March 23, 2020

Dear Fellow Shareholder:

It is with great pleasure that I invite you to attend Security Federal Corporation’s annual meeting of shareholders, to be held on May 21, 2020 at Newberry Hall, located at 117 Newberry Street, SW, Aiken, South Carolina at 11:00 a.m., Eastern time. This meeting will include management’s report to you on our financial and operating performance for the year ended December 31, 2019, as well as an update on the progress we’ve made in achieving our longer term corporate goals.

A critical aspect of the annual meeting is the shareholder vote on corporate business items. I urge you to exercise your voting rights as a shareholder and participate. All the materials you need to vote via the mail are enclosed in this package. Please look them over carefully. Then MARK, DATE, SIGN AND PROMPTLY RETURN YOUR PROXY in the envelope provided so that your shares can be voted at the meeting in accordance with your instructions.

Your Board of Directors and management are committed to the continued success of Security Federal Corporation and to the enhancement of your investment. As your Chairman, I want to express my appreciation for your confidence and support.

Sincerely,

Timothy W. Simmons
Chairman
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 21, 2020

Notice is hereby given that the annual meeting of shareholders of Security Federal Corporation will be held at Newberry Hall, located at 117 Newberry Street, SW, Aiken, South Carolina, on May 21, 2020, at 11:00 a.m., Eastern time. A proxy card and a proxy statement for the meeting are enclosed.

The meeting is for the purpose of considering and acting upon:

Proposal 1: The election of four directors to each serve for a three-year term.

Proposal 2: An advisory (non-binding) vote to approve the compensation of our named executive officers as disclosed in this Proxy Statement.

We will also consider and act upon such other matters as may properly come before the meeting or any adjournments or postponements thereof. As of the date of this notice, we are not aware of any other business to come before the meeting.

The Board of Directors has fixed the close of business on March 12, 2020 as the record date for the annual meeting. This means that shareholders of record at the close of business on that date are entitled to receive notice of, and to vote at, the meeting and any adjournment thereof. To ensure that your shares are represented at the meeting, please take the time to vote by signing, dating and mailing the enclosed proxy card which is solicited by the Board of Directors. The proxy will not be used if you attend and vote at the annual meeting in person. Regardless of the number of shares you own, your vote is very important. Please act today.


A complete list of shareholders entitled to vote at the meeting is available for examination by any shareholder, for any purpose germane to the meeting, between 9:00 a.m. and 5:00 p.m., Eastern time, Monday through Friday, at the main office of Security Federal Corporation located at 238 Richland Avenue, NW, Aiken, South Carolina, from the date of this Proxy Statement through the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Robert E. Alexander
Secretary

Aiken, South Carolina
March 23, 2020

IMPORTANT: The prompt return of proxies will save us the expense of further requests for proxies in order to ensure a quorum at the meeting. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.
The Board of Directors of Security Federal Corporation is using this Proxy Statement to solicit proxies from our shareholders for use at the annual meeting of shareholders. We are first mailing this Proxy Statement and the enclosed form of proxy to our shareholders on or about March 23, 2020.

The information provided in this Proxy Statement relates to Security Federal Corporation and its wholly-owned subsidiary, Security Federal Bank. Security Federal Corporation may also be referred to as “Security Federal” and Security Federal Bank may also be referred to as the “Bank.” References to “we,” “us” and “our” refer to Security Federal and, as the context requires, Security Federal Bank.

INFORMATION ABOUT THE ANNUAL MEETING

Our annual meeting will be held as follows:

Date: Thursday, May 21, 2020
Time: 11:00 a.m., Eastern time
Place: Newberry Hall, located at 117 Newberry Street, SW, Aiken, South Carolina

Matters to Be Considered at the Annual Meeting

At the meeting, you will be asked to consider and vote upon the following proposals:

Proposal 1. The election of four directors to each serve for a three-year term and one director to serve for a one-year term.

Proposal 2: An advisory (non-binding) vote to approve the compensation of our named executive officers as disclosed in this Proxy Statement.

We also will transact any other business that may properly come before the annual meeting. As of the date of this Proxy Statement, we are not aware of any other business to be presented for consideration at the annual meeting other than the matters described in this Proxy Statement.

Who is Entitled to Vote?

We have fixed the close of business on March 12, 2020 as the record date for shareholders entitled to notice of and to vote at our annual meeting. Only holders of record of Security Federal’s common stock on that date are entitled to notice of and to vote at the annual meeting. You are entitled to one vote for each share of Security Federal common stock you own. On the record date, there were 3,252,884 shares of Security Federal common stock outstanding and entitled to vote at the annual meeting.

How Do I Vote at the Annual Meeting?

Proxies are solicited to provide all shareholders on the voting record date an opportunity to vote on matters scheduled for the annual meeting and described in these materials. This question provides voting instructions for shareholders of record. You are a shareholder of record if your shares of Security Federal common stock are held in your name. If you are a beneficial owner of Security Federal common stock held by a broker, bank or other nominee (i.e., in “street name”), please see the instructions in the following question.
Shares of Security Federal common stock can only be voted if the shareholder is present in person or by proxy at the annual meeting. To ensure your representation at the annual meeting, we recommend you vote by proxy even if you plan to attend the annual meeting. You can always change your vote at the meeting if you are a shareholder of record.

Voting instructions are included on your proxy card. Shares of Security Federal common stock represented by properly executed proxies will be voted by the individuals named on the proxy card in accordance with the shareholder’s instructions. Where properly executed proxies are returned to us with no specific instruction as to how to vote at the annual meeting, the persons named in the proxy will vote the shares FOR the election of each of our director nominees and FOR approval of the compensation of our named executive officers. If any other matters are properly presented at the annual meeting for action, the persons named in the enclosed proxy and acting thereunder will have the discretion to vote on these matters in accordance with their best judgment. We do not currently expect that any other matters will be properly presented for action at the annual meeting.

You may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children. In this case, you will receive three separate proxy cards to vote.

What if My Shares Are Held in Street Name?

If you are the beneficial owner of shares held in street name by a broker, your broker, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If your common stock is held in street name, you will receive instructions from your broker that you must follow in order to have your shares voted. Your broker may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form that accompanies this Proxy Statement. If you do not give instructions to your broker, your broker may nevertheless vote the shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items, pursuant to current industry practice. In the case of non-discretionary items, the shares not voted will be treated as “broker non-votes.” Both of the proposals included in this Proxy Statement are non-discretionary items; therefore, you must provide instructions to your broker in order to have your shares voted with respect to the proposals.

If your shares are held in street name and you wish to change your voting instructions after you have returned your voting instruction form to your broker, you must contact your broker. If your shares are held in street name, you will need proof of ownership to be admitted to the annual meeting. A recent brokerage statement or letter from the record holder of your shares are examples of proof of ownership. If you want to vote your shares of common stock held in street name in person at the annual meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

How Many Shares Must Be Present to Hold the Meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of at least a majority of the shares of Security Federal common stock entitled to vote at the annual meeting as of the record date will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a Quorum Is Not Present at the Meeting?

If a quorum is not present at the scheduled time of the meeting, a majority of the shareholders present or represented by proxy may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for more than 30 days or a new record date is set. An adjournment will have no effect on the business that may be conducted at the meeting.

