



**Security Federal**  
SAVINGS BANK

# ANNUAL REPORT

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COURTESY  
SAFETY  
FLEXIBILITY

Security Federal is your mutually-owned community bank.  
Fiscal year April 1, 2021 - March 31, 2022

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## President's Message to Members: May 19, 2021

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Since 1934, Security Federal Savings Bank has remained a trusted source for offering sound financial solutions that help customers reach their goals. We recognize that our customers are also owners of Security Federal and we work for you. Your deposit dollars are reinvested back into the community in the form of new home purchase loans, consumer loans and small business loans. As a result, you are helping to foster economic growth in the neighborhoods where we all live and work.

We are deeply rooted in the communities we serve. That means decisions are made based on what's in the best interest of our customers, team members and the economy - NOT shareholders. Security Federal's Board of Directors have committed 10% of net earnings back to the communities we serve. Our highly engaged team of eighty-five full-time employees, volunteer hundreds of hours assisting non-profit groups, providing financial literacy education and serving on local boards.

Security Federal's strategic plan is designed to align with our vision: "To disrupt the status quo of community banking providing flexible solutions, to be the mutual bank you want to own." Our culture is confirmation of our commitment to differentiate Security Federal from other community banks.

The 2019-22 Strategic Plan maintained a focus on four primary goals:

- Developing an innovative, inclusive and engaged culture
- Enhancing remote banking services to improve the customer experience
- Expanding our customer reach in new and existing markets, and
- Reorganizing the corporate structure to position the Bank for future growth.

Throughout 2020 and into 2021, we experienced an unprecedented economy and operating environment. Because of our strategic efforts and collaborative culture, we became more innovative in our approach to meeting consumer needs. The pandemic accelerated the need for new and improved online and mobile banking features for our customers. Our Board of Directors is committed to investing in technology that will enhance the customer experience by providing secure and convenient online and mobile banking solutions. We have already begun implementing a new deposit account opening platform that will allow customers to open a new checking or savings account without going into a physical bank branch. This new service will be available to you by the Fall of 2022. Research on a similar platform for our loan products is underway. These enhancements will provide the same level of service you receive in-person with easier access.

A national labor shortage prompted Bank management to prioritize developing and attracting talented individuals to fulfill the Bank's desire for continued growth into new markets. We partnered with Indiana University Kokomo to provide management training courses throughout the year to strengthen supervisor skills. Emphasis was placed on developing a professional career plan to provide team members the confidence necessary to advance to the next level.

As a community bank, Security Federal is being intentional in identifying unserved or underserved populations in our market area. We have responded by modifying our existing mortgage loan product to allow individuals using an ITIN (Individual Taxpayer Identification Number) access to equitable financing. This program supports an industry wide initiative to identify and assist those not being served by a financial institution.

Security Federal provided over \$200,000 in contributions and sponsorships throughout the year. These donations support the Bank's core values of Courtesy, Safety and Flexibility by filling the void in community services, education, and wellness initiatives. Plans to expand into the area north of Indianapolis are coming to fruition. This move expands our market area into a region that has consistently experienced growth in both population and development. Michael Rush, a seasoned commercial lender, and Logansport native was hired in December 2021 to cultivate new small business relationships. Security Federal will open a loan production office in Carmel, IN in the summer of 2022. This will allow the Bank to determine if our product line meets the needs and expectations of the market.

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Our total assets  
grew from \$338M  
to \$363M, an  
increase of 7.3%.  
”

## Performance - President's Message to Members: May 19, 2021

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If it is determined that Security Federal can be competitive without assuming unnecessary risk, we will further invest in staffing and brick-and-mortar.

In February 2022, a regulatory examination conducted by the Office of the Comptroller of the Currency (OCC) confirmed Security Federal's overall condition is sound in every respect. Financial performance remains strong as indicated by the Bank's capital position. Management and board oversight, asset quality and credit risk management all remain strong according to regulatory guidelines. The results of the exam provide solid evidence of the strength and ability of Security Federal to safeguard the assets of our customer (owners).

The Board adopted and approved a proposed Plan of Reorganization on December 16, 2020. As part of the Plan, the Bank will amend its charter to become Security Federal Mutual Bancorp, a federally chartered mutual holding company that will be formed pursuant to the Plan, and Security Federal Savings Bank, a federal stock savings bank, will be established as a federally chartered stock savings bank and a owned subsidiary of the Mutual Holding Company. A Special Meeting of Members is scheduled for August 17, 2022, at 1:00 p.m. The purpose of the Special Meeting is to consider and vote upon the proposed Plan of Reorganization. A majority approval by members of Security Federal Savings Bank is required for the Plan to be carried out.

### Financial Highlights

As reported in the Bank's audited financial statements for year end March 31, 2022, total assets grew from \$338M to \$363M, an increase of 7.3%. Loan originations totaled \$111M compared to prior year totals of \$156M. Much of this variance is attributed to the origination of PPP loans in 2019-20 and historically low interest rates. The majority of PPP loans originated during this period of economic stress, have been fully forgiven as intended.

