

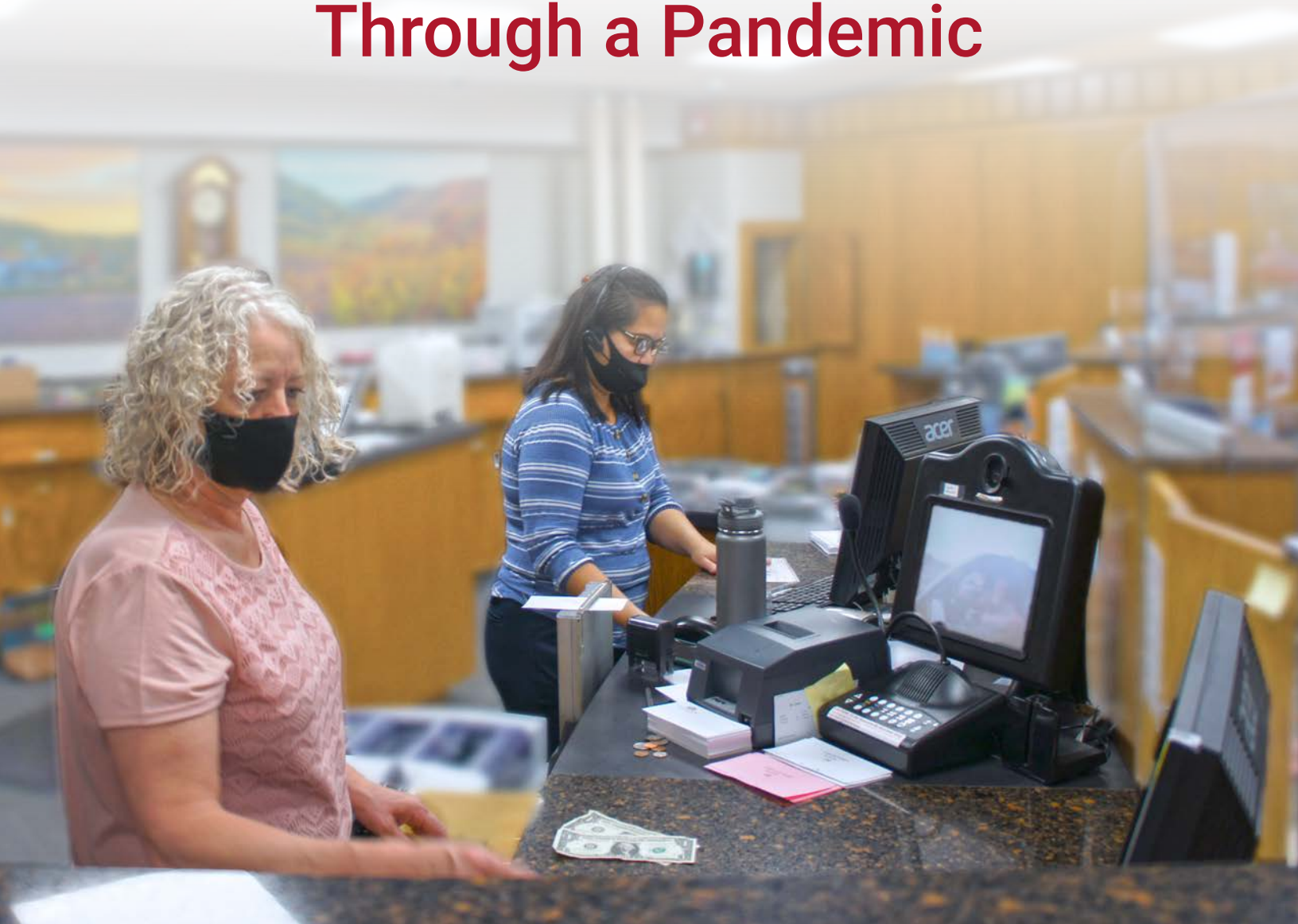


SECURITY FINANCIAL  
SERVICES CORPORATION

# 2020 ANNUAL REPORT

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**Navigating a Record Year  
Through a Pandemic**



# A Year to Remember

It has been a historic year. But despite the challenges brought by the worldwide COVID-19 pandemic, Security Financial Services Corporation (SFSC) enjoyed an incredibly successful year – including record profitability and another acquisition.