Vote Required to Approve Proposal 1: Election of Directors

Directors are elected by a plurality of the votes cast, in person or by proxy, at the annual meeting by holders of Security Federal common stock. Accordingly, the five nominees for election as directors who receive the highest number of votes actually cast will be elected. Pursuant to our Articles of Incorporation, shareholders are not permitted to cumulate
their votes for the election of directors. Votes may be cast for or withheld from each nominee. Votes that are withheld will have no effect on the outcome of the election because the nominees receiving the greatest number of votes will be elected. Our Board of Directors unanimously recommends that you vote FOR the election of each of its director nominees.

Vote Required to Approve Proposal 2: Advisory Approval of Executive Compensation

The advisory (non-binding) vote to approve the compensation of our named executive officers requires the affirmative vote of a majority of the votes cast, in person or by proxy, at the annual meeting. Abstentions and broker non-votes do not constitute votes cast and therefore will have no effect on approval of the proposal. Our Board of Directors unanimously recommends that you vote FOR approval of the compensation of our named executive officers.

May I Revoke My Proxy?

You may revoke your proxy before it is voted by:

• submitting a new proxy with a later date;
• notifying the Secretary of Security Federal in writing before the annual meeting that you have revoked your proxy; or
• voting in person at the annual meeting.

Any written notice revoking a proxy should be delivered to Robert E. Alexander, Secretary, Security Federal Corporation, 238 Richland Avenue, NW, Aiken, South Carolina 29801.

If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. However, if your shares are held in street name, you must bring a validly executed proxy from the nominee indicating that you have the right to vote your shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 12, 2020, the voting record date, information regarding share ownership of:

• those persons or entities (or groups of affiliated persons or entities) known by management to beneficially own more than five percent of Security Federal’s common stock, other than directors and executive officers;
• each director and director nominee of Security Federal;
• each executive officer of Security Federal or the Bank named in the Summary Compensation Table appearing under “Executive Compensation” below (known as “named executive officers”); and
• all current directors and executive officers of Security Federal and the Bank as a group.

Persons and groups who beneficially own in excess of five percent of Security Federal’s common stock are required to file with the Securities and Exchange Commission (“SEC”), and provide a copy to us, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To our knowledge, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares of Security Federal’s common stock as of the close of business on the voting record date.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In accordance with Rule 13d-3 of the Securities Exchange Act of 1934, a person is deemed to be the beneficial owner of any shares of common stock if he or she has voting and/or investment power with respect to those shares. Therefore, the table below includes shares owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power.
**Beneficial Owners of More Than 5%**

(Other Than Directors and Executive Officers)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Beneficially Owned</th>
<th>Percent of Shares Outstanding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T. Clifton Weeks Family Ltd. Partnership (1)</td>
<td>295,878</td>
<td>9.10</td>
</tr>
<tr>
<td>Thomas W. Weeks and Drew W. Weeks (2)</td>
<td>212,316</td>
<td>6.53</td>
</tr>
</tbody>
</table>

**Directors**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>Percent of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert E. Alexander (3)</td>
<td>19,650</td>
<td>*</td>
</tr>
<tr>
<td>William Clyburn (4)</td>
<td>14,514</td>
<td>*</td>
</tr>
<tr>
<td>Richard T. Harmon (5)</td>
<td>5,394</td>
<td>*</td>
</tr>
<tr>
<td>Thomas L. Moore (6)</td>
<td>23,604</td>
<td>*</td>
</tr>
<tr>
<td>Timothy W. Simmons (7)</td>
<td>717,177</td>
<td>22.05</td>
</tr>
<tr>
<td>Frank M. Thomas, Jr. (8)</td>
<td>17,301</td>
<td>*</td>
</tr>
<tr>
<td>Frampton W. Toole, III</td>
<td>153,650</td>
<td>4.72</td>
</tr>
<tr>
<td>Harry O. Weeks, Jr. (9)</td>
<td>115,148</td>
<td>3.54</td>
</tr>
</tbody>
</table>

**Named Executive Officers**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>Percent of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Chris Verenes (10)</td>
<td>34,056</td>
<td>1.05</td>
</tr>
<tr>
<td>Roy G. Lindburg (11)</td>
<td>59,306</td>
<td>1.82</td>
</tr>
<tr>
<td>Jessica T. Cummins</td>
<td>500</td>
<td>*</td>
</tr>
<tr>
<td>All directors and executive officers as a group (13 persons)</td>
<td>1,165,393</td>
<td>35.83</td>
</tr>
</tbody>
</table>

* Less than one percent of shares outstanding.  
** Each of the named executive officers is also a director of Security Federal.

(1) The address of the T. Clifton Weeks Family Ltd. Partnership is P.O. Box 941, Aiken, South Carolina 29802.  
(2) Thomas W. Weeks is the brother of Harry O. Weeks, Jr., a director of Security Federal. Includes 45,600 shares held by Mr. Thomas W. Weeks’ wife. The address for Mr. and Mrs. Weeks is 3716 Docksite Road, Edisto Beach, South Carolina 29438.  
(3) Includes 3,000 shares held by his wife and 3,000 shares held by his son.  
(4) Includes 6,464 shares held jointly with his wife.  
(5) Includes 644 shares held jointly with his wife.  
(6) Includes 16,420 shares held in a trust. Also includes 2,880 shares held by his wife, of which 600 shares are in a trust.  
(7) Includes 79,598 shares held by his wife. Excludes shares owned by the T. Clifton Weeks Family Ltd. Partnership, of which Mr. Simmons’ wife is a partner.  
(8) Includes 6,180 shares held jointly with his wife.  
(9) Includes 3,540 shares held by his wife.  
(10) Includes 5,300 shares held jointly with his wife.  
(11) Includes 52,255 shares held in a trust.

**PROPOSAL 1 – ELECTION OF DIRECTORS**

Our Board of Directors consists of eleven members and is divided into three classes. Approximately one-third of the directors are elected annually to serve for a three-year period or until their respective successors are elected and qualified. The table below sets forth information regarding each director of Security Federal and each nominee for director. The Nominating Committee of the Board of Directors selects nominees for election as directors. The Nominating Committee has nominated Robert E. Alexander, William Clyburn, Frank M. Thomas, Jr. and Jessica T. Cummins, each to serve for a term of three years. All of our nominees currently serve as directors of Security Federal and Security Federal Bank. Each nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority. At this time, we are not aware of any reason why a nominee might be unable to serve if elected.
The Board of Directors recommends a vote FOR the election of Robert E. Alexander, William Clyburn, Frank M. Thomas, Jr. and Jessica T. Cummins.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age (1)</th>
<th>Positions Held in Security Federal and the Bank</th>
<th>Director Since (2)</th>
<th>Term to Expire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert E. Alexander</td>
<td>80</td>
<td>Secretary and Director of Security Federal and the Bank</td>
<td>1988</td>
<td>2023 (3)</td>
</tr>
<tr>
<td>William Clyburn</td>
<td>78</td>
<td>Director of Security Federal and the Bank</td>
<td>1993</td>
<td>2023 (3)</td>
</tr>
<tr>
<td>Frank M. Thomas, Jr.</td>
<td>73</td>
<td>Director of Security Federal and the Bank</td>
<td>2008</td>
<td>2023 (3)</td>
</tr>
<tr>
<td>Jessica T. Cummins</td>
<td>39</td>
<td>Chief Financial Officer and Director of Security Federal and the Bank</td>
<td>2018</td>
<td>2023 (3)</td>
</tr>
</tbody>
</table>

