

2021 Annual Report

Bankers Who Believe in You



Shareholder Letter

Last year was an incredibly rewarding year for Security Financial Services Corporation that was filled with challenges. Thanks to our loyal customers and our dedicated staff who navigated through another year of the COVID-19 global pandemic to generate record loan and deposit growth and completed the merger of Jackson County Bank (JCB) into Security Financial Bank (SFB). Although 2021 net income of \$9,891,000 is a decrease from record earnings of \$11,903,000 in 2020, when one-time merger adjustments are excluded, 2021 net income exceeds 2020 by \$2,488,000 (33.61%).

After months of preparation, the banks merged on the weekend of August 20th and at the same time upgraded to a more flexible and robust data processing platform. The new software will better serve our customers' needs well into the next decade. Our customers can now benefit from the additional services and accommodations a larger community bank can provide. We remain committed to the essence and spirit of community banking.

ALMA CENTER



BLACK RIVER FALLS MAIN



BLACK RIVER FALLS MOTOR BANK



With the merger, SFB added three new locations in Alma Center and Black River Falls.

2021 net income exceeds 2020 by \$2,488,000 (33.61%) when one-time merger adjustments are excluded.

BOARD OF DIRECTORS

- Jerry Bauer, Chairman**
(Since 1992)
- Chuck Forster**
(Since 2013)
- Jack Kaiser**
(Since 2009)
- Bob Komro**
(Since 2015)
- Jim Mayo**
(Since 2006)
- Mark Oldenberg**
(Since 2022)
- Jim Price**
(Since 2014)
- Andy Wieser**
(Since 2020)





BALANCE SHEET SUMMARY

Total assets were up \$39.3 million (4.77%) from 2020, and reached a new high, ending the year at \$863.7 million.

Total loans, at \$526.7 million, were \$52.4 million (11.05%) higher than one year ago. Record organic loan growth of \$77.8 million was partially offset by \$25.4 million of Paycheck Protection Program (PPP) loans forgiven during the year. Commercial and commercial real estate loans comprised 44% of the increase and agriculture and agriculture real estate contributed 37%. PPP loan balances of \$6.3 million remained on the books and are expected to be forgiven in 2022.

Investments, at \$265.5 million, were increased \$87.4 million (49.08%), as short-term overnight funding (federal funds sold) was shifted to the securities portfolio.

Deposits of \$748.7 million were up \$51.3 million (7.35%) from one year ago. Demand deposit accounts were up \$72.8 million, more than offsetting smaller decreases in money market accounts and certificates of deposits.

SFSC debt of \$12.0 million was down \$3.5 million due to principal reductions on the debt incurred to finance the acquisition of JCB.