Net income for SFSC was \$11,903,000, surpassing 2019 record net income by \$4,865,000 (69.12%). Similarly, earnings per share (EPS) of \$1,047 exceeded 2019 EPS by \$429. Although Security Financial Bank's (SFB's) record profitability contributed to the substantial increase in SFSC's net income, a majority of the change is due to one-time accounting adjustments related to the purchase of Jackson County Bank (JCB) on November 16, 2020.

## Acquisition Update

SFSC will be a two-bank holding company until the weekend of August 20th, when JCB will be merged into SFB, pending regulatory approval. Until that time, the two banks will operate relatively autonomously, with SFB managers overseeing functions of JCB. Throughout the year, efficiencies will continue to be realized, and include the closure of three of JCB's small branches in May. Significant marketing and sales efforts are underway to re-engage customers and prospects in JCB's footprint.

## Balance Sheet Summary

\$62,700,000 of the \$113,700,000 (31.54%) increase in loans from 2019 is attributable to the addition of JCB. \$31,700,000 of the increase is due to Paycheck Protection Program (PPP) loans, which have a short maturity, many of which are forgiven prior to maturity by the Small Business Administration (SBA). Organic loan growth in 2020 at SFB was \$18,000,000 (5.00%).

\$174,100,000 of the \$287,400,000 (70.07%) increase in deposits from 2019 is due to JCB. Much of the remaining organic growth is viewed as temporary, as businesses increase working capital accounts due to market uncertainty through PPP funds and other sources.

## Income Statement Summary

Net Income from SFB was \$7,847,000, \$597,000 (8.23%) greater than one year ago. PPP fees of \$1,182,000 and record mortgage production offset a \$1,685,000 provision for loan losses expense. The larger-than-anticipated provision, \$815,000 (93.68%) greater than last year, is not indicative of a deteriorating portfolio, but of continued uncertainty due to the pandemic.

Net Income from JCB for the 45 days since purchase was \$4,458,000, which was almost entirely due to accounting entries related to the acquisition and the 'bargain purchase', which are one-time entries.

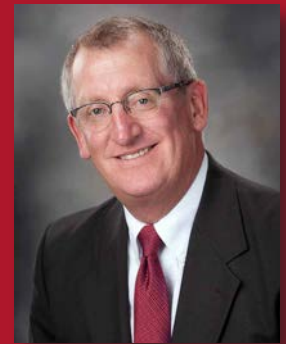
On behalf of everyone at Security Financial Bank and Jackson County Bank, we thank you for your continued support and assure you that we will continue to strive to set the standard for community banking excellence in western Wisconsin.



Paul Rudersdorf  
President/CEO



Paul Solyntjes  
Chief Financial Officer &  
Executive Vice President



Paul Rudersdorf  
President & CEO



Paul Solyntjes  
CFO/EVP

## BOARD OF DIRECTORS

**Jerry Bauer, Chairman**

(Since 1992)

**Chuck Forster**

(Since 2013)

**Jack Kaiser**

(Since 2009)

**Bob Komro**

(Since 2015)

**Jim Mayo**

(Since 2006)

**Jim Price**

(Since 2014)

**Paul Rudersdorf**

(Since 2017)

**Andy Wieser**

(Since 2020)

# Comparative Statement

## STATEMENT OF INCOME

Here's how we add up (without the extra 000s)

