

Security Federal Corporation

Darrell Rains, CPA

EVP & CFO

2020 Financial Review

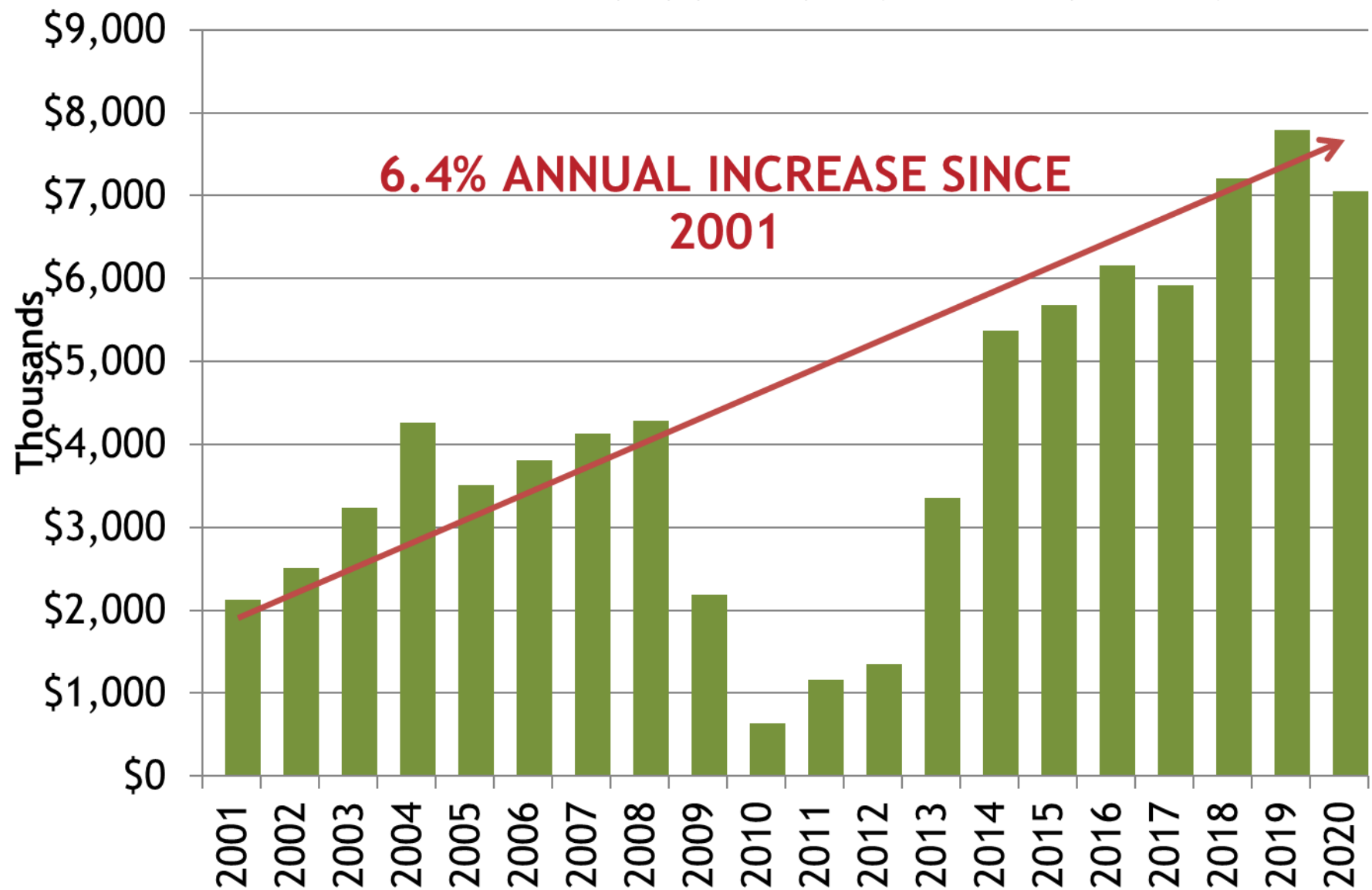
Security Federal Corporation

2020 Year in Review

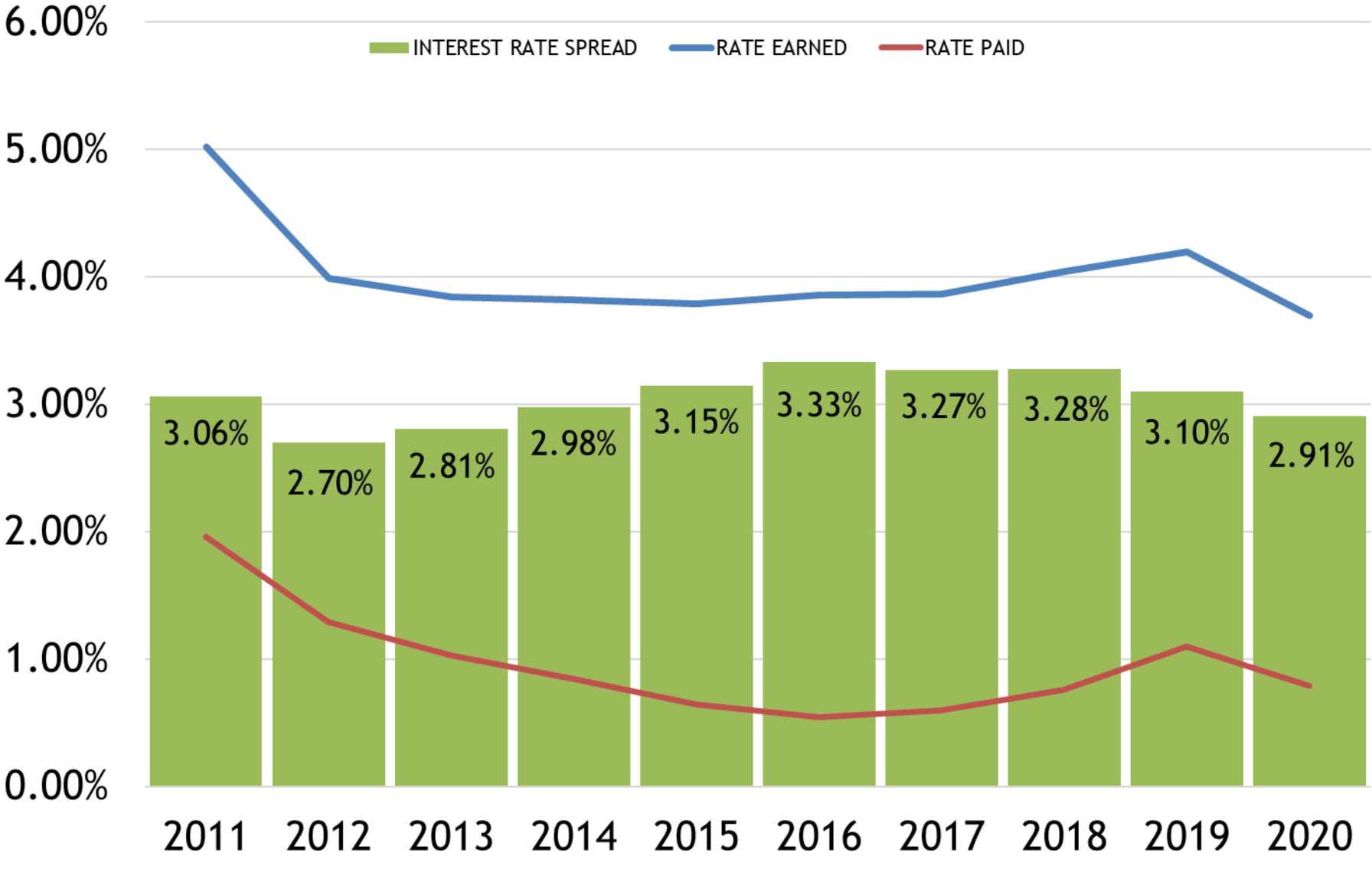
1. 2020 results were driven by the extraordinary events resulting from the global pandemic.
2. Historic lows in interest rates created challenges in the net interest spread due to declining asset yields but drove decreases in liability costs and increased mortgage lending profits.
3. Total assets grew to over \$1 billion mark aided by PPP loans.
4. Although earnings were lower, we achieved a satisfactory level of profitability in a challenging year while maintaining conservative levels of capital, liquidity, and reserves.

Security Federal Corporation		Year Ended December 31,			
Financial Highlights, Income Statement ('000)		2020	2019	\$ Change	% Change
1	Total Interest Income	37,096	36,934	162	0%
2	Total Interest Expense	6,581	8,311	(1,730)	-21%
3	Net Interest Income Before Provision For Loan Losses	30,515	28,623	1,892	7%