103,927

inbound **customer calls**

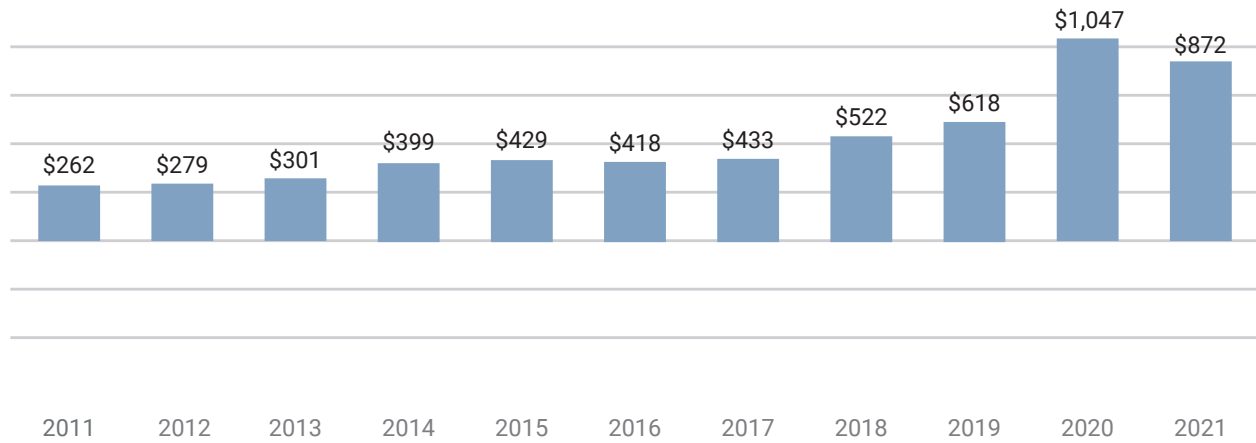
\$298.4MM

in mobile transfers

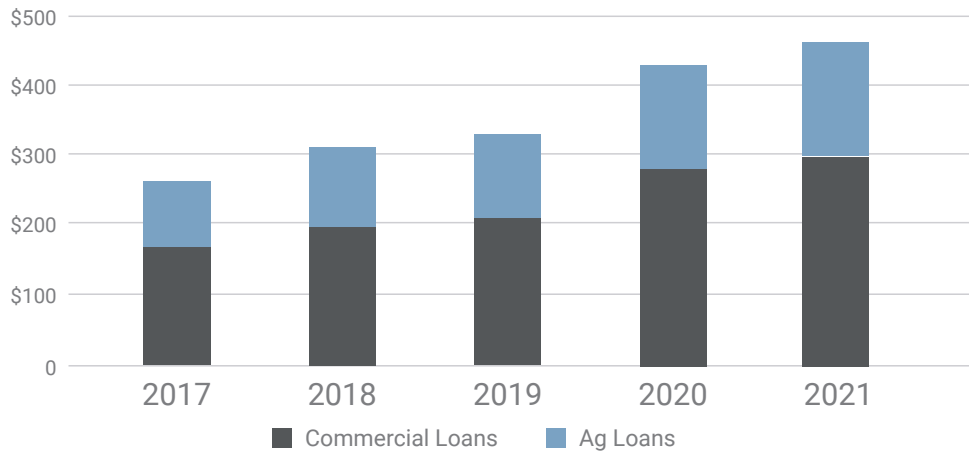
1.34MM

debit card swipes

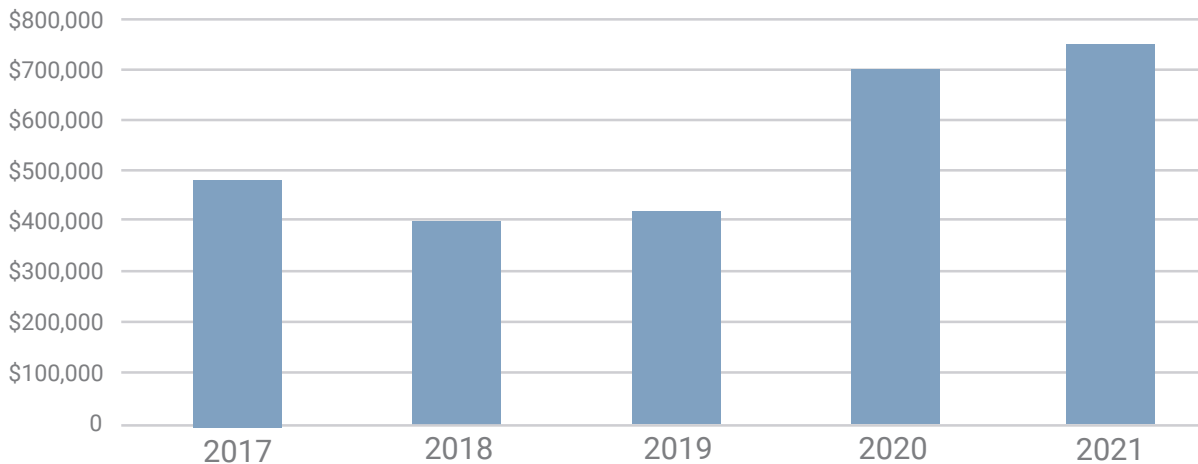
Earnings Per Share Over the Last Decade



Loan Balance (in millions)



Deposit Growth (in millions)



INCOME STATEMENT SUMMARY

Income tax expense of \$1,598,000, almost one-half of which is related to the prior year, compares to \$53,000 for 2020.