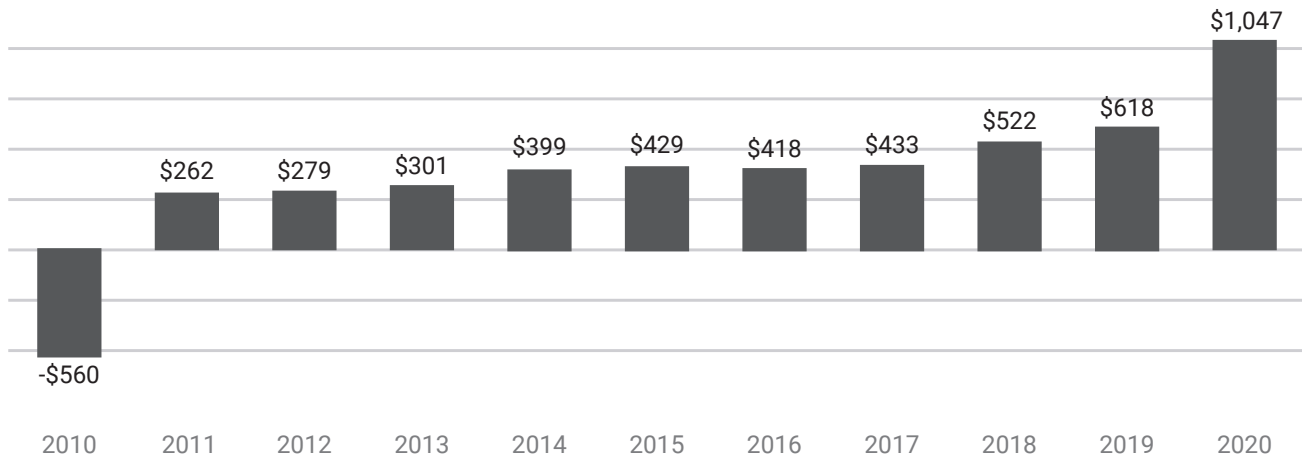
Income	2020	2019	2018	2017
Interest Income - Securities	\$2,199	\$2,443	\$2,336	\$2,501
Interest Income - Loans	\$21,101	\$18,996	\$16,632	\$13,969
Interest Income - Other	\$253	\$452	\$253	\$160
<b>Total Interest Income</b>	<b>\$23,553</b>	<b>\$21,891</b>	<b>\$19,221</b>	<b>\$16,630</b>
Less Interest Expense-Bank	\$3,780	\$4,320	\$3,545	\$2,948
Less Interest Expense-SFSC	\$118	\$21	\$96	\$159
<b>Total Interest Expense</b>	<b>\$3,898</b>	<b>\$4,341</b>	<b>\$3,641</b>	<b>\$3,107</b>
<b>Net Interest Income</b>	<b>\$19,655</b>	<b>\$17,550</b>	<b>\$15,580</b>	<b>\$13,523</b>
Plus Non-interest Income	\$8,265	\$2,745	\$2,090	\$1,939
<b>Total Income Less Interest Expense</b>	<b>\$27,920</b>	<b>\$20,295</b>	<b>\$17,670</b>	<b>\$15,462</b>
Salaries & Employee Benefits	\$9,259	\$7,695	\$6,860	\$5,950
Occupancy	\$1,644	\$1,715	\$1,440	\$1,360
Other Operating Expenses	\$3,376	\$3,009	\$3,071	\$2,710
<b>Total Non-interest Expense</b>	<b>\$14,279</b>	<b>\$12,419</b>	<b>\$11,371</b>	<b>\$10,020</b>
<b>Net Income From Operations</b>	<b>\$13,641</b>	<b>\$7,876</b>	<b>\$6,299</b>	<b>\$5,442</b>
Provision for Loan Losses	\$1,685	\$870	\$300	\$500
Net Securities (Gains) Losses	\$0	(\$84)	\$0	(\$38)
Income Tax (Refunds) Expense	\$53	\$52	\$41	\$32
<b>Net Income</b>	<b>\$11,903</b>	<b>\$7,038</b>	<b>\$5,958</b>	<b>\$4,948</b>

