

2019 ANNUAL REPORT



svb&tcorporation

AND SUBSIDIARIES

STEPPING UP TO THE CHALLENGE

FINANCIAL HIGHLIGHTS

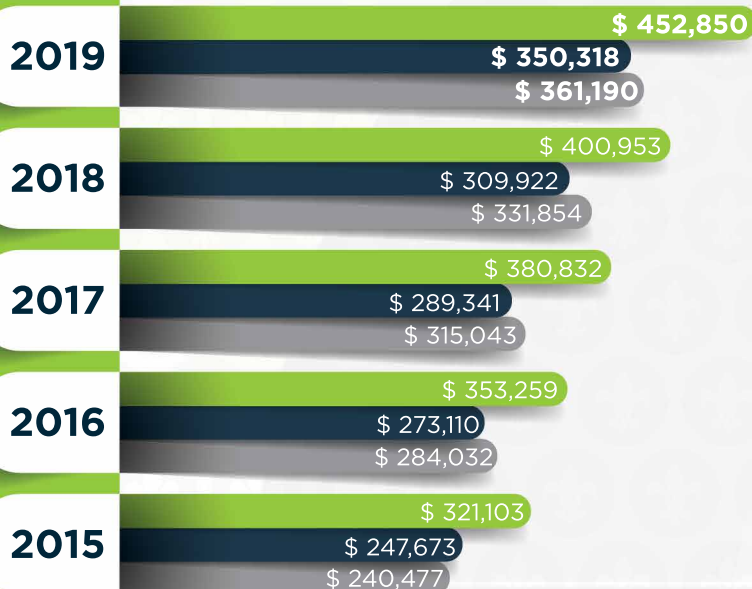
BALANCE SHEET

(IN THOUSANDS)

Total Assets

Total Loans & Leases

Total Deposits



OUR MISSION

Springs Valley Bank & Trust Company will enhance the financial quality of life in our communities by focusing on you.

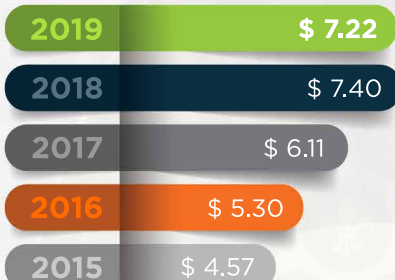
NET INCOME

(IN THOUSANDS)



EARNINGS PER SHARE

(DILUTED)



BOOK VALUE





Left:

Jamie R. Shinabarger
President & CEO

Right:

Douglas A. Habig
Chairman of the Board

FELLOW SHAREHOLDERS:

While the journey was bumpy at various times throughout 2019, particularly during the first half of the year, your Board and Management stepped up to the challenge. We evaluated our evolving hurdles, actively managed the enterprise by altering our course slightly, and arrived very close to our intended destination.

While not an eighth consecutive year of record financial performance, SVB&T Corporation (“Company”) posted another very strong year, despite several factors:

- A weak equities market at the start of 2019, as a result of a late 2018 market correction, negatively impacting Financial Advisory income;
- Robust loan growth necessitating the Bank’s very active participation in an intensely competitive deposit gathering environment which drove up funding costs; and
- Initial capital investment and expense necessary for the opening of the Washington Banking Center (September 3, 2019) and preparing to open the Princeton Banking Center (January 2, 2020).

Under the guidance of your Board of Directors, Springs Valley Bank & Trust Company (“Bank”) continues to focus on consistent financial performance, quality organic asset growth, complementary inorganic growth opportunities, asset quality improvement, core deposit growth, and income diversification.

RECAP OF 2019 FINANCIAL PERFORMANCE

In 2019, audited earnings of \$4.1 Million or \$7.22 basic earnings per share were posted. This translates to a Return on Average Assets (ROAA) of 0.93%.

In 2019, the Board approved and paid a quarterly dividend for 2019 of \$0.25 per share (equating to \$1.00 in total for 2019), representing a 1.25% return based upon the 2019 year-end stock market value of \$79.95.

Year-end book value for 2019 was \$82.03, representing an increase of 12.83% over 2018.