Demand for residential mortgage loans declined as the lack of supply drove home values up 30%. Although interest rates remained low thru March 31, 2022, mortgage originations fell to \$51M compared to \$82M in 2020-21.

By maintaining strong underwriting practices and internal controls, we were able to end the year with stronger than expected Asset Quality ratios. By proactively managing past due and non-performing loans the Bank has maintained a delinquency ratio below 1% for the entire fiscal year. While some underlying long-term effects of the pandemic are possible, the level of uncertainty around deteriorating credit risk seems to be diminishing.

Total deposits grew 9% which is attributed to the influx of public funds, deposit promotions and changes in consumer spending habits. Deposit account owners are more comfortable in account types that can be easily accessed, with no fixed term or penalty for early withdrawal.

Non-interest revenue derived from Trust and Investment Services, loan and deposit fees and gains on loans sold represent 22% of the Bank's total income for 2021-22. Total market value of assets under management in Trust and Investment accounts increased 10% to just under \$93M, with the addition of 103 accounts. Net income for Trust Services topped \$318,000, double the amount projected for the year. Net income for Investment Services also outperformed annual projections, due in part to fee income being 36% higher than anticipated.

While Security Federal remains true to the purpose of the mutual federal savings association charter to provide home ownership, the Bank continues to seek new opportunities to serve our market area. We are motivated and enthusiastic about the future of Security Federal!

Providing our members Safety, Courtesy and Flexibility for over 88 years!



Sincerely,

A handwritten signature in black ink that reads "Annette Russell". The signature is written in a cursive, flowing style.

**Annette M. Russell**  
President and CEO

# ABOUT US

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## OUR LOCATIONS

314 FOURTH STREET  
LOGANSPOBT, INDIANA 46947  
(574) 722-6261

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300 MALL ROAD  
LOGANSPOBT, INDIANA 46947  
(574) 722-3826

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1260 SOUTH WASHINGTON  
DELPHI, INDIANA 46923  
(765) 564-3000

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519 EAST MARKLAND AVE  
KOKOMO, INDIANA 46901  
(765) 457-1161

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1600 E BOULEVARD ST  
KOKOMO, INDIANA 46902  
(765) 457-3521

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3920 MCCARTY LANE, SUITE A  
LAFAYETTE, INDIANA 47905  
(765) 250-3916

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2827 US 52 WEST  
WEST LAFAYETTE, INDIANA 47906  
765-471-3510

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12 W MAIN STREET  
CARMEL, INDIANA 46032



Security  
Federal  
SAVINGS BANK



# OUR VISION

To disrupt the status quo of community banking, providing flexible solutions, to be the mutual bank you want to own.

## COURTESY

Treat our customers like VIPs.

## SAFETY

Secure products, secure locations.

## FLEXIBILITY

Decisions based on the customer's needs.

We feel a deep sense of gratification as we enthusiastically serve and support all of our communities with passion.

We treat EVERYONE as VIP's through personal touches, such as using names, smiles, friendly faces, and politeness.

We provide for the welfare of our customers and team members, not only physical safety, but financial safety and security as well. We are committed to offering products and services that provide security to the lives of our customers and team.

We encourage our team members to take initiatives by creating an environment that encourages employees to lead and make decisions based on the best interest of the customer and the Bank.

# ABOUT US

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## OUR SERVICES

### LOANS

- Home Mortgage Loans
- Home Equity Loans
- Consumer Loans
- Commercial Loans
- Commercial Leases
- Agricultural Loans

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### SAVINGS

- Checking Accounts
- Savings Accounts
- Money Market Accounts
- Health Savings Accounts
- Certificates of Deposit
- Individual Retirement Accounts

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### OTHER SERVICES

- Trust Services
- Investment Services
- Insurance Services
- Cash Management
- Nationwide ATMs
- Digital Banking & Bill Pay
- Person to Person & Bank to Bank Transfers
- Merchant Services
- Mobile Banking with Mobile Check Deposit
- Telephone Banking

# DIRECTORS

As a mutually-owned bank, our customers are our owners.  
Our board members guide the direction of the bank.

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Annette Russell, President and Chief Executive  
Officer // Security Federal Savings Bank

Jeffrey Baker, President // Baker Specialty

Bret Rinehart, President and Owner // Rinehart  
Realtors Auctioneers, Inc.

Derek Fisher, CPA // Fisher & Associates, Inc.

Dr. Dianne Brown, Optometrist

Scot Ortman, President and Chief Executive  
Officer // Kokomo Grain

Dr. Susan Sciamé-Giesecke, Chancellor // Indiana University Kokomo

Michael Ivy, President and Chief Executive  
Officer // S&S Programming and SquareFrame Industries

Connie Shepherd, Former SVP // First Internet Bank

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Patricia Brandstatter, Director  
Emeritus

John R. Hillis, Director  
Emeritus

Dr. Raymond F. Bonhomme, Direc-  
tor Emeritus

William W. Bassett, Director Emer-  
itus

William D. Steinhilber,  
Director Emeritus



# OFFICERS

To disrupt the status quo of community banking,  
providing flexible solutions.