## STATEMENT OF CONDITION

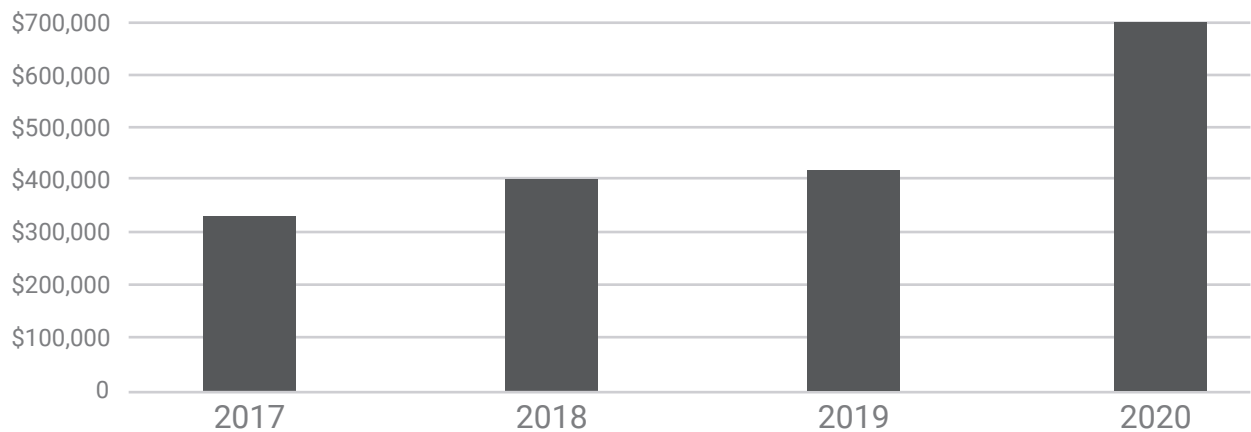
Assets	2020	2019	2018	2017
Cash Equivalents	\$70,831	\$25,662	\$19,904	\$14,708
Securities	\$178,112	\$86,919	\$88,235	\$83,727
Gross Loans	\$474,240	\$360,523	\$350,356	\$291,060
Allowance for Loan Losses	(\$7,160)	(\$5,580)	(\$4,738)	(\$4,536)
Federal Funds Sold	\$66,058	\$0	\$5,433	\$7,265
Bank Building, Furniture/Fixtures	\$9,528	\$7,341	\$6,886	\$6,320
Other Real Estate Owned	\$0	\$0	\$0	\$0
Goodwill	\$6,123	\$6,123	\$6,123	\$4,011
Other Assets	\$26,697	\$20,291	\$19,726	\$17,537
<b>Total Assets</b>	<b>\$824,429</b>	<b>\$501,279</b>	<b>\$491,925</b>	<b>\$420,092</b>
Liabilities and Equity	2020	2019	2018	2017
<b>Total Deposits</b>	<b>\$697,459</b>	<b>\$410,099</b>	<b>\$402,004</b>	<b>\$318,956</b>
Repurchase Agreements	\$2,684	\$8,104	\$8,600	\$21,968
Federal Funds Purchased	\$0	\$1,232	\$0	\$0
Borrowed Funds	\$37,140	\$22,500	\$28,000	\$28,000
Other Debt Incurred	\$15,500	\$0	\$1,491	\$3,000
Other Liabilities	\$6,407	\$4,380	\$2,762	\$2,559
<b>Total Liabilities</b>	<b>\$759,190</b>	<b>\$446,315</b>	<b>\$442,857</b>	<b>\$374,483</b>
Common Stock	\$1,200	\$1,200	\$1,200	\$1,200
Surplus	\$18,335	\$18,335	\$18,335	\$18,335
Undivided Profits	\$44,847	\$35,853	\$31,766	\$27,275
Unrealized Gain (Loss) on Securities	\$2,542	\$1,248	(\$765)	\$260
Treasury Stock (at Cost)	(\$1,685)	(\$1,672)	(\$1,468)	(\$1,461)
<b>Total Equity</b>	<b>\$65,239</b>	<b>\$54,964</b>	<b>\$49,068</b>	<b>\$45,609</b>
<b>Total Liabilities and Equity</b>	<b>\$824,429</b>	<b>\$501,279</b>	<b>\$491,925</b>	<b>\$420,092</b>