4	Provision for Loan Losses	3,600	375	3,225	860%
5	Noninterest income	11,421	9,097	2,324	26%
6	Noninterest expense	29,708	27,871	1,837	7%
7	Net Income Available to Common Shareholders	7,051	7,794	(743)	-10%
8	Return on Common Equity	6.81%	8.90%	-2.09%	-23%
9	Earnings Per Common Share- Basic	\$ 2.19	\$ 2.64	\$ (0.45)	-17%
10	Total Book Value Per Common Share	\$ 34.40	\$ 31.01	\$ 3.39	11%
11	Security Federal Corporation Stock Price	\$ 25.75	\$ 35.00	\$ (9.25)	-26%
12	Average Interest Rate Spread	2.91%	3.10%	-0.19%	-6%
13	Net Interest Margin	3.04%	3.26%	-0.22%	-7%
Financial Highlights, Balance Sheet ('000)					
14	Total Assets	\$ 1,171,710	\$ 963,228	\$ 208,482	22%
15	Total Deposits	918,096	771,407	146,689	19%
16	Total Investments and Mortgage-Backed Securities	607,579	433,892	173,687	40%
17	Gross Loans excluding PPP	444,910	462,084	(17,174)	-4%
18	PPP Loans	47,100	-	47,100	100%
19	Allowance	(12,843)	(9,225)	(3,618)	39%
20	Total Loans Receivable, Net	479,167	452,859	26,308	6%
21	Allowance for Loan Losses (as a % of total loans)	2.64%	2.01%	0.63%	31%