Annette Russell, President // Chief Executive Officer

Dan Hosler, EVP // Chief Financial Officer

Kelly Stephenson, EVP // Chief Retail Banking Officer

Charles Good, EVP // Chief Lending Officer | CRA Officer

Jon-Myckle Price, SVP // Chief Operating Officer

Dr. Carl Felton // Chief Information Officer

Lynne Ness, SVP // Commercial Development Officer

Vicki Pearl, SVP // Sr. Commercial Development Officer | MLO

Amy M. Cunningham, VP // Human Resource Officer | Board  
Secretary and Treasurer | SAFE Act Admin

Terri Smith, VP // Sr. Mortgage Loan Officer

Eric Ross, VP // Commercial Development Manager | MLO

Bret Henderson, VP // Loan Servicing & Retail Processing Officer

Heather Winters, VP // Trust

Emily Overlander, VP // Controller and Audit Risk Manager

Michael Rush, VP // Business Development

Tamera Helvie, AVP // Branch Operations Officer

Matt Roberts, AVP // Lafayette Commercial Portfolio Analyst

Deanna Campbell, AVP // Commercial and Consumer Loan  
Operations Officer

Melanie Mills, BSA/ OFAC Officer | Fraud Director

Stephen Bultnick // Commercial Development Officer

Jessica Hettinger // Mortgage Loan Officer

Kellie Smith // Residential Processing Officer | Underwriter

AS OF 3/31/2022

We have 87 total staff in  
our branch locations.

# MEET OUR STAFF



# COMMUNITY SUPPORT

CONTRIBUTIONS, SPONSORSHIPS, AND VOLUNTEERISM

We lend a hand to those in need through volunteer hours, giving back to our communities, and charitable donations because we believe in making our corner of the world a better place for everyone to live, work, and play.



42+ VOLUNTEERS  
**GAVE**  
2610 HOURS

**\$205,000+**  
REINVESTED



**70+** Organizations  
Supported

# AUDITED ANNUAL REPORT

Fiscal year ended March 31, 2022

## ASSETS

Cash and Due from Banks	2,674,123
Interest-Bearing Demand Deposits	38,557,645
Interest-Bearing Time Deposits	1,225,635
Investments and Securities	55,325,048
Loans Held for Sale	372,883
Loans, Net of Allowance for Loan Loss	241,683,354
Premises and Equipment, Net of A/D	8,812,017
Federal Home Loan Bank Stock	1,260,000
Interest Receivable	1,055,427
Cash Surrender Value of Life Insurance	8,902,778
Other Assets	3,041,075
<b>Total Assets</b>	<b>362,909,985</b>

## LIABILITIES

Deposits	
Noninterest-Bearing	59,747,474
Interest-Bearing	250,365,299
<b>Total Deposits</b>	<b>310,112,773</b>
Federal Home Loan Bank Advances	12,500,000
Other Liabilities	4,084,340
<b>Total Liabilities</b>	<b>326,697,113</b>

## EQUITY CAPITAL

Retained Earnings, Substantially Restricted	37,412,405
Accumulated Other Comprehensive Income	(1,199,533)
<b>Total Equity Capital</b>	<b>36,212,872</b>
<b>Total Liabilities and Equity Capital</b>	<b>362,909,985</b>



“As reported in the Bank’s audited financial statements for year end March 31, 2022, total assets grew from \$338M to \$363M, an increase of 7.3%. Loan originations totaled \$111M compared to prior year totals of \$156M. Much of this variance is attributed to the origination of PPP loans in 2019-20 and historically low interest rates. The majority of PPP loans originated during this period of economic stress, have been fully forgiven as intended. By maintaining strong underwriting practices and internal controls, we were able to end the year with stronger than expected Asset Quality ratios.”

-Annette Russell, President and CEO

TOTAL CAPITAL (TO RWA*)		
Required	\$18,159	8.00%
Actual	\$38,070	16.8%
TIER 1 CAPITAL (TO RWA*)		
Required	\$13,619	6.00%
Actual	\$35,355	15.6%
COMMON EQUITY TIER 1 CAPITAL (TO RWA*)		
Required	\$10,214	4.50%
Actual	\$35,355	15.6%
TIER 1 CAPITAL (TO AVERAGE ASSETS)		
Required	\$13,036	4.00%
Actual	\$35,355	10.9%

\*Risk weighted asset





## Contact Us

SECURITY FEDERAL SAVINGS BANK

574-722-6261

314 FOURTH STREET, LOGANSPORT IN

[WWW.SECFED.BANK](http://WWW.SECFED.BANK)