# Growing Profitably

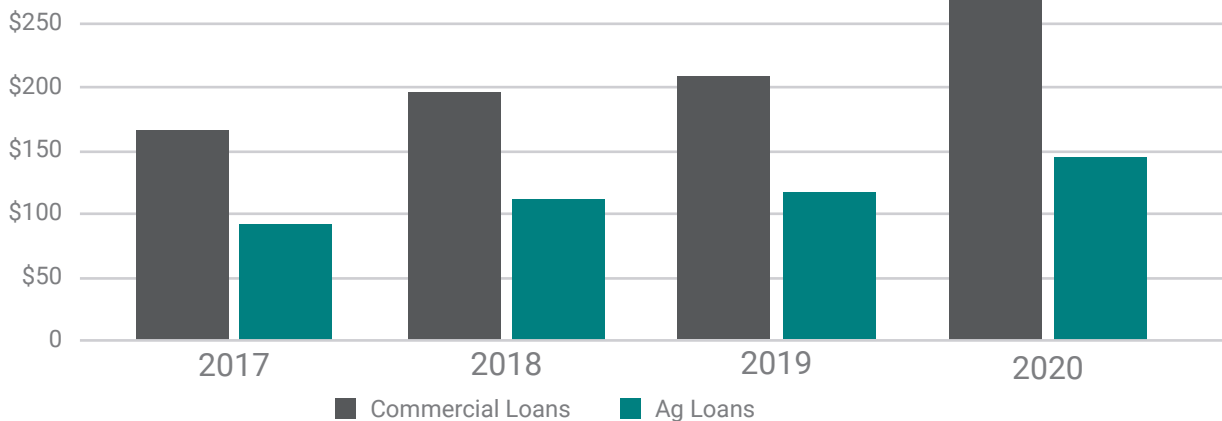
## Earnings Per Share Over the Last Decade



## Deposit Growth (in millions)



## Loan Balance (in millions)



# Serving Our Clients During COVID

## SAFETY FIRST

Keeping our employees and customers safe has always been our primary concern during the COVID-19 pandemic. While our lobbies were temporarily closed as a protective measure, we continued to serve customers through our drive-thru, by appointments and through our remote banking options. Telephone banking was at an all-time high with more than 22,000 calls, and almost 700 new users signed up for the SFB mobile app.

Social distancing measures were implemented in all of our locations, including installing 30 plexi-glass partitions and 50 floor decals. In addition, hundreds of masks were provided to both guests and employees.

Thanks to technology, 40 percent of our workforce transitioned to working remotely from home. This minimized the risk of cross-contamination among coworkers, and we did not need to close any locations due to COVID exposure.



## SFB WINS AN SBA VOLUME LENDER AWARD FOR WISCONSIN

The U.S. Small Business Administration's (SBA) Wisconsin office recognized SFB with the Wisconsin SBA Volume Lender Award for FY2020. SFB had the most approved 7(a) loans for a financial institution with an asset size between \$500 million and \$1 billion in the state.

## PAYCHECK PROTECTION PROGRAM

SFB proudly facilitated 422 Paycheck Protection Program (PPP) loans for more than \$53 million to help local businesses and farmers who were impacted by the pandemic. This program, which is administered by the Small Business Administration, provides emergency lending to cover operating expenses such as payroll, rent and utilities. During the first draw for PPP loans, SFB's staff worked weekends and late nights to ensure that all eligible PPP borrowers had their applications submitted in a timely manner. SFB also offered payment modifications on a case-by-case basis to select borrowers who were significantly impacted by the pandemic.

*"What an amazing job you and your team did for the PPP loans. It was absolutely remarkable to get through... as quickly as you guys did, A+ job. Really, I am quite impressed."*

Jon, an SFB customer



# There was Nothing Usual About This Year

## JACKSON COUNTY BANK ACQUISITION

On November 16, Security Financial Services Corporation successfully completed its acquisition of Jackson County Bank. SFSC plans to operate both banks independently until the financial institutions merge sometime in August of 2021. Jackson County Bank, which was founded more than 140 years ago, currently has locations in Black River Falls, Alma Center, Hixton, Taylor and Merrillan.

