic initiative this year was to invest in behind-the-scenes technology that has the ability to integrate more-sophisticated monitoring to protect our numerous relationships. One example of this that brings exclusively unique value is Positive Pay. This automated fraud detection tool has the capability and intelligence to compare checks/ACH payments that are presented for payment through various capacities against those items issued by the business. A solution such as this can provide real-time monitoring of any potential fraudulent check activity, giving a business back valuable time and the peace of mind to focus on running their business.

Another key component to our continued investment is to improve internal efficiencies utilizing technology resources that are capable of refreshing existing products, as well as introduce new complementary items with the features and benefits that our customers value. We are mindful that the way we interact with our customers is constantly evolving. Investing in technology that supports multiple channels is key to giving our customers the ability to connect with us in a way that is convenient for them.

Looking back over the last 20 years, we are proud to see all that Sauk Valley Bank has accomplished.

We would not be where we are without our incredible employees, the leadership of our board of directors, our wonderful customers, community and you, our shareholder. We look forward to the exciting year ahead and sharing our successes along the way.

Thank you for your continued support.



**DIRK MEMINGER**  
President & CEO



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

DIRK MEMINGER  
President and CEO

# FINANCIAL HIGHLIGHTS

## SV FINANCIAL INC.

### *Selected Consolidated Financial Data*

YEAR ENDED DECEMBER 31,

	2019	2018	2017
<b>Income Statement Data</b>			
Interest Income	\$18,872,155	\$17,577,929	\$15,076,163
Interest Expense	4,710,182	3,938,510	2,386,275
Net Interest Income	14,161,973	13,639,419	12,689,888
Provision for Loan Losses	600,000	1,875,000	400,000
Non-Interest Income	2,565,304	2,101,666	2,945,797
Non-Interest Expense	11,925,265	10,346,291	10,743,207
Pre-Tax Earnings	4,202,011	3,519,795	4,478,009
Income Tax Expense	980,611	735,422	1,563,874
Net Income	3,221,400	2,784,373	2,914,135
<b>Per Common Share Data</b>			
Earnings	3.64	3.14	3.28
Tangible Book Value per Share	36.66	33.41	30.69
Book Value per Share	37.11	32.32	30.35
Shares Outstanding	886,128	886,628	888,128
<b>Balance Sheet Data at Period End</b>			
Total Assets	451,341,155	430,765,369	390,306,274
Total Loans	322,066,241	311,039,170	285,687,933
Allowance for Loan Losses	4,095,720	3,572,936	2,749,238
Total Investment Securities	100,857,416	79,027,327	81,189,865
Total Deposits	392,269,259	380,555,843	342,856,517
Total Stockholders' Equity	32,881,758	28,653,211	26,953,608
Loan to Deposit Ratio	82.10%	81.73%	83.33%
<b>Average Ratios</b>			
Return on Average Assets	0.71%	0.67%	0.76%
Return on Average Stockholders' Equity	9.80%	9.75%	10.94%
Net Interest Margin	3.32%	3.49%	3.42%
<b>Asset Quality Ratios</b>			
Net Charge-Offs as a Percentage of Average Total Loans	0.02%	0.21%	0.00%
Non-Performing Loans to Total Loans	2.04%	2.55%	0.89%
Allowance for Loan Losses as a Percentage of Total Loans	1.27%	1.15%	0.96%

# OUR VALUES

Our values are the beliefs that guide us. At the center of what Sauk Valley Bank stands for is community. We strive to serve our communities with the highest quality of service, while also thinking outside the box and giving back in every way we can.

The way we interact with our customers and co-workers is summed up by our mission statement:

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

We aim to build lifelong relationships, one customer at a time.



## RELATIONSHIPS

We work to build and maintain trusting relationships.

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## ACCOUNTABILITY

We are responsible and embrace accountability.

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## DELIGHTING

We hold our customers to the highest regard, delighting them in all we do.

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## ATTENTION

We serve our customers, communities and employees with enthusiasm.

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## RESPECT

We are understanding and respectful.

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# BOARD OF DIRECTORS



**ROBERT HILL**  
*Chairman of the Board*



**RONALD GERKEN**  
*Vice Chair*



**DIRK MEMINGER**  
*President and CEO*



**JOHN BERGE**  
*Director*



**KELLY KEASCHALL**  
*Director*



**DR. DAVID YEAGER**  
*Director*



**MARY WHELAN**  
*Director*



**JAMES REESE**  
*Director*



**STEVE MUNSON**  
*Director*

# A MESSAGE FROM THE CHAIRMAN

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I would like to thank our talented team of employees. Through their hard work and dedication, we have been able to remain a strong, forward-thinking, community bank. As we look ahead to our future, we are confident that we are continuing to build a stronger, more sustainable organization for our customers, our communities and our shareholders.

We look forward to sharing our continued success in the coming year.

Sincerely,



**ROBERT HILL**  
Chairman of the Board



**ROBERT HILL**  
*Chairman of the Board*





SAUKVALLEYBANK.COM