NET INCOME AVAILABLE TO COMMON SHAREHOLDERS

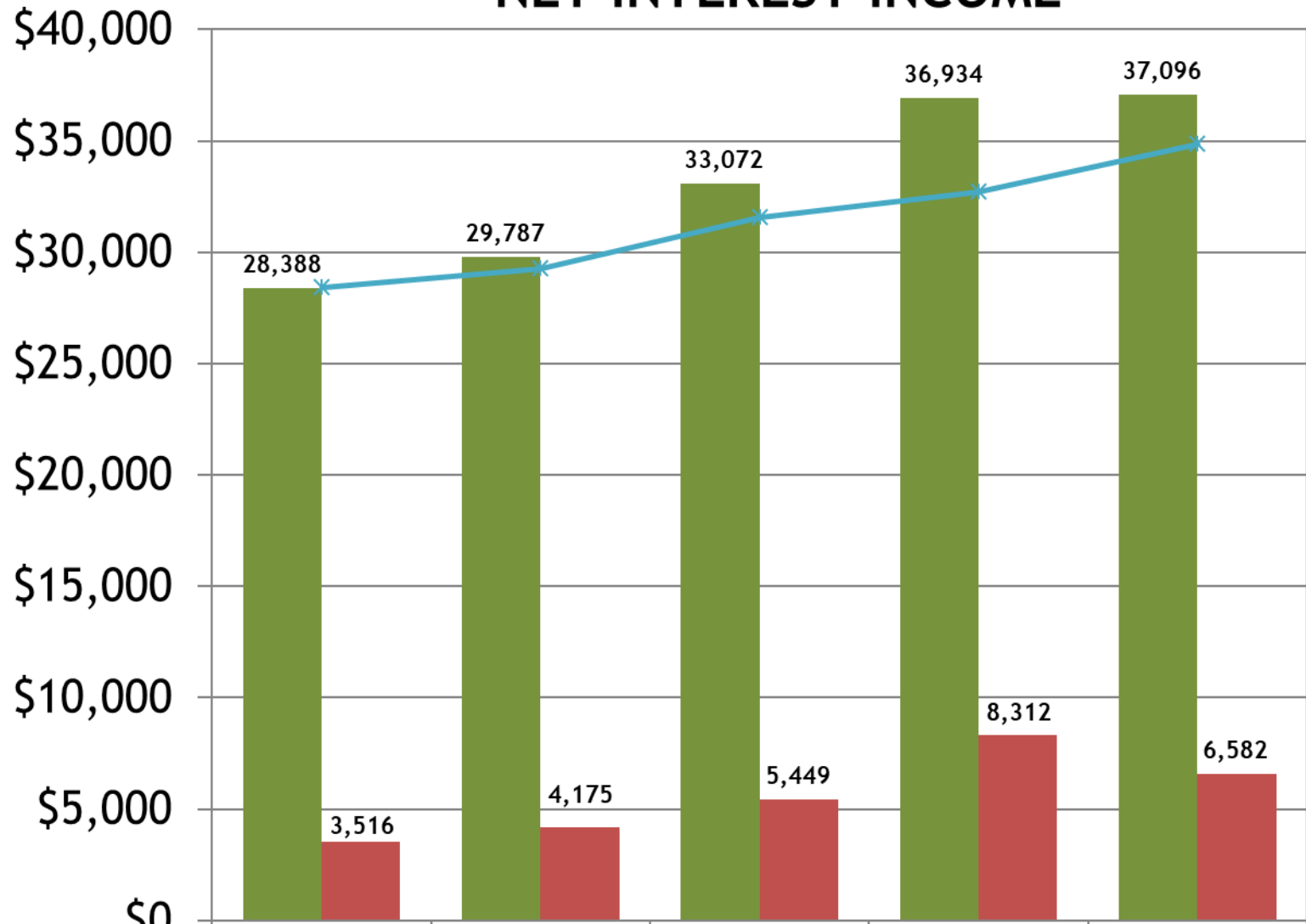


INTEREST RATE SPREAD SECURITY FEDERAL CORPORATION



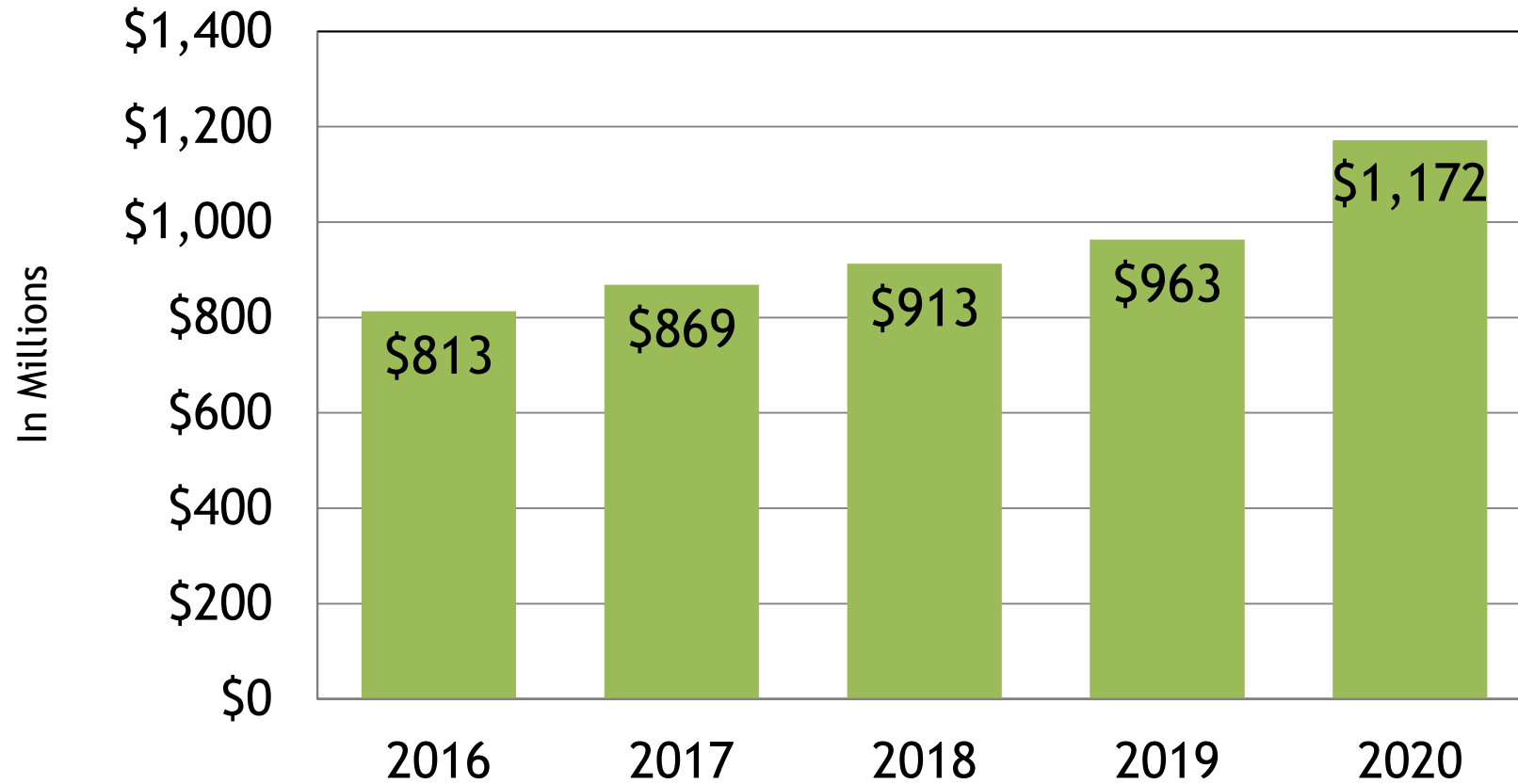
NET INTEREST INCOME

Thousands



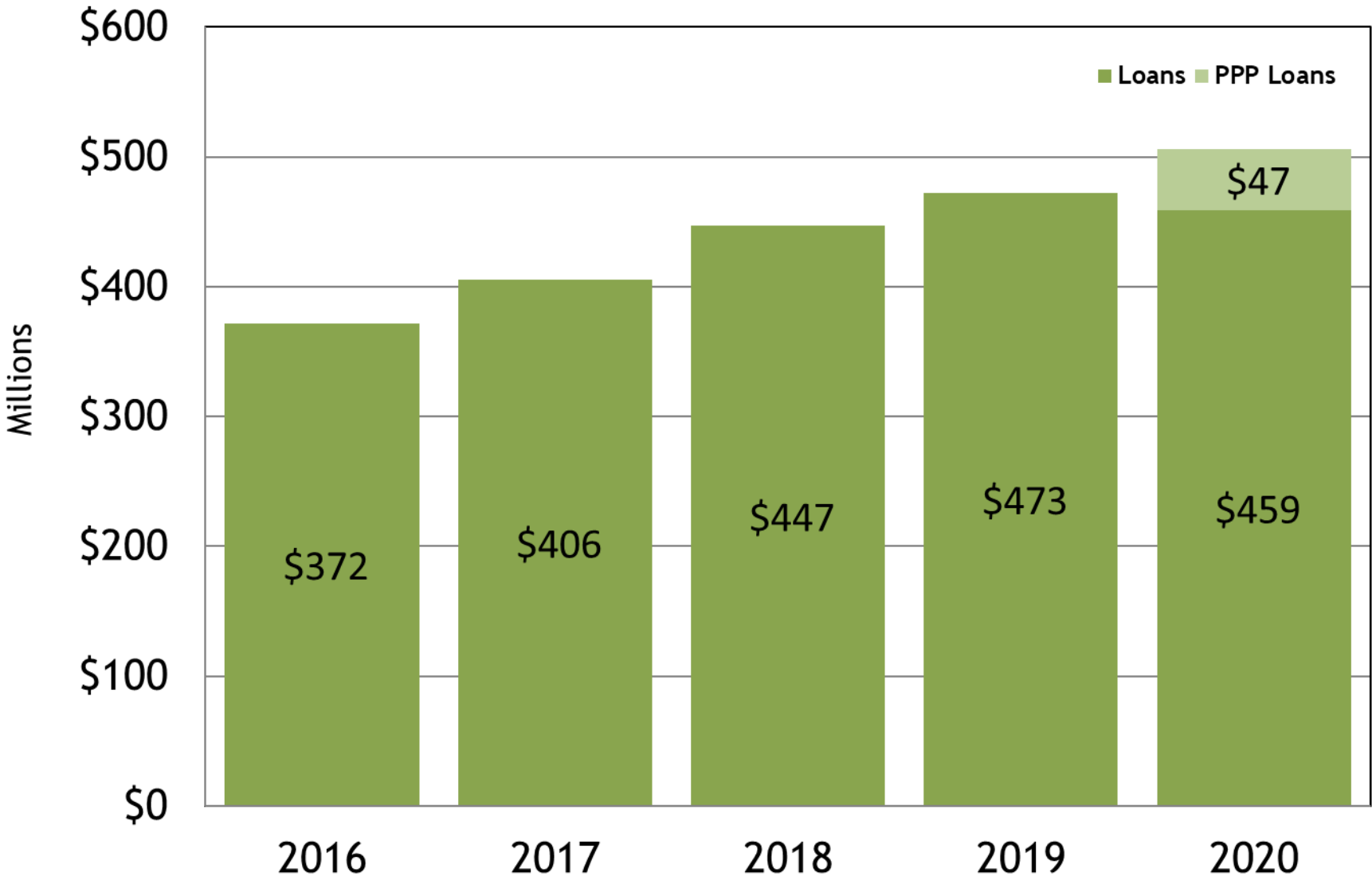
	2016	2017	2018	2019	2020
Interest Income	28,387,623	29,786,905	33,072,075	36,934,111	37,096,325
Interest Expense	3,515,792	4,175,301	5,449,419	8,311,500	6,581,692
Net interest income	24,871,831	25,611,604	27,622,656	28,622,611	30,514,633