THE YEAR IN REVIEW... THE YEAR AHEAD

Virtually all of Springs Valley's successes over the past eight post-recession years can be attributed to strong organic growth via the strategic day-to-day execution of community banking fundamentals. You will certainly recognize the tone and tenor of much of the remainder of this letter, as our chosen strategic course has deviated very little since 2012 when this new era of higher bank performance began. Some of these strategic fundamentals include:

- building a stronger business development framework within our legacy markets (primarily greater Dubois and Orange Counties) and strategically growing in adjoining, county-seat-like, rural markets, such as Daviess County and Gibson County, with a concentrated emphasis on growing core deposits;
- stepping away from one-dimensional, out-of-market, transactional lending and instead capitalizing on in-market, "total relationship" lending opportunities where our capabilities directly intersect and align (Agriculture being the primary focus);
- developing and growing complimentary business lines and/or strategies (Real Estate Investment Trust (REIT), Captive Insurance Agency, etc.);
- staying nimble and resourceful with regard to low-risk, lost-cost, inorganic opportunities to help us overcome saturation challenges within our markets; and
- proactively challenging the "status quo" with regard to leveraging the Bank's proven IT capabilities in order to compete in an increasingly digital world.

Given the recent uncertainty regarding global events and the subsequent impact on the global economy, the Federal Reserve is expected to cut the Federal Funds rate this year despite it being an election year. While there may be some relief to the cost of funding the balance sheet, there are also expectations of borrower refinancing as rates move lower. Relief for our net interest margin is, therefore, expected to remain modest throughout much of 2020.

The national economy as a whole continues to "outperform" within the context of where we are in the late stages of a long recovery, but many of the traditional fundamentals we might look to as a signal of downturn may or may not be the indicators they once were. At the time of this communication, despite the solid business fundamentals of low interest rates, historically low unemployment and low-cost energy, global concerns over the coronavirus have come to the forefront, significantly deflating the equities market in the short-run, while the longer-term impact remains uncertain. While an economic slowdown is a virtual certainty somewhere on the horizon, the next 12 months continue to have a generally favorable outlook for community banking – assuming the adage "cooler heads prevail" holds true regarding an overreaction to the present news cycle.

The Bank remains dedicated to finding innovative ways to improve our competitive standing in the markets we serve and to adding new markets with potential. To that end, our Board of Directors and Management team have several notable

achievements to share with you from 2019 and a few new initiatives planned for 2020:

- In 2019, the Bank achieved net loan growth in our local markets of \$39.9 Million or 13.06% and core deposit growth of \$6.7 Million or 4.23%;
- At year-end 2019, SVB&T Corporation has a year and a half of history on the OTCQX exchange. This strategic move has had direct and immediate benefits for shareholders on several fronts. For example, it provided a quick, easy and convenient avenue for buying and selling shares, which in turn created an immediate release of pressure from pent-up sale demand (liquidity for those wishing to sell) and ownership opportunities for those wishing to buy. However, despite the success of this move to the exchange, the Board is not satisfied with the level of local ownership interest and has charged Management with making this a greater strategic focus in 2020. If successful, this would benefit existing shareholders who may wish to exit for estate planning purposes (supply), by creating "demand" via new buyers who see the value that a true community bank brings to our vibrant, Southern Indiana rural communities. Since joining the exchange in 2018, the market value low of \$67.50 per share has grown to \$79.95 (12/31/2019);
- The trading price of the Company's stock at the close of business on February 28, 2020 was \$81.00 per common share, and the number of outstanding shares was 559,136;

- In 2019, the Company transitioned from an annual to a quarterly dividend payout structure and is providing quarterly press releases as a part of our shareholder outreach and transparency commitment;
- Springs Valley continues to strategically grow core, non-maturity accounts. This deposit strategy is a key to building a source of reliable funds to support our lending operation in 2020 and beyond. In addition, Management regularly reinforces the message to Bank staff that "total relationship" banking is essential in order to support both sides of the balance sheet;
- The strategic melding of our brokerage division into our much larger fiduciary division concurrent with an overall wealth rebranding initiative (from Trust Department to Financial Advisory Group) began in 2019. This strategy is off to a great start and will continue throughout 2020. Moving from a one-time, upfront revenue approach to a recurring revenue model is consistent with our rebranding and one more testament to Springs Valley's focus on the best interests of our customers;
- Over the past few years, Springs Valley has invested heavily in multi-faceted digital technologies with products such as Notifi (automated alerts), Zelle (nationally branded person-to-person money transfer via the VISA network), Originate (on-line deposit account opening) and Instant Issue consumer and business debit cards, as well as ITM advanced technology (smart ATMs with two-way video capabilities to remotely handle more complex banking

transactions). These technology investments were made in order to grow and enhance the digital banking experience and to keep Springs Valley relevant;