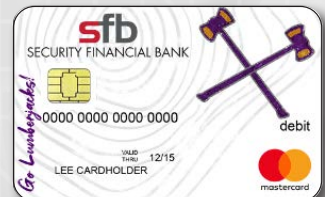
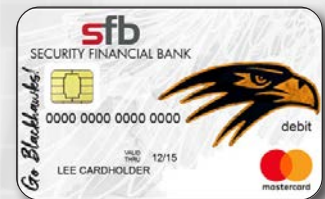
## RECORD MORTGAGE LOANS

With low interest rates, SFB's Mortgage Banking Team was busier than ever. The team serviced a record-number of 483 mortgages and construction loans in 2020 – almost double the previous year!

## NEW PRODUCTS AND SERVICES

We introduced some exciting new products, services and benefits to our clients this year, including:

- **Mascot Debit Cards** – To show school spirit, special debit cards were created featuring the mascots for Bloomer, Durand and Ladysmith high schools. For every mascot debit card printed, \$10 is donated to the appropriate high school as another way for us to support our community.
- **MyCardRules** – With this new service, clients can manage their SFB debit cards right from their mobile device. MyCardRules allows clients to turn their card on and off, set transaction spending limits based on their preferences and get instant alerts on certain types of transactions.
- **Agriculture Conference** – In January, SFB partnered with Chippewa Valley Technical College to host the Chippewa Valley Ag Conference featuring two keynote speakers and 16 breakout sessions on a variety of ag-related topics. More than 100 people attended.



# Helping to Feed Our Communities

## HELPING TO FEED OUR COMMUNITIES

SECURITY FINANCIAL BANK

### HELPING TO FEED OUR COMMUNITIES

For the first time, SFB created a year-long campaign to help make a difference for those experiencing hunger in our communities. Our Helping Feed Our Communities initiative was kicked off at our annual all-employee training session in January. The day included a presentation about hunger in Northwestern Wisconsin from Feed My People Food Bank and a group volunteer activity assembling weekend meal kits for the non-profit organization.

### \$20,000 DONATED TO LOCAL FOOD PANTRIES

The Federal Home Loan Bank of Chicago offered a COVID-19 Relief Program consisting of zero-rate advances and grants to support all of its member institutions and the communities they serve in Illinois and Wisconsin directly impacted by the COVID-19 pandemic. Through this program, SFB received a \$20,000 grant, of which we donated \$4,000 to food pantries in each of our five markets including Bloomer, Durand, Eau Claire, Ladysmith and River Falls.



### SUPPORTING OUR COMMUNITIES

As the year progressed, SFB's efforts quickly transitioned to helping those in need navigate through the pandemic. In total this year, SFB donated more than \$109,000 to over 100 non-profit organizations, service clubs, and scholarship recipients throughout the five markets we serve.



# SFB LOCATIONS

## Bloomer

1401 Main St  
Bloomer, WI 54724  
715.568.1100

## Durand

212 W Prospect St  
Durand, WI 54736  
715.672.4237

## Eau Claire

4217 Southtowne Dr  
Eau Claire, WI 54701  
715.833.7685

## Ladysmith

200 Miner Ave W  
Ladysmith, WI 54848  
715.532.5551

## River Falls

1561 Commerce Ct  
River Falls, WI 54022  
715.426.6600

## Corporate Office

4813 Keystone Crossing  
Eau Claire, WI 54701  
888.254.0615

# JCB LOCATIONS

## Alma Center

141 W Main St  
Alma Center, WI 54611  
715.964.2311

## Black River Falls

8 Main St  
Black River Falls, WI 54615  
715.284.5341

## Hixton

130 E Main St  
Hixton, WI 54635  
715.963.2411

## Merrillan

101 N Main St  
Merrillan, WI 54754  
715.568.1100

## Motor Bank

660 Hwy 54 E  
Black River Falls, WI 54724  
715.284.3560

## Taylor

211 Second St  
Taylor, WI 54659  
715.662.2511

# CORE VALUES

## Be Accountable

Accept responsibility for your actions and results and hold others to the same standard.

## Respect Others

Treat others the way they want to be treated.

## Embrace Change

Adjust your attitude and approach before it is required.

## Be Humble

Celebrate others' successes and contributions before your own. "Humility is not thinking less of yourself, it's thinking of yourself less." - C.S. Lewis

## Promote Fun

Bring joy to yourself, your work, your teammates, and your customers.

*We are  
the bankers  
who believe  
in you.*