TOTAL ASSETS SECURITY FEDERAL CORPORATION

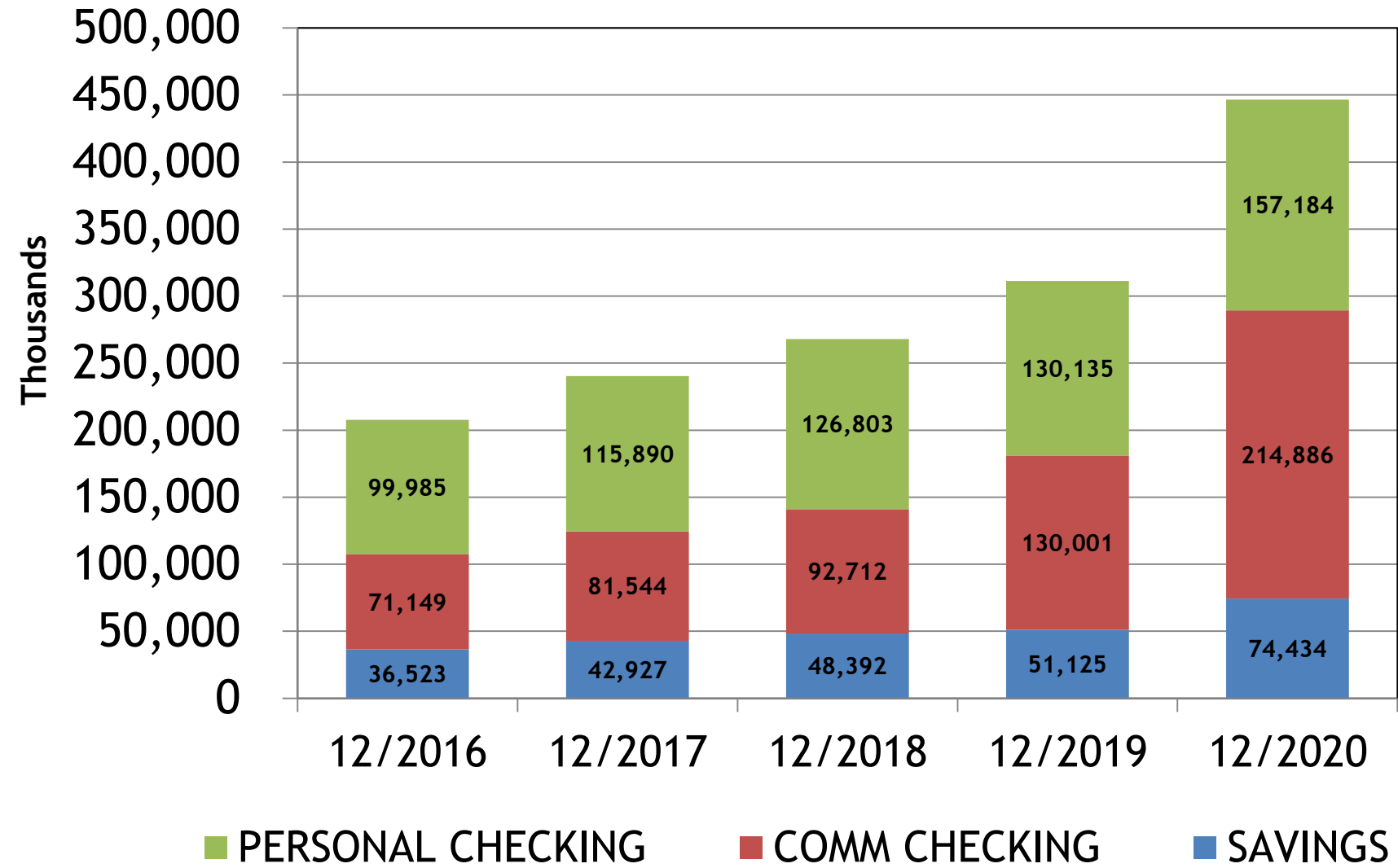


- TOTAL ASSETS WERE \$1.17 BILLION AT YEAR END

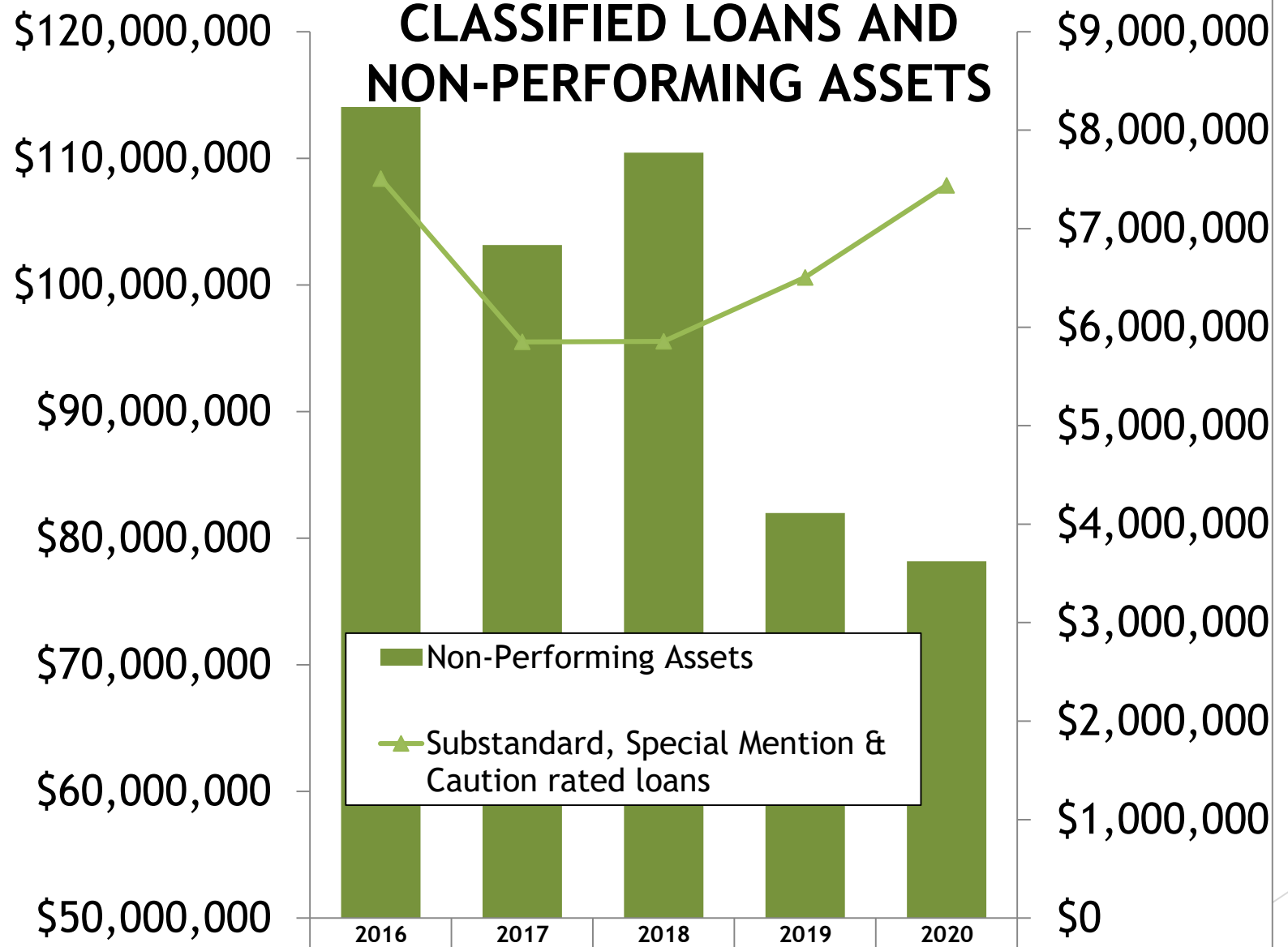
TOTAL LOANS SECURITY FEDERAL CORPORATION



CHECKING AND SAVINGS DEPOSITS SECURITY FEDERAL CORPORATION