CONTINUING DIRECTORS

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Positions Held in Security Federal and the Bank</th>
<th>Director Since (2)</th>
<th>Term to Expire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timothy W. Simmons</td>
<td>74</td>
<td>Chairman of the Board of Security Federal and Director of the Bank</td>
<td>1983</td>
<td>2021</td>
</tr>
<tr>
<td>Harry O. Weeks, Jr.</td>
<td>80</td>
<td>Director of Security Federal and the Bank</td>
<td>2011</td>
<td>2021</td>
</tr>
<tr>
<td>Roy G. Lindburg</td>
<td>59</td>
<td>President of Security Federal and Director of Security Federal and the Bank</td>
<td>2005</td>
<td>2021</td>
</tr>
<tr>
<td>Thomas L. Moore</td>
<td>69</td>
<td>Director of Security Federal and the Bank</td>
<td>1990</td>
<td>2022</td>
</tr>
<tr>
<td>J. Chris Verenes</td>
<td>63</td>
<td>Chief Executive Officer and Director of Security Federal and Chairman of the Board</td>
<td>2002</td>
<td>2022</td>
</tr>
<tr>
<td>Richard T. Harmon</td>
<td>64</td>
<td>Director of Security Federal and the Bank</td>
<td>2013</td>
<td>2022</td>
</tr>
<tr>
<td>Frampton W. Toole, III</td>
<td>65</td>
<td>Director of Security Federal and the Bank</td>
<td>2019</td>
<td>2022</td>
</tr>
</tbody>
</table>

(1) As of December 31, 2019.
(2) For years prior to 1988, includes service on the Board of Directors of the Bank.
(3) Assuming election or re-election at the annual meeting.

Set forth below is the principal occupation of each nominee for director and each director continuing in office. All nominees and directors have held their present positions for at least five years unless otherwise indicated.

Robert E. Alexander is the Chancellor Emeritus of the University of South Carolina – Aiken after having served as Chancellor from 1983 to June 2000. Dr. Alexander is past chair and former member of the Board of Governors as well as the Patient Safety Committee of Aiken Regional Medical Centers, a wholly-owned subsidiary of Universal Health Services. He was a founding member and past chair of the Board of Directors of the Child Advocacy Center of Aiken, an organization that provides emergency intervention, forensic exams and counseling to children in abusive situations. He is Chair of the Personnel Committee of St. Thaddeus Episcopal Church. He has recently served as a member of the following boards: The Bishop Gravatt Episcopal Retreat Center, The Aiken Preparatory School and The Lambda Chi Alpha National Fraternity Indianapolis, Indiana. In addition, Dr. Alexander occasionally serves as a consultant for architectural firms on a national and a regional basis in the fields of higher education and health care facilities. Dr. Alexander brings to the Board of Directors organizational expertise and strong knowledge of our local community involvement.

William Clyburn is retired. Prior to his retirement in March 2005, he was employed as an Advisor for Community Alliances with Westinghouse Savannah River Company, a United States Department of Energy contractor located in Aiken, South Carolina, since September 1994. He previously served as an Administrative Law Judge with the South Carolina Workers Compensation Commission from July 1986 to June 1994. Mr. Clyburn serves in the South Carolina House of Representatives. Mr. Clyburn brings employer relations expertise, as well as community involvement, to the Board of Directors.
Frank M. Thomas, Jr. is retired. He served as President of the Bank from 2011 until June 2014, and as Executive Vice President of the Bank from 2007 until 2011. Mr. Thomas began his career with the Bank in 1994 as a Business Development Officer and served in positions of increasing responsibilities in his years with the Bank. His most recent positions have included Senior Vice President of Commercial Lending and Senior Vice President and Aiken Area Executive of the Bank. Mr. Thomas is active in the Aiken community and is past Chair of the Board of Directors of the Greater Aiken Chamber of Commerce. Mr. Thomas’ career has given him experience in a number of areas of banking, with particular expertise in the area of lending.

Jessica T. Cummins has been the Chief Financial Officer of Security Federal and the Bank since June 2014. Prior to that, she served as Treasurer of the Company since joining Security Federal and the Bank in 2007. Prior to 2007, Ms. Cummins was employed by Elliott Davis LLC in their financial services practice, specializing in financial institutions with an emphasis on publicly-traded companies. Ms. Cummins has a Masters of Accountancy from the University of South Carolina’s Darla Moore School of Business where she graduated Summa Cum Laude and is a Certified Public Accountant.

Timothy W. Simmons has served as Chairman of the Board since October 2011. He served as President and Chief Executive Officer of Security Federal from 1987 and 1994, respectively, until his retirement on January 1, 2012. Mr. Simmons was elected President and Chief Operating Officer of the Bank in January 1987 and served in these capacities from March 1987 to December 2001. In May 1988, Mr. Simmons became Chief Executive Officer of the Bank and in January 2002, he was elected Chairman of the Bank’s Board of Directors, positions he held until December 2010. Mr. Simmons’ career in banking has given him expertise in all areas of banking.

Harry O. Weeks, Jr. was appointed to the Boards of Directors of Security Federal and the Bank effective January 1, 2011. Mr. Weeks previously served as a director of Security Federal and the Bank from 1978 until his retirement on April 1, 2008. Mr. Weeks is an Insurance Broker and Business Development Officer with Hutson-Etheredge Companies, a position he has held since May 1995. Prior to that, Mr. Weeks was President and Chief Executive Officer of Lyon, Croft, Weeks & Hunter Insurance Agency from May 1965 to May 1995. Mr. Weeks’ prior service on the Board of Directors and Audit Committee provided him expertise in many areas of banking.

Roy G. Lindburg has served as President of Security Federal since June 6, 2014. Mr. Lindburg is a Certified Public Accountant and served as Chief Financial Officer of Security Federal and the Bank from January 1995 until June 2014. Mr. Lindburg serves on the Business Advisory Council for the University of South Carolina Aiken School of Business Administration. He also serves on the Salvation Army Advisory Board and the South Carolina Tennis Association Board. Mr. Lindburg provides the Board of Directors with financial expertise.

Thomas L. Moore owns TL Moore Consulting, LLC, which provides consulting and registered lobbying services for entities primarily located in South Carolina. He was President of Boiler Efficiency, Inc., a mechanical contracting company, which was in operation from 1978 to 2011. He served in the South Carolina House of Representatives from 1979 to 1981 and the South Carolina Senate from 1981 to 2007. Mr. Moore brings to the Board a diverse background in politics, community involvement and small business management.

J. Chris Verenes is Chief Executive Officer of Security Federal and Chairman of the Board and Chief Executive Officer of the Bank, positions he has held since January 1, 2012 and January 1, 2011, respectively. He served as President of Security Federal from 2012 until June 2014 and as President of the Bank from 2004 until 2011. Before joining the Bank he held a variety of management positions with Washington Group International, now part of AECOM, an engineering and construction company that also manages and operates major government sites throughout the United States for the Department of Energy. He was Director of Planning and Administration from 2001 to January 2004, Chief of Staff during 2001, Director of Strategic Programs for the business unit from 2000 to 2001 and Deputy Manager of Business Development from 1996 to 2000. Prior to his employment by Washington Group International, Mr. Verenes served as Controller for Riegel Textile Corporation, as Director of Control Data and Business and Technology Center, and as Executive Director of the South Carolina Democratic Party. Mr. Verenes’ career has given him expertise in management and strategic planning.