Interest income grew \$2,073,000 (8.80%) to \$25,626,000 from one year ago, despite an unfavorable interest rate environment, due to significant loan growth and security purchases. Although deposits increased during the year, interest expense of \$3,609,000 was down \$289,000 (7.74%), due to low market interest rates. Net-interest margin on a tax equivalent basis was 2.93% of average assets.

Non-interest income of \$8,554,000 exceeded 2020 by \$289,000 (3.50%). Mortgage loan fees were down \$858,000 due to reduced demand for refinancing, but that reduction was offset by increased PPP fees. \$2,017,000 in PPP fees were recognized in 2021, compared to \$1,182,000 in 2020, with \$340,000 expected in 2022. Finding ways to replace PPP revenue in 2022 will be a challenge and a top priority.

46%

of customers **applied**
online for home loans

45%

of customers **applied**
over the phone

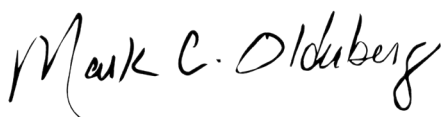
9%

applied in person or
by other means

Non-interest expense of \$18,521,000 exceeds 2020 by \$4,242,000 (29.71%). The majority of the increase was attributable to human resource and operating expenses for the locations added in the acquisition.

The loan loss provision of \$575,000 compares favorably to 2020's provision of \$1,685,000. The loan loss reserve of \$7,745,000 was 1.47% of total loans as a result.

On behalf of everyone at Security Financial 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.



Mark C. Oldenberg
President/CEO



Paul Solyntjes
*Executive Vice President
& Chief Financial Officer*



Comparative Statement

STATEMENT OF INCOME

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

| Income | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest Income - Securities | \$2,524 | \$2,199 | \$2,443 | \$2,336 | \$2,501 |
| Interest Income - Loans | \$25,942 | \$21,101 | \$18,996 | \$16,632 | \$13,969 |
| Interest Income - Other | \$277 | \$253 | \$452 | \$253 | \$160 |
| Total Interest Income | \$28,743 | \$23,553 | \$21,891 | \$19,221 | \$16,630 |
| Less Interest Expense-Bank | \$3,097 | \$3,780 | \$4,320 | \$3,545 | \$2,948 |
| Less Interest Expense-SFSC | \$512 | \$118 | \$21 | \$96 | \$159 |
| Total Interest Expense | \$3,609 | \$3,898 | \$4,341 | \$3,641 | \$3,107 |
| Net Interest Income | \$25,134 | \$19,655 | \$17,550 | \$15,580 | \$13,523 |
| Plus Non-interest Income | \$4,930 | \$8,265 | \$2,745 | \$2,090 | \$1,939 |
| Total Income Less Interest Expense | \$30,064 | \$27,920 | \$20,295 | \$17,670 | \$15,462 |
| Salaries & Employee Benefits | \$11,154 | \$9,259 | \$7,695 | \$6,860 | \$5,950 |
| Occupancy | \$2,203 | \$1,644 | \$1,715 | \$1,440 | \$1,360 |
| Other Operating Expenses | \$4,644 | \$3,376 | \$3,009 | \$3,071 | \$2,710 |
| Total Non-interest Expense | \$18,001 | \$14,279 | \$12,419 | \$11,371 | \$10,020 |
| Net Income From Operations | \$12,063 | \$13,641 | \$7,876 | \$6,299 | \$5,442 |
| Provision for Loan Losses | \$575 | \$1,685 | \$870 | \$300 | \$500 |
| Net Securities (Gains) Losses | \$0 | \$0 | (\$84) | \$0 | (\$38) |
| Income Tax (Refunds) Expense | \$1,598 | \$53 | \$52 | \$41 | \$32 |
| Net Income | \$9,890 | \$11,903 | \$7,038 | \$5,958 | \$4,948 |