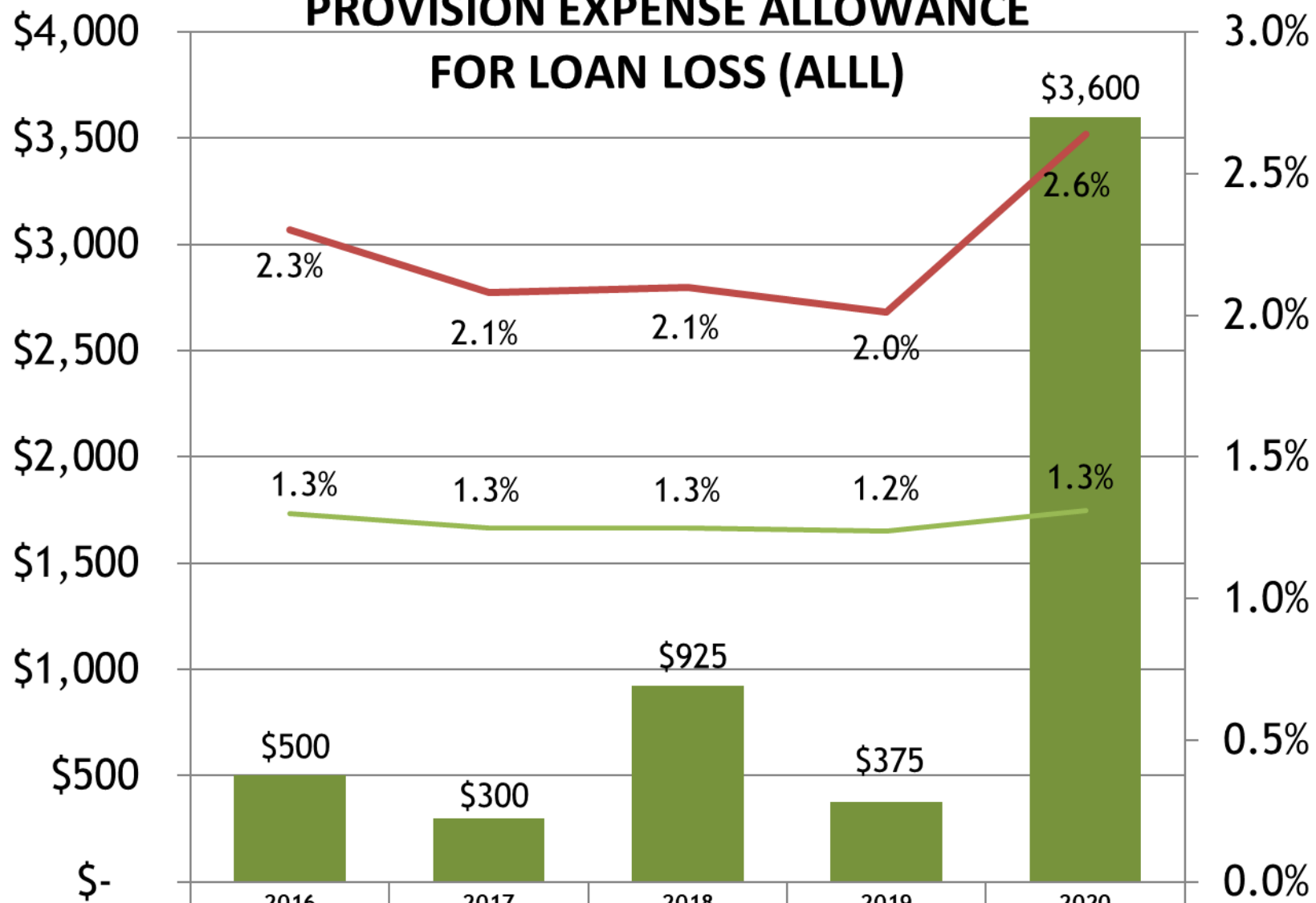
CLASSIFIED LOANS AND NON-PERFORMING ASSETS



■ Non-Performing Assets	2016	2017	2018	2019	2020
	8,236,181	6,833,426	7,770,917	4,114,146	3,624,000
▲ Substandard, Special Mention & Caution rated loans	108,403,886	95,506,114	95,545,628	100,600,124	107,870,102