Richard T. Harmon is retired. He served as President of the Bank from June 2014 until August 2019. Prior to that, he was Chief Lending Officer of the Bank from 2011 until June 2014, and Senior Vice President of Mortgage
Lending from 2007 until 2011. Prior to his employment with the Bank, Mr. Harmon was employed with Regions Bank from 1998 to 2007 as Senior Vice President of Construction Lending. From 1985 to 1998, Mr. Harmon was employed at Palmetto Federal Savings Bank of South Carolina serving in a variety of positions related to branch operations and lending. Mr. Harmon presently serves on the Board of Directors for the Greater Aiken Chamber of Commerce, United Way of Aiken County and the Finance Committee for Aiken County Habitat for Humanity. Mr. Harmon’s career has given him expertise in many areas of banking, particularly in the area of lending.

Frampton W. Toole, III is an attorney in private practice in Aiken, South Carolina, with Toole and Toole, Attorneys. He has been in private practice for over 38 years. His primary areas of practice are real estate law, probate law and commercial law. His degrees include a B.A. in history and a J.D. in law from the University of South Carolina. He is retired from the Judge Advocate General’s Corps of the United States Army Reserve with over 27 years of service, having attained the rank of Lieutenant Colonel. He currently serves as a member of the University of South Carolina Aiken Partnership Board and the Board of Directors of the Aiken Land Conservancy. Mr. Toole brings legal expertise, organizational skills and community involvement to the Board of Directors.

**MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS**

**Board of Directors**

The Boards of Directors of Security Federal and the Bank conduct their business through Board and committee meetings. During the year ended December 31, 2019, the Security Federal Board of Directors held 12 regular meetings. The Board of Directors of the Bank generally meets on a monthly basis and during the year ended December 31, 2019, met 26 times. No director attended fewer than 75% of the total meetings of the Boards and committees on which that director served during this period.

**Committees and Committee Charters**

Security Federal’s Board of Directors has standing Executive, Audit, Compensation, Proxy and Nominating Committees. The Bank’s Board of Directors has standing Executive, Audit, Compensation, Loan and Review Committees. Security Federal’s Audit and Nominating Committees have adopted written charters and copies of these charters are available on our website at www.securityfederalbank.com.

**Committees of the Security Federal Board of Directors**

The Executive Committee, comprised of Directors Simmons (Chairman), Toole, Alexander, Weeks, Verenes Lindburg, Harmon, Thomas, Cummins, Clyburn and Moore, meets on an as needed basis to handle matters arising between Board meetings. This Committee met once during the year ended December 31, 2019.

The Audit Committee, comprised of Directors Moore (Chairman), Clyburn, Alexander, Simmons, Thomas, Toole and Harmon assists the Board in fulfilling its oversight responsibilities. This Committee is responsible for reviewing our annual audited financial statements and any financial statements submitted to the public, appointment of the independent registered public accounting firm and monitoring the independence and performance of our independent registered public accounting firm and internal auditing department. The Board of Directors has determined that there is no “audit committee financial expert,” as defined by the SEC; however, the Board believes that the current members of the Audit Committee are qualified to serve based on their collective experience and background. Directors Moore, Clyburn, Alexander, Thomas and Toole are “independent,” pursuant to the rules of The Nasdaq Stock Market LLC (“Nasdaq”) governing audit committee membership. Director Simmons is not independent for purposes of audit committee membership and Director Harmon is not an independent director. Although Security Federal’s common stock is not listed on Nasdaq, it has chosen to apply Nasdaq’s definition of independence, as permitted by the SEC. This Committee met 12 times during the year ended December 31, 2019.

The Compensation Committee, which also serves as the Stock Option Committee, is comprised of Directors Simmons (Chairman), Toole, Alexander, Weeks, Moore, Clyburn, Thomas and Harmon. This Committee meets on an
as needed basis and makes recommendations to the Board regarding annual contributions to certain benefit plans and salaries for officers and employees. This Committee also determines certain minor administrative matters related to certain employee benefit plans. Each member of the Committee is “independent,” as defined by Nasdaq, with the exception of Mr. Simmons and Mr. Harmon. This Committee did not meet during the year ended December 31, 2019.

The Proxy Committee, which is composed of Directors Simmons (Chairman), Toole, Alexander, Weeks, Moore, Clyburn and Thomas is responsible for voting the proxies of Security Federal’s shareholders. The Committee met once during the year ended December 31, 2019.

The Nominating Committee, consisting of Directors Simmons (Chairman), Toole, Alexander, Weeks, Moore, Clyburn, Thomas and Harmon was formed to ensure that we maintain the highest standards and best practices in all critical areas relating to the management of our business. This Committee also selects nominees for the election of directors and develops a list of nominees for board vacancies. Each member of the Committee is “independent,” as defined by Nasdaq. The Committee met three times during the year ended December 31, 2019.

Only those nominations made by the Committee or properly presented by shareholders will be voted upon at the meeting. In its deliberations for selecting candidates for nominees as director, the Nominating Committee considers the candidate’s knowledge of the banking business and involvement in community, business and civic affairs, and also considers whether the candidate would provide for adequate representation of the Bank’s market area. Any nominee for director made by the Committee must be highly qualified with regard to some or all these attributes. In searching for qualified director candidates to fill vacancies in the Board, the Committee solicits its current Board of Directors for names of potentially qualified candidates. Additionally, the Committee may request that members of the Board of Directors pursue their own business contacts for the names of potentially qualified candidates. The Committee would then consider the potential pool of director candidates, select the candidate the Committee believes best meets the then-current needs of the Board, and conduct a thorough investigation of the proposed candidate’s background to ensure there is no past history that would cause the candidate not to be qualified to serve as a director of Security Federal. The Committee will consider director candidates recommended by Security Federal’s shareholders. If a shareholder submits a proposed nominee, the Committee would consider the proposed nominee, along with any other proposed nominees recommended by members of Security Federal’s Board of Directors, in the same manner in which the Committee would evaluate its nominees for director. For a description of the proper procedure for shareholder nominations, see “Shareholder Proposals and Nominations” in this Proxy Statement.

As noted above, the Nominating Committee considers a number of criteria when selecting new members of the Board. Those criteria as well as viewpoint, skill, gender, race and national origin are considered to provide for diversity on our Board of Directors. These diversity factors are considered when the Nominating Committee and Board are seeking to fill a vacancy or new seat on the Board.

Committees of the Security Federal Bank Board of Directors

The Executive Committee is composed of Directors Verenes (Chairman), Toole, Alexander, Weeks, Simmons, Lindburg, Moore, Clyburn, Harmon, Thomas and Cummins. To the extent authorized by the Board of Directors and by the Bank’s Bylaws, this Committee exercises all of the authority of the Board of Directors between Board meetings and formulates recommendations for presentation to the full Board. All actions of this Committee are reviewed and ratified by the entire Board. The Executive Committee met 43 times during the year ended December 31, 2019.

The Loan Committee is composed of Directors Verenes (Chairman), Toole, Alexander, Weeks Simmons, Lindburg, Thomas, Moore, Clyburn, Harmon and Cummins. The Loan Committee is responsible for and oversees the Bank’s loan activities. All actions of this Committee are reviewed and ratified by the entire Board. This Committee met 49 times during the year ended December 31, 2019.

The Audit Committee reviews audit reports, reevaluates audit performance and handles relations with the Bank’s independent registered public accounting firm to ensure effective compliance with regulatory and internal policies and procedures. This Committee is comprised of Directors Moore (Chairman), Clyburn, Alexander, Simmons, Thomas, Toole and Harmon. The Audit Committee met 13 times during the year ended December 31, 2019.
The Compensation Committee makes recommendations to the Board regarding the amount of the Bank’s annual contribution to certain benefit plans and salaries for the Bank’s officers and employees. This Committee also determines certain minor administrative matters related to certain employee plans. The Compensation Committee is comprised of Directors Simmons (Chairman), Toole, Alexander, Weeks, Moore, Clyburn, Thomas and Harmon. This Committee met 12 times during the year ended December 31, 2019.