- Since 2016, we have made significant investments in the Abrigo suite of loan products (spread package, ALLL and CECL). By the second half of 2020, we intend to roll out our newest Abrigo product - a streamlined, digitally based small business lending platform;
- Our investment in cyber security and infrastructure has paid dividends with an exceptionally strong and secure IT posture; however, we remain ever diligent as we continue to deliver safe, sound and secure service to our customers while protecting their data;
- Springs Valley opened new Banking Centers in Washington, Indiana (September 3, 2019) and in Princeton, Indiana (January 2, 2020). Rapidly building momentum in these two newest banking centers will be key to delivering on the 2020 financial plan.

These business drivers have enabled us to sustain the performance which began in 2012 after emerging from the Recession. Whether in the form of organic or inorganic means, growth is the pathway to economies of scale which are critical to helping us remain competitive in a rapidly consolidating industry.

The directors, officers and employees of Springs Valley Bank & Trust Company are committed to the success of the Company and to working with, and providing value to, our customers, communities and shareholders.


Jamie R. Shinabarger
 President & CEO


Douglas A. Habig
 Chairman of the Board

Information conveyed in this press release regarding SVB&T Corporation and its subsidiaries' anticipated future performance is forward-looking and therefore involves risks and uncertainties that could cause the results or developments to differ significantly from those indicated in these statements. These risks and uncertainties include, but are not limited to, risks and uncertainties inherent in general and local banking as well as mortgage conditions, competitive factors specific to markets in which the Company and its subsidiaries operate, future interest rate levels, changes in local real estate markets, legislative and regulatory decisions or capital market conditions and other factors.



SVB&T Corporation

Selected Consolidated Financial Data – Audited

(In Thousands, Except Shares Outstanding and Per Share Data)

BALANCE SHEET DATA:

Total Assets
Loans Receivable, Including Loans Held for Sale, Total
Loans Receivable, Including Loans Held for Sale, Net
Investments and Other Earning Assets
Deposits
Borrowed Funds
Stockholder's Equity

December 31

2019	2018
\$ 452,850	\$ 400,953
350,318	309,922
345,978	306,029
76,723	72,394
361,190	331,854
39,764	24,710
45,867	40,651

OPERATING DATA:

Interest & Dividend Income
Interest Expense
Net Interest Income
Provision for Loan Losses
Net Interest Income after Provision for Loan Losses
Non-interest Income
Non-interest Expense
Income (Loss) before Income Taxes
Income Tax Expense (Benefit)
Net Income

Full Year Ended December 31

2019	2018
\$ 19,558	\$ 16,761
5,513	3,860
\$ 14,045	\$ 12,901
885	751
\$ 13,160	\$ 12,150
5,874	5,190
14,350	12,448
4,684	4,892
628	743
\$ 4,056	\$ 4,149

Basic Earnings per Share
Diluted Earnings per Share

\$ 7.22	\$ 7.40
\$ 7.22	\$ 7.40

OTHER DATA:

Yield on all Interest-earning Average Assets
Cost on all Interest-bearing Average Liabilities
Interest Rate Spread

4.74%	4.47%
1.54%	1.29%
3.20%	3.18%

Net Interest Margin

3.40%	3.44%
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Number of Full Service Banking Centers
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5	4
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Return on Average Assets (net income divided by average total assets)

0.93%	1.05%
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Return on Average Equity (net income divided by average total equity)

9.38%	10.74%
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Equity to Assets Ratio (average total equity divided by average total assets)

10.13%	10.14%
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Book Value per Share

\$ 82.03	\$ 72.70
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Market Value per Share

\$ 79.95	\$ 79.05
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SVB&T CORPORATION

DIRECTORS



1. **Douglas A. Habig**
Chairman of the Board,
Springs Valley Bank & Trust
Company; Retired, Kimball
International, Inc.