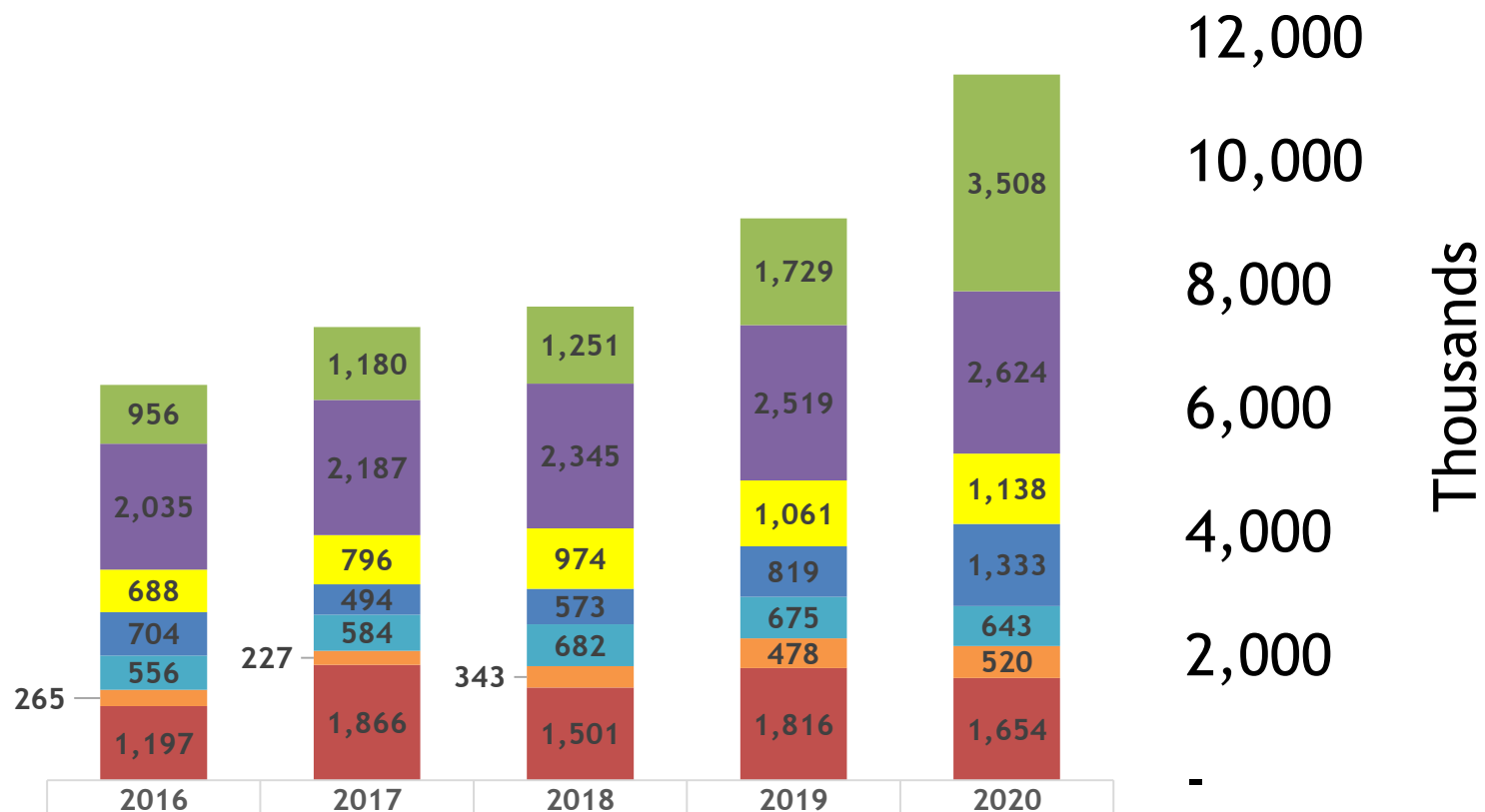
PROVISION EXPENSE ALLOWANCE FOR LOAN LOSS (ALLL)

Thousands



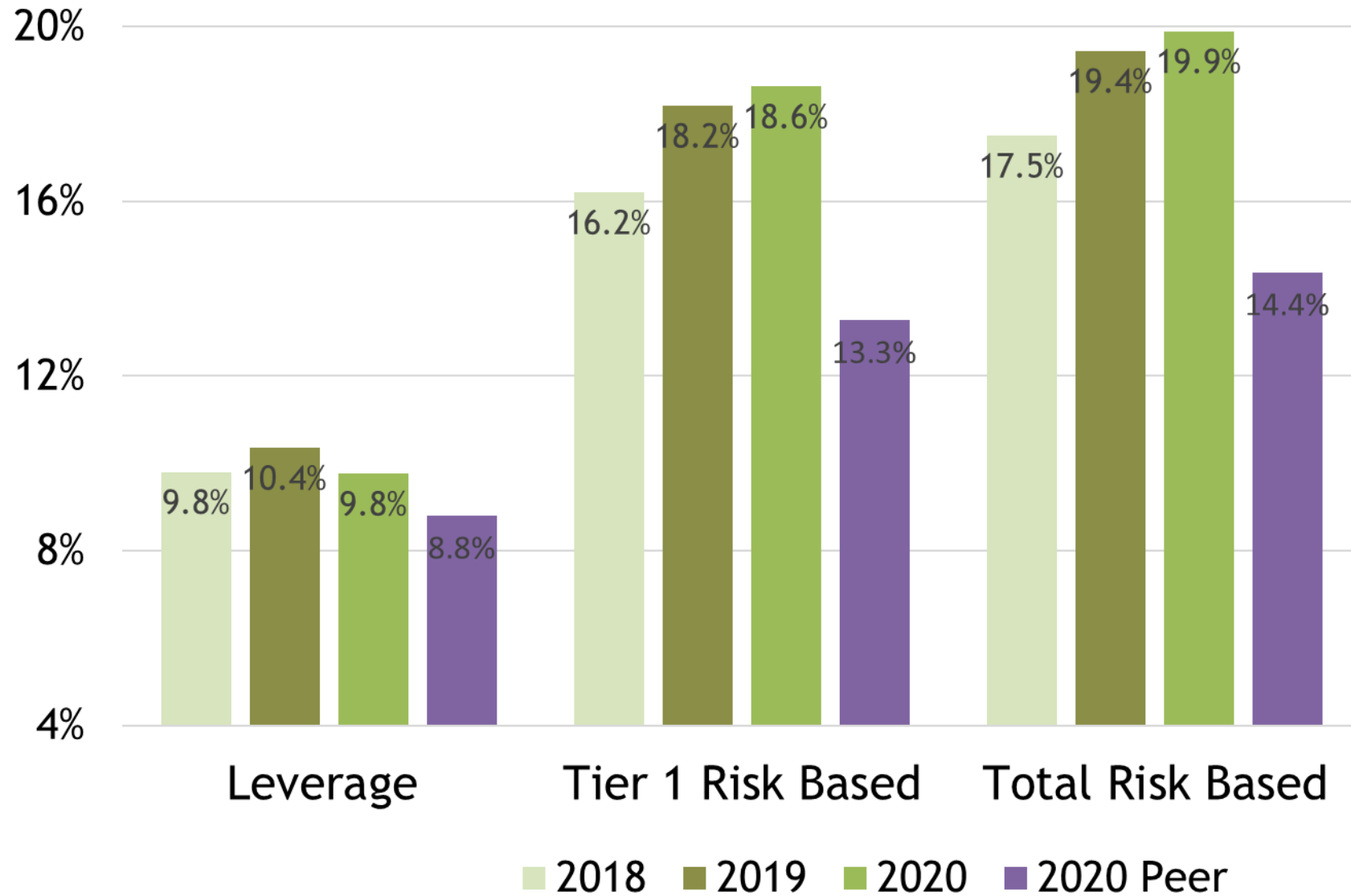
Provision for Loan Loss	\$500,000	\$300,000	\$925,000	\$375,000	\$3,600,000
ALLL % of loans	2.3%	2.1%	2.1%	2.0%	2.6%
ALLL National Peer	1.3%	1.3%	1.3%	1.2%	1.3%