The Trust Committee consists of Directors Toole (Chairman), Alexander, Simmons, Thomas, Moore, Clyburn, Toole, Harmon, Lindburg and Cummins. This Committee reviews and approves activities of Security Federal Trust, a division of the Bank. This Committee met 24 times during the year ended December 31, 2019.

The Investment Committee consists of Directors Verenes (Chairman), Alexander, Simmons, Thomas, Moore, Clyburn, Toole, Harmon, Lindburg and Cummins. This Committee reviews and approves activities of Security Federal Investments, a division of the Bank. This Committee met 11 times during the year ended December 31, 2019.

**Leadership Structure and Board Involvement in Risk Management Process**

The positions of Board Chairman and of President and Chief Executive Officer are held by two persons. This has been the case since 1994. Our Board of Directors is chaired by Timothy W. Simmons, who is a non-executive director. The Chief Executive Officer is responsible for the day-to-day performance of Security Federal while the Chairman of the Board provides guidance, sets the agenda for Board meetings and presides over meetings of the full Board. The Board believes that having a non-executive Chairman is the best structure under current circumstances.

The Board of Directors is actively involved in oversight of risks that could affect Security Federal. This oversight is accomplished in part through the Executive, Audit and Nominating Committees of the Board of Directors. The Board of Directors satisfies its risk oversight responsibility through full reports by each committee regarding its considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within Security Federal and through internal and external audits. Risks relating to the direct operations of Security Federal Bank are further overseen by the Bank’s Board of Directors, who are the same individuals who serve on the Board of Directors of Security Federal. The Board of Directors of the Bank also has additional committees including Loan, Trust and Investment Committees that conduct risk oversight separate from Security Federal. Further, the Board of Directors oversees risks through the establishment of policies and procedures that are designed to guide daily operations in a manner consistent with applicable laws, regulations and risks acceptable to the organization.

**Corporate Governance**

We are committed to establishing and maintaining high standards of corporate governance. The Board of Directors is cognizant of its responsibility to comply with the provisions contained in the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC adopted thereunder. The Board and its committees will continue to evaluate and improve our corporate governance principles and policies as necessary and as required.

**Code of Ethics.** The Board of Directors has adopted a written Code of Ethics for Principal Executive Officers and Senior Financial Officers, and requires individuals to maintain the highest standards of professional conduct. The Code of Ethics is available on our website at www.securityfederalbank.com.

**Communication with the Board of Directors.** The Board of Directors maintains a process for shareholders to communicate with the Board of Directors. Shareholders wishing to communicate with the Board of Directors should send any communication to the Secretary, Security Federal Corporation, P.O. Box 810, Aiken, South Carolina 29802. Any communication must state the number of shares beneficially owned by the shareholder making the communication. The Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Secretary has the authority to discard the communication or take appropriate legal action.

**Annual Meeting Attendance by Directors.** We do not have a policy regarding Board member attendance at annual meetings of shareholders. All members of the Board of Directors attended the 2019 annual meeting of shareholders.
**Director Independence.** Although our common stock is not listed on Nasdaq, we have chosen to apply Nasdaq’s definition of “independence,” as permitted by the SEC. Robert E. Alexander, William Clyburn, Thomas L. Moore, Timothy W. Simmons, Frank M. Thomas, Jr., Frampton W. Toole, III and Harry O. Weeks, Jr. are all independent. Former director Gasper L. Toole, III was independent. J. Chris Verenes, Roy G. Lindburg and Jessica T. Cummins are executive officers of Security Federal and accordingly, are not independent. Richard T. Harmon retired as an executive officer in August 2019 and is not independent.

**Related Party Transactions.** Applicable law and regulations require that all loans or extensions of credit to executive officers and directors must be made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons (unless the loan or extension of credit is made under a benefit program generally available to all employees and does not give preference to any insider over any other employee) and must not involve more than the normal risk of repayment or present other unfavorable features. The Bank has adopted a policy to this effect. At December 31, 2019, loans to all employees, officers and directors of the Bank totaled approximately $4.1 million, or 4.5% of Security Federal’s total shareholders’ equity. These loans (1) were made in the ordinary course of business, (2) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the Bank’s other customers (other than those made under the Bank’s employee loan program, which is discussed below) and (3) did not involve more than the normal risk of collectability or present other unfavorable features when made. All loans to directors and executive officers are required to be reviewed by the Chief Executive Officer and the Loan Committee and reported to the Board. Loans and aggregate loans of $500,000 or greater are reviewed and approved by the Bank’s Board of Directors, pursuant to Regulation O of the Federal Reserve Board. All loan approval and review procedures are governed by written policies.

The Bank also offers an employee loan program to all employees to assist employees with loans for a variety of personal, family or household credit needs, or for the purchase, construction or refinancing of a home which is the employee’s primary residence. All loans offered to employees are closed on the same terms as those available to members of the general public. Following closing, the terms of employee loans are modified to reflect a preferential interest rate. Existing loans may be modified to conform to the terms of the employee loan program. The employee loan rates are modified on January 1 of each year to reflect the Bank’s cost of funds. If an employee terminates employment at the Bank, the interest rate on the loan reverts to the original rate for the general public. The table below provides information regarding our directors and executive officers who had indebtedness and principal payable thereon pursuant to the employee loan program that exceeded $120,000 during the year ended December 31, 2019. No director or executive officer had indebtedness and principal under the employee loan program that exceeded $120,000 during the year ended December 31, 2018.

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of loan</th>
<th>Amount involved in the transaction ($)</th>
<th>Amount outstanding at end of period ($)</th>
<th>Principal paid during the period ($)</th>
<th>Interest paid during the period ($)</th>
<th>Interest rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Chris Verenes</td>
<td>Adjustable rate first mortgage</td>
<td>409,600</td>
<td>403,045</td>
<td>6,555</td>
<td>6,382</td>
<td>2.735</td>
</tr>
<tr>
<td></td>
<td>Consumer first mortgage</td>
<td>30,111</td>
<td>17,900</td>
<td>12,211</td>
<td>982</td>
<td>4.000</td>
</tr>
</tbody>
</table>

(1) Consists of the largest amount of principal outstanding during the year.
DIRECTORS’ COMPENSATION

The following table shows the compensation paid to our directors for the year ended December 31, 2019, except for those who are our named executive officers. Compensation for Directors J. Chris Verenes and Roy G. Lindburg is included in the section below entitled “Executive Compensation.” The directors below did not receive any stock or option awards, nor do they have any non-equity incentive plan compensation, change in pension value or non-qualified deferred compensation earnings; therefore, these columns have been omitted from the table below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert E. Alexander</td>
<td>77,100</td>
<td>--</td>
<td>77,100</td>
</tr>
<tr>
<td>William Clyburn</td>
<td>64,050</td>
<td>--</td>
<td>64,050</td>
</tr>
<tr>
<td>Richard T. Harmon</td>
<td>42,500</td>
<td>--</td>
<td>42,500</td>
</tr>
<tr>
<td>Thomas L. Moore</td>
<td>77,100 (1)</td>
<td>2,383 (1)</td>
<td>79,483</td>
</tr>
<tr>
<td>Timothy W. Simmons</td>
<td>111,500</td>
<td>48,680 (2)</td>
<td>160,180</td>
</tr>
<tr>
<td>Frank M. Thomas, Jr.</td>
<td>73,500</td>
<td>37,600 (2)</td>
<td>111,100</td>
</tr>
<tr>
<td>Frampton W. Toole, III (3)</td>
<td>51,250</td>
<td>--</td>
<td>51,250</td>
</tr>
<tr>
<td>Harry O. Weeks, Jr.</td>
<td>53,000</td>
<td>--</td>
<td>53,000</td>
</tr>
<tr>
<td>Gasper L. Toole, III (4)</td>
<td>42,500</td>
<td>--</td>
<td>42,500</td>
</tr>
</tbody>
</table>

(1) Received for service on the North Augusta area and Midland Valley area advisory boards. These committees consist of local business people who meet monthly to advise the Bank on how it can better serve the community.