2. **John B. Habig**
Retired, Kimball International, Inc.

3. **K. Frank Hall**
Retired, Hall Brothers
Transportation

4. **Tonya S. Heim**
Retired, Memorial Hospital &
Health Care Center

5. **Tracy Lorey, Ph.D.**
Superintendent of Greater
Jasper Consolidated Schools

6. **Robert F. Schneider**
Retired, Kimball International, Inc.

7. **Jamie R. Shinabarger**
President & CEO, Springs Valley
Bank & Trust Company

8. **Ronald J. Thyen**
Retired, Kimball International, Inc.

9. **James C. Tucker**
Attorney-at-Law,
Tucker & Tucker, P.C.

SPRINGS VALLEY BANK & TRUST COMPANY

EXECUTIVE OFFICERS



Back left to right: **Martin C. Kaiser**, Senior Executive Vice President, Financial Advisory Group Manager; **Jamie R. Shinabarger**, President & CEO; **Darrell E. Blocker**, Senior Executive Vice President, Cashier & CFO;
Front left to right: **J. Craig Buse**, Senior Executive Vice President, COO & CLO; **Dianna B. Land**, Senior Executive Vice President, Human Resources & Marketing

VICE PRESIDENTS

Rob Apple
Shane Buffington
John Clauss
Michael Egler
Vicki Englert
Ryan Heim
Sandra Hemmerlein
Ansley Jenkins
Angela Jones
Ross Key
JoElla Land
Greg Matheis
Tina Qualkenbush
Jason Schmitt
Kenneth Schnaus
Brian Smith
Michael Smith
Diann Verkamp

ASSISTANT VICE PRESIDENTS

Bernita Berger
Chad Blessinger
Megan Elmore
Nicole Ford
Susan Richardson
Dustin Rumble
Brian Schwartz
Mary Wendholt



INDEPENDENT AUDITORS

BKD, LLP, CPAs and Advisors,
Cincinnati, Ohio

LEGAL COUNSEL

SmithAmundsen LLC, Indianapolis, Indiana

ADMINISTRATIVE DEPARTMENT

SVB&T Corporation, Jasper, Indiana

STOCK REGISTRAR AGENT

Pacific Stock Transfer Company
6725 Via Austi Parkway, Suite 300
Las Vegas, NV 89119

ANNUAL MEETING

The Annual Meeting of the shareholders of SVB&T Corporation will be held on Tuesday, May 19, 2020 at 9:15 a.m. local time at the French Lick Springs Hotel Event Center, 8670 IN-56, French Lick, IN 47432.

AUDITED FINANCIALS

A copy of the Corporation's Audited Financial Statements will be furnished to Shareholders of the Corporation without charge upon request to Ryan Heim, SVB&T Corporation, 1500 Main Street, PO Box 830, Jasper, IN 47547-0830, rheim@svbt.com.



LOCATIONS

JASPER BANKING CENTER

1500 Main Street
Jasper, Indiana 47546

PAOLI BANKING CENTER

867 North Gospel Street
Paoli, Indiana 47454

PRINCETON BANKING CENTER

1501 West Broadway
Princeton, Indiana 47670

THIRD AVENUE BANKING CENTER

865 3rd Avenue
Jasper, Indiana 47546

VALLEY BANKING CENTER

8482 West State Road 56
French Lick, Indiana 47432

WASHINGTON BANKING CENTER

1717 South State Road 57, Suite A
Washington, Indiana 47501



svb&tcorporation

AND SUBSIDIARIES



springsvalley

BANK & TRUST COMPANY

Loyal to you, your family, and your future.

svbt.bank | 800.843.4947 | Since 1902

Member FDIC



PICTURED ON THE COVER

Top Left:

Princeton Banking Center

Allyssa Culp, Rob Apple, Michelle Gooch,
Emily Rexing, Stephanie Bishop, Eugenia Page,
Millie Holderbaugh, Ross Key

Bottom Right:

Washington Banking Center

Veronica Perez-Cruz, Natalie Smith,
John Clauss, Jamie Campbell,
Kandi Thompson