NON-INTEREST INCOME SECURITY FEDERAL CORPORATION



	2016	2017	2018	2019	2020
Gain on sale of loans	956,000	1,180,000	1,250,530	1,728,741	3,508,397
Deposit & Ck card fees	2,035,000	2,187,000	2,345,113	2,518,886	2,624,499
Trust Fees	688,000	796,000	974,000	1,061,200	1,138,007
Gain on investments	704,000	494,000	573,266	819,053	1,332,666
Insurance agency	556,000	584,000	682,367	674,991	643,414
Grant income	265,000	227,000	343,078	478,049	519,712
Other	1,197,000	1,866,000	1,500,792	1,816,223	1,654,438

CAPITAL RATIOS SECURITY FEDERAL BANK



Security Federal Corporation

2020 Recap

1. 2020 results were driven by the extraordinary events resulting from the global pandemic.
2. Ongoing low interest rate environment reduced net interest spread but drove increased mortgage lending profits. Other non-interest income lines of business (Trust and Insurance) performed well.
3. Business closures and interruptions created challenges but our team's deployment of the PPP program both assisted our customers and helped increase loan balances.
4. Loan loss allowances increased in response to COVID
5. Maintained a strong level of liquidity as evidenced by deposit and investment portfolio growth
6. Maintained strong level of capital
7. Achieved a satisfactory level of profitability in a challenging year:

<i>2019 Net Income</i>	\$	7,794	\$ 2.50
<i>Increase in net interest income</i>		1,892	
<i>Increase in non interest income</i>		2,324	
<i>Increase in loan loss provision expense</i>		(3,225)	
<i>Increase in operating expenses</i>		(1,837)	
<i>Other - net</i>		103	
<i>2020 Net Income</i>	\$	7,051	\$ 2.19

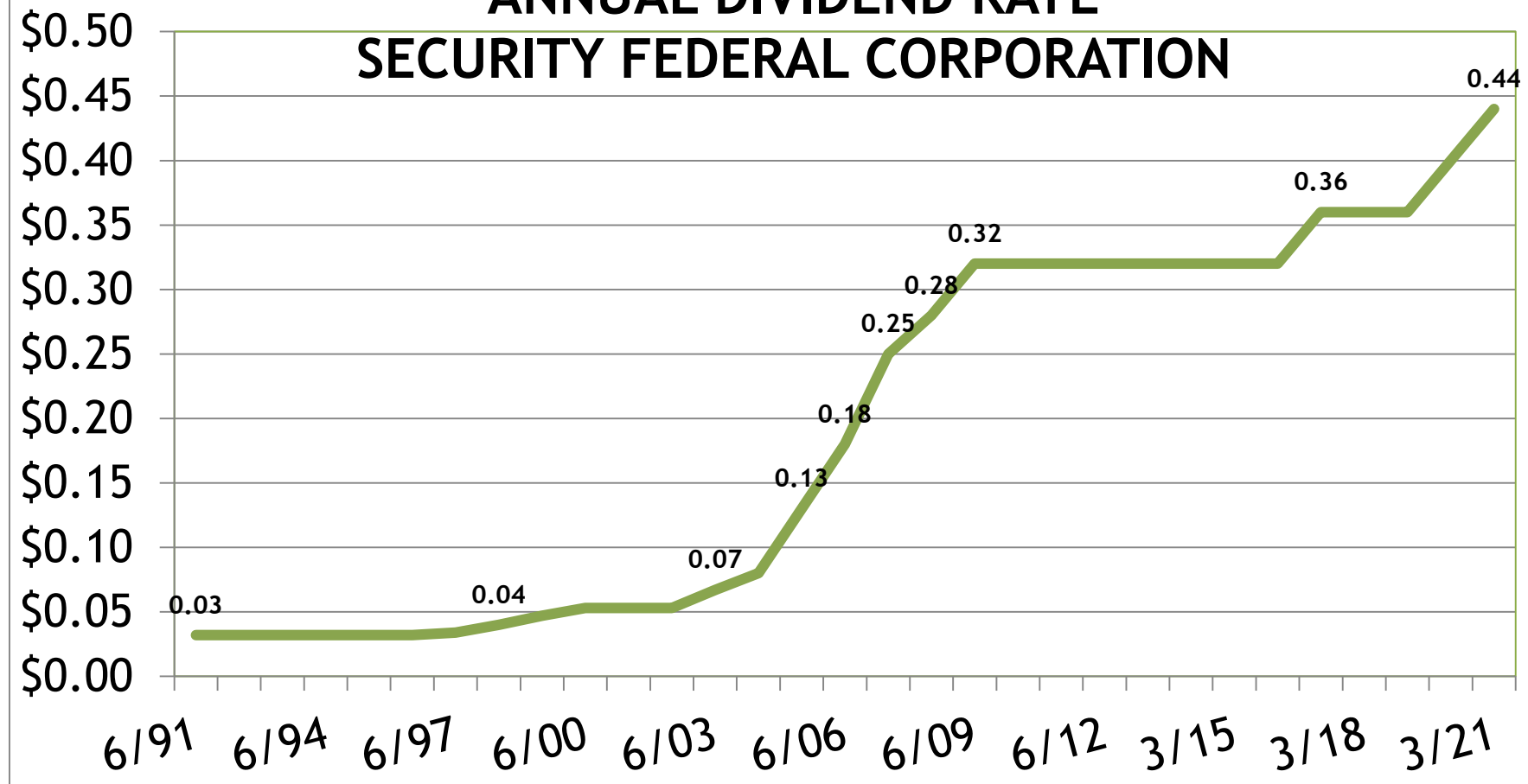
8. Increased annual dividend 10% from \$0.40 to \$0.44. Book value of Security Federal shares grew to \$34.40.

Shareholder Stats

Roy Lindburg, CPA