(2) Payments received pursuant to Salary Continuation Agreement (described below).

(3) Elected to the Board of Directors on April 18, 2019 at the annual meeting of shareholders.

(4) Retired effective as of April 18, 2019.

Security Federal does not compensate the members of its Board of Directors for service on the Board or committees; all fees are paid by Security Federal Bank for service to the Bank. The directors of the Bank receive fees of $2,250 per month. Members of the Bank’s Executive Committee receive $2,167 per month for membership on this Committee, with the exception of Messrs. Verenes, Lindburg and Harmon and Ms. Cummins, who do not receive a fee for service on this Committee. Members of the Audit Committee receive $1,250 per meeting attended and the Chairman of the Audit Committee also receives $300 per month. Members of the Trust and Investment Committees receive $458 per month. No fee is paid for service on the Bank’s Compensation or Loan Committees.

Salary Continuation Agreement. Effective May 16, 2006, we entered into salary continuation agreements with Timothy W. Simmons, then President and Chief Executive Officer of Security Federal, and Frank M. Thomas, Jr., then President of the Bank. Effective October 1, 2008, we entered into a salary continuation agreement with Richard T. Harmon, then an Executive Vice President and later President of the Bank. The agreements provide an annual supplemental retirement benefit to begin on the last day of the year in which the executive attains age 65, or upon his separation from service, if later. The benefit equals 20% of the executive’s final pay, payable in monthly installments over 15 years. Mr. Simmons turned 65 in 2010 and retired effective January 1, 2012. He began receiving a monthly benefit of $4,057 on January 1, 2012. Mr. Thomas turned 65 in 2012 and retired effective June 6, 2014. He began receiving a monthly benefit of $3,133 on July 1, 2014. Mr. Harmon retired on August 1, 2019 at the age of 63 and therefore, will not receive his full benefit. Mr. Harmon will receive a monthly benefit of $2,963 beginning on April 1, 2021 for 15 years.
## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table shows information regarding compensation earned during the fiscal years ended December 31, 2019 and 2018, for our named executive officers: (1) J. Chris Verenes, our principal executive officer; and (2) our two other most highly compensated executive officers, who are Roy G. Lindburg and Jessica Cummins.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Chris Verenes</td>
<td>2019</td>
<td>335,750</td>
<td>102,932</td>
<td>38,941</td>
<td>477,623</td>
</tr>
<tr>
<td>Chief Executive Officer and Director of Security Federal; Chairman and Chief Executive Officer of the Bank</td>
<td>2018</td>
<td>315,000</td>
<td>69,141</td>
<td>38,776</td>
<td>422,917</td>
</tr>
<tr>
<td>Roy G. Lindburg</td>
<td>2019</td>
<td>257,000</td>
<td>52,767</td>
<td>34,692</td>
<td>344,459</td>
</tr>
<tr>
<td>President of Security Federal and Director of Security Federal and the Bank</td>
<td>2018</td>
<td>245,000</td>
<td>31,531</td>
<td>36,273</td>
<td>312,804</td>
</tr>
<tr>
<td>Jessica Cummins (3)</td>
<td>2019</td>
<td>165,000</td>
<td>17,154</td>
<td>32,136</td>
<td>214,290</td>
</tr>
<tr>
<td>Chief Financial Officer and Director of Security Federal and the Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Represents the increase of each officer’s accumulated benefit under his salary continuation agreement.
(2) Please see the table below for more information on the other compensation paid to our executive officers for the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Directors’ Fees ($)</th>
<th>401(k) Plan Contribution ($)</th>
<th>Life Insurance Premium ($)</th>
<th>Country Club Dues ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Chris Verenes</td>
<td>27,000</td>
<td>10,073</td>
<td>186</td>
<td>1,682</td>
<td>38,941</td>
</tr>
<tr>
<td>Roy G. Lindburg</td>
<td>27,000</td>
<td>5,314</td>
<td>186</td>
<td>2,192</td>
<td>34,692</td>
</tr>
<tr>
<td>Jessica Cummins</td>
<td>27,000</td>
<td>4,950</td>
<td>186</td>
<td>--</td>
<td>32,136</td>
</tr>
</tbody>
</table>

(3) Ms. Cummins was not a named executive officer in 2018.

### Incentive Compensation Plan

Effective August 15, 2013, the Board adopted the Senior Management Incentive Compensation Plan (“Incentive Plan”). The purpose of the Incentive Plan is to maximize the achievement of the Bank’s objectives by providing incentives and awards to those senior-level executives who attain and sustain consistently high levels of performance which exceed normal expectations and which contribute to the success and profitability of the Bank. Eligible participants are those individuals approved by the Board who, in the judgment of the Chief Executive Officer and the Board, are responsible for directing functions which have a significant bearing on the growth and profitability of the Bank. As of the beginning of each fiscal year, the Board must review and revise, if necessary, the operating rules of the Incentive Plan. The operating rules include: (1) identification of employees selected for participation; (2) position level multipliers, performance measurement factors and weightings for determining the amount of incentive compensation awards; and (3) other rules which the Board deems appropriate. For 2019, each of the named executive officers participated in the Incentive Plan.

The general formula for calculating a participant’s incentive for the plan year is the base annual salary of the participant, multiplied by the percentage base award, multiplied by the sum of the basic formula percentage for each performance measure applicable to the participant’s position, multiplied by the position level multiplier, multiplied by the individual performance adjustment. For any incentive to be paid under the Incentive Plan, the Bank must meet a predefined minimum level of performance. The performance measures for incentives are the key operating ratios, plus other pertinent measures of total Bank performance, on which the participants will be evaluated. The position level multiplier is a multiplier used to recognize the impact that each senior-level officer has on overall Bank performance.
The individual performance adjustment gives the Board some subjective discretion in the determination of the final incentive award for each participant. In addition, the Board may take into account any extraordinary occurrences, consisting of those events which in the Board’s option are outside the significant influence of participants and would cause a significant unintended effect (whether positive or negative) on the Bank’s operating and financial performance results.

For 2019, the named executive officers’ incentives were based primarily on net operating income. Other performance measures included loan growth, deposit growth, non-performing assets and referrals made. The Bank’s net operating income was the threshold performance factor for the payment of incentives for 2019. The Incentive Plan provides that no incentive awards will be granted for 2019, regardless of performance on individual goals, if the Bank’s net operating income is less than an approved minimum for the fiscal year. The Bank did not meet the minimum for 2019; therefore, the named executive officers did not receive annual cash incentive payments in 2020 for the year ended December 31, 2019.

Outstanding Equity Awards

The named executive officers did not have any equity awards outstanding at December 31, 2019.