STATEMENT OF CONDITION

| Assets | 2021 | 2020 | 2019 | 2018 | 2017 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash Equivalents | \$36,049 | \$70,831 | \$25,662 | \$19,904 | \$14,708 |
| Securities | \$256,534 | \$178,112 | \$86,919 | \$88,235 | \$83,727 |
| Gross Loans | \$526,658 | \$474,240 | \$360,523 | \$350,356 | \$291,060 |
| Allowance for Loan Losses | (\$7,745) | (\$7,160) | (\$5,580) | (\$4,738) | (\$4,536) |
| Federal Funds Sold | \$369 | \$66,058 | \$0 | \$5,433 | \$7,265 |
| Bank Building, Furniture/Fixtures | \$9,230 | \$9,528 | \$7,341 | \$6,886 | \$6,320 |
| Other Real Estate Owned | \$85 | \$0 | \$0 | \$0 | \$0 |
| Goodwill | \$6,122 | \$6,123 | \$6,123 | \$6,123 | \$4,011 |
| Other Assets | \$27,361 | \$26,697 | \$20,291 | \$19,726 | \$17,537 |
| Total Assets | \$863,663 | \$824,429 | \$501,279 | \$491,925 | \$420,092 |
| Liabilities and Equity | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total Deposits | \$748,641 | \$697,459 | \$410,099 | \$402,004 | \$318,956 |
| Repurchase Agreements | \$1,454 | \$2,684 | \$8,104 | \$8,600 | \$21,968 |
| Federal Funds Purchased | \$0 | \$0 | \$1,232 | \$0 | \$0 |
| Borrowed Funds | \$27,998 | \$37,140 | \$22,500 | \$28,000 | \$28,000 |
| Other Debt Incurred | \$12,000 | \$15,500 | \$0 | \$1,491 | \$3,000 |
| Other Liabilities | \$4,890 | \$6,407 | \$4,380 | \$2,762 | \$2,559 |
| Total Liabilities | \$794,983 | \$759,190 | \$446,315 | \$442,857 | \$374,483 |
| Common Stock | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| Surplus | \$18,419 | \$18,335 | \$18,335 | \$18,335 | \$18,335 |
| Undivided Profits | \$51,356 | \$44,847 | \$35,853 | \$31,766 | \$27,275 |
| Unrealized Gain (Loss) on Securities | (\$423) | \$2,542 | \$1,248 | (\$765) | \$260 |
| Treasury Stock (at Cost) | (\$1,872) | (\$1,685) | (\$1,672) | (\$1,468) | (\$1,461) |
| Total Equity | \$68,680 | \$65,239 | \$54,964 | \$49,068 | \$45,609 |
| Total Liabilities and Equity | \$863,663 | \$824,429 | \$501,279 | \$491,925 | \$420,092 |

Donations and Volunteering

SHARING THE WARMTH!

Security Financial Bank coordinated a winter clothing drive to help those in need. Thanks to the generous contributions of customers and community members, we donated more than 900 coats, hats and other winter items to several area non-profit organizations. In addition, SFB donated \$4,685 to help these organizations as they serve those in need in the communities we serve.



\$5,500

in high school
scholarships awarded

167

organizations supported through
sponsorships and donations

1,454

employee volunteer
hours

SALUTING THE HEROES OF COVID-19

Throughout the year, SFB recognized clients, community members, businesses and nonprofit organizations that made a significant impact in helping the lives of others during the COVID-19 pandemic. Each month, we selected a hero to feature and awarded a gift or donation as a way to thank individuals who make the communities we serve a better place.



137

full-time equivalent
employees

31%

of employees have been
with the bank 10+ years

8

employees have been with
the bank 40+ years

Our mission

is to grow profitably by deliberately investing in our clients, our employees, and our communities.

SFB Locations

Alma Center

141 W Main St
Alma Center, WI 54611
715.964.2311

Black River Falls - Main

8 Main St
Black River Falls, WI 54615
715.284.5341

Black River Falls - Motor Bank

660 Hwy 54 E
Black River Falls, WI 54724
715.284.3560

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

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