



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

SV Financial Inc.

Person to be contacted regarding this report:	Dirk Meminger
UST Sequence Number:	1079
CPP Funds Received:	4,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Apr 10, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	3093919
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	35131
City:	Sterling
State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	We were able to continue lending in our markets. Without additional capital we would have limited our lending and possibly even reduced our loan portfolio. It is recognized we are now operating in an environment in which incremental capital and loan loss allowances are required.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Sauk Valley Bank is primarily a small business and agriculture lender. We find that many times businesses and farmers have alternatives for real estate financing, but far fewer financing alternatives for receivables, inventory, and equipment.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	SV Financial repaid \$2 million of its bank stock loan.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Sauk Valley Bank increased its leverage and risk based capital ratios and has adjusted its targeted capital operating levels. Management felt it prudent to move to higher capital levels.

What actions were you able to avoid because of the capital infusion of CPP funds?

The primary action avoided through the infusion of capital was the prospect of shrinking the bank's balance sheet in order to increase capital ratios. While the bank has always operated as a well capitalized bank, it is recognized that regulators are frequently requiring increased capital ratios beyond the well capitalized standards. The most dramatic impact of shrinkage is the cessation of lending in a community. Sauk Valley Bank experienced an 8% increase in its loan portfolio during 2009 and originated approximately \$19 million in credit from April through December 2009. Further, it is not only lending, but also the nature of lending that consumes capital. As noted, Sauk Valley Bank holds relatively few residential mortgage loans in the portfolio, and as such the bank's portfolio requires greater tier II capital.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The primary action allowed through the infusion of capital was the continued growth of the bank - namely continued lending and acceptance of deposits within our market place. Our loan portfolio increased over 8% during 2009 a time in which larger volumes of payoffs were experienced due to the repayment or other resolution of troubled loans. As noted earlier, the bulk of the loans originated by Sauk Valley Bank are to businesses and farmers. Our lending facilities keep people employed in our communities and many times provide the necessary funding for new businesses to start or relocate to our area. The bank experienced an increased demand for real estate loans due to some institutions ceasing all real estate lending activity. Sauk Valley Bank found itself funding real estate loans to good borrowers in its markets and was pleased to establish new banking relationships and expand some existing ones by adding real estate financing to other lending needs we were currently serving. Further, it should be noted Sauk Valley Bank increased its local or core deposit base \$14.9 million from April through December 2009.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The benefits of capital infusion into community banks has focused upon the lending supported with the incremental capital. It is just