Potential Payments Upon Termination

We have entered into agreements with the named executive officers that provide for potential payments upon termination of employment. The following table shows, as of December 31, 2019, the value of potential payments and benefits following a termination of employment under a variety of scenarios.

<table>
<thead>
<tr>
<th>Name</th>
<th>Early Retirement ($)</th>
<th>Normal Retirement ($)</th>
<th>Change in Control ($)</th>
<th>Disability ($)</th>
<th>Death ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Chris Verenes</td>
<td>492,574 (1)</td>
<td>492,574 (3)</td>
<td>492,574 (4)</td>
<td>831,198</td>
<td></td>
</tr>
<tr>
<td>Change in Control Severance Agreement</td>
<td>--</td>
<td>804,000</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Roy G. Lindburg</td>
<td>259,262 (1)</td>
<td>259,262 (3)</td>
<td>259,262 (4)</td>
<td>596,197</td>
<td></td>
</tr>
<tr>
<td>Change in Control Severance Agreement</td>
<td>--</td>
<td>616,800</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Jessica T. Cummins</td>
<td>25,532 (1)</td>
<td>63,829 (3)</td>
<td>63,829 (4)</td>
<td>787,038</td>
<td></td>
</tr>
<tr>
<td>Change in Control Severance Agreement</td>
<td>--</td>
<td>396,000</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
</tbody>
</table>

(1) Consists of currently vested portion of accrued benefit at December 31, 2019. Full benefit amount is the executive’s vested accrual balance at the end of the preceding plan year at the time of early retirement. Interest is applied to the vested accrual balance at a rate equal to the plan discount rate at the time of early retirement, and is compounded monthly. The benefit is paid out in 180 equal installments when the participant reaches age 65.

(2) Not yet eligible; participant must reach age 65.

(3) Consists of fully vested accrued benefit at December 31, 2019. Full benefit amount for change in control followed by a separation of service is 100% of the projected benefit. The projected benefit is 20% of the executive’s current salary inflated by 4% until age 65 and paid out over 15 years in equal monthly payments after age 65.

(4) Consists of fully vested accrued benefit at December 31, 2019. Full benefit amount is 100% of the executive’s accrual balance at the end of the preceding plan year at the time of disability. Interest is applied to the accrual balance at a rate equal to the plan discount rate at the time of separation of service, and is compounded monthly. The benefit is paid out in 180 equal installments when the participant reaches age 65.

Salary Continuation Agreements. We entered into salary continuation agreements with Messrs. Verenes and Lindburg, effective May 16, 2006, and with Ms. Cummins on April 1, 2015. These agreements provide an annual supplemental retirement benefit which begins on the last day of the year in which the executive attains age 65, or upon executive’s separation from service, if later. The benefit equals 20% of the executive’s final pay, payable in monthly
installments over 15 years. An executive’s final pay is the highest of the executive’s annual base salary over the five year period ending with the year he or she separates from service.

The agreements also provide an early termination benefit if the executive terminates employment with the Bank prior to attaining age 65. The early termination benefit is an annual benefit based on the executive’s vested accrued balance under the agreement, determined when the executive separates from service from the Bank, adjusted monthly by an interest factor until the executive’s attainment of age 65. The rate at which the executive vests in the early termination benefit is set forth in the executive’s agreement, with the vesting rate ranging from between 10% per year to 25% per year, depending on the executive. As of December 31, 2019, Messrs. Verenes and Lindburg were 100% vested and Ms. Cummins was 40% vested. The early termination benefit is payable in monthly installments over 15 years, commencing on the first day of the month after the executive attains age 65. During the payout period, the remaining accrued balance will be credited monthly by an interest factor. The agreements also provide a disability termination benefit if the executive terminates employment with the Bank on account of disability prior to attaining age 65. The disability termination benefit is the same as the early termination benefit, except that the executive becomes 100% vested in the benefit upon the executive’s disability while actively employed.

In the event of a change in control, followed by a separation from service, the executive will receive an annual change in control benefit equal to 20% of the executive’s projected final pay. An executive’s projected final pay is his or her final pay, as defined above, adjusted at a rate of 4% per year until the executive attains age 65. The annual change in control benefit will be paid in monthly installments over 15 years, commencing on the first day of the month after the executive attains age 65.

Nondistributed benefits will be forfeited if within 24 months of the executive’s termination of employment if the executive violates the noncompetition, nondisclosure or nonsolicitation provisions described in the agreement. This forfeiture provision does not apply if there is a change in control.

If the executive dies while in the active service of the Bank but before attaining age 65, the executive’s beneficiary will receive a lump sum benefit based on the executive’s accrued balance that is paid within 60 days of death. If the executive dies after the benefit has commenced, the remaining benefits will be paid to the executive’s beneficiaries at the same time and the same amounts they would have been paid to the executive. If the executive dies after he or she has become entitled to a benefit, but before the benefit commences, the benefit will commence to be paid to the executive’s beneficiaries within 30 days following the date the Bank or its successor receives a copy of the executive’s death certificate. In addition to the death benefit described above, the executive will receive under a split dollar agreement an additional death benefit, equal to 50% of the “net death proceeds.” The net death proceeds is the death benefit received by the Bank under a life insurance policy taken out on the life of the executive, reduced by the greater of the cash surrender value of the policy or the aggregate premiums paid by the Bank on the policy.

In the event an executive becomes disabled, the executive is entitled to his or her accrued account balance. That amount, plus interest until age 65, would be paid to the executive upon reaching age 65 over a 15-year period.

**Change in Control Severance Agreements.** On March 29, 2018, Security Federal and the Bank entered into change in control severance agreements with each of the named executive officers. The agreements provide an initial term until December 31, 2018 and will be extended for one year on each anniversary date, provided that the Board of Directors of has not given the executive notice of non-renewal. If, within six months before or 24 months following a change in control, the officer experiences an involuntary termination, the Company and the Bank will pay to the executive, a lump sum cash payment equal to 2.4 times the executive’s annual base salary.

For purposes of the change in control severance agreements, “change in control” means: (1) an offeror other than Security Federal purchases shares of stock of Security Federal or the Bank pursuant to a tender or exchange offer; (2) an event that results in the acquisition of control of Security Federal or the Bank within the meaning of the Bank Holding Company Act of 1956 or requires the filing of a change of control notice with the Federal Reserve Board or the Federal Deposit Insurance Corporation; (3) any person that is or becomes the beneficial owner directly or indirectly of securities of Security Federal or the Bank representing 35% or more of the combined voting power of Security Federal’s or the Bank’s outstanding securities; (4) the members of the incumbent Board of Directors cease to constitute at least a majority of the directors, subject to limited exception; or (5) consummation of a plan of reorganization, merger,
acquisition, consolidation, sale of all or substantially all of the assets of Security Federal or a similar transaction in which Security Federal is not the resulting entity. “Involuntary termination” means the termination of an executive’s employment: (i) by Security Federal or the Bank, without the executive’s express written consent; or (ii) by the executive by reason of a material diminution of or interference with the executive’s duties, responsibilities or benefits, including any of the following unless consented to by the executive: (1) a requirement that the executive be based at any place not within a radius of 30 miles of the executive’s current location, except for reasonable travel Security Federal or Bank business; (2) a material demotion of the executive; (3) a material reduction in the number or seniority of personnel reporting to the executive, other than as part of a company-wide reduction in staff; (4) a reduction in the executive’s salary other than as part of an overall program applied uniformly to all members of senior management; (5) a material permanent increase in the required work hours or workload of the executive; or (6) any purported termination of the executive’s employment.

Compensation Policies and Risk

The Compensation Committee meets at least annually and reviews the compensation of its officers and has determined that the risks arising from Security Federal’s compensation policies and practices for all employees are not likely to have a material adverse effect on Security Federal.

PROPOSAL 2 – ADVISORY VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), we are required to include in this Proxy Statement and present at the meeting a non-binding shareholder resolution to approve the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC. This proposal, commonly known as a “say-on-pay” proposal, gives shareholders the opportunity to endorse or not endorse the compensation of Security Federal’s executives as disclosed in this Proxy Statement. The proposal will be presented at the annual meeting in the form of the following resolution:

RESOLVED, that the shareholders approve the compensation of Security Federal Corporation’s named executive officers, as disclosed in the compensation tables and related material in the Proxy Statement for the 2020 annual meeting of shareholders.

This vote will not be binding on our Board of Directors or Compensation Committee and may not be construed as overruling a decision by the Board or create or imply any additional fiduciary duty on the Board. It will also not affect any compensation paid or awarded to any executive. The Compensation Committee and the Board may, however, take into account the outcome of the vote when considering future executive compensation arrangements.

Our executive compensation policies are designed to establish an appropriate relationship between executive pay and the annual and long-term performance of Security Federal and Security Federal Bank, to reflect the attainment of short- and long-term financial performance goals, to enhance our ability to attract and retain qualified executive officers, and to align to the greatest extent possible the interests of management and shareholders. Our Board of Directors believes that our compensation policies and procedures achieve these objectives. The Board of Directors unanimously recommends that you vote FOR approval of the compensation of our named executive officers as disclosed in this Proxy Statement.

AUDIT COMMITTEE MATTERS

Audit Committee Charter. The Audit Committee operates pursuant to a written charter approved by our Board of Directors. The charter sets out the responsibilities, authority and specific duties of the Audit Committee. The charter specifies, among other things, the structure and membership requirements of the Audit Committee, as well as the relationship of the Audit Committee to the independent registered public accounting firm, the internal audit department and management of Security Federal. The Audit Committee reports to the Board of Directors and is responsible for overseeing and monitoring financial accounting and reporting, the system of internal controls established by management and the audit process.
Report of the Audit Committee. The Audit Committee reports as follows with respect to Security Federal’s audited financial statements for the year ended December 31, 2019:

- The Audit Committee has reviewed and discussed Security Federal’s audited financial statements for the year ended December 31, 2019 with management;

- The Audit Committee has discussed with the independent registered public accounting firm, Elliott Davis, LLC, the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board;

- The Audit Committee has received written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence; and

- The Audit Committee has, based on its review and discussions with management of the audited financial statements for the year ended December 31, 2019 and discussions with the independent registered public accounting firm, recommended to the Board of Directors that Security Federal’s audited financial statements for the year ended December 31, 2019 be included in its Annual Report on Form 10-K.

The foregoing report is provided by the following directors, who constitute the Audit Committee:

Audit Committee: Thomas L. Moore, Chairman
William Clyburn
Robert E. Alexander
Timothy W. Simmons
Frank M. Thomas, Jr.
Frampton W. Toole III
Richard T. Harmon

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, and shall not otherwise be deemed filed under such acts.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Elliott Davis, LLC served as our independent registered public accounting firm for the year ended December 31, 2019. The Audit Committee of the Board of Directors has appointed Elliott Davis, LLC as independent registered public accounting firm for the fiscal year ending December 31, 2020.

The following table sets forth the aggregate fees billed or expected to be billed to Security Federal by Elliott Davis, LLC for professional services rendered for the years ended December 31, 2019 and 2018.

<table>
<thead>
<tr>
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<th>Year Ended December 31,</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>$125,523</td>
<td>$125,761</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>16,500</td>
<td>15,750</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>15,775</td>
<td>9,545</td>
</tr>
</tbody>
</table>

The Audit Committee will establish general guidelines for the permissible scope and nature of any permitted non-audit services to be provided by the independent registered public accounting firm in connection with its annual
review of its charter. Pre-approval may be granted by action of the full Audit Committee or by delegated authority to
one or more members of the Audit Committee. If this authority is delegated, all approved non-audit services will be
presented to the Audit Committee at its next meeting. In considering non-audit services, the Audit Committee or its
delegate will consider various factors, including but not limited to, whether it would be beneficial to have the service
provided by the independent registered public accounting firm and whether the service could compromise the
independence of the independent registered public accounting firm. For the year ended December 31, 2019, the Audit
Committee approved all of the services provided by Elliott Davis, LLC that were designated as audit-related fees, tax
fees and all other fees as set forth in the table above.

Representatives of Elliot Davis, LLC are expected to be present at the annual meeting to respond to appropriate
questions from shareholders and will have the opportunity to make a statement should they desire to do so.

SHAREHOLDER PROPOSALS AND NOMINATIONS

In order to be eligible for inclusion in our proxy solicitation materials for the next year’s annual meeting of
shareholders, any shareholder proposal to take action at such meeting must be received at our main office at 238
Richland Avenue, NW, Aiken, South Carolina, no later than November 23, 2020. Any such proposals shall be subject
to the requirements of the proxy solicitation rules adopted under the Securities Exchange Act of 1934.

Our Articles of Incorporation provide that in order for a shareholder to make nominations for the election of
directors or proposals for business to be brought before a meeting of shareholders, the shareholder must deliver written
notice of the nominations and/or proposals to the Secretary not less than 30 nor more than 90 days prior to the date of
the meeting; provided that if less than 45 days’ notice or prior public disclosure of the meeting is given or made to
shareholders, the notice must be delivered not later than the close of the 15th day following the day on which notice of
the meeting was mailed to shareholders or public disclosure was made. As specified in the Articles of Incorporation,
the written notice with respect to nominations for election of directors must set forth certain information regarding each
nominee for election as a director, including such person’s written consent to being named in the proxy statement as a
nominee and to serving as a director, if elected, and certain information regarding the shareholder giving such notice.
The notice with respect to business proposals to be brought before the annual meeting must state the shareholder’s name,
address and number of shares of common stock held, and briefly discuss the business to be brought before the meeting,
the reasons for conducting such business at the meeting and any interest of the shareholder in the proposal.

MISCELLANEOUS

The Board of Directors is not aware of any business to come before the meeting other than those matters
described in this Proxy Statement. However, if any other matters should properly come before the meeting, it is intended
that holders of the proxies will act in accordance with their best judgment.

We will bear the cost of solicitation of proxies. We will reimburse brokerage firms and other custodians,
nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners
of Security Federal common stock. In addition to solicitation by mail, directors, officers and employees of Security
Federal and the Bank may solicit proxies personally or by telephone, without additional compensation.

Security Federal’s Annual Report to Shareholders, including consolidated financial statements, accompanies
this Proxy Statement. Any shareholder who has not received a copy of the Annual Report may obtain a copy by writing
to Security Federal. The Annual Report is not to be treated as part of the proxy solicitation materials, or as having been
incorporated herein by reference.
A copy of the Annual Report on Form 10-K as filed with the SEC will be furnished without charge to shareholders as of the close of business on the voting record date upon written request to Robert E. Alexander, Secretary, Security Federal Corporation, P.O. Box 810, Aiken, South Carolina 29802.

BY ORDER OF THE BOARD OF DIRECTORS

Robert E. Alexander
Secretary

Aiken, South Carolina
March 23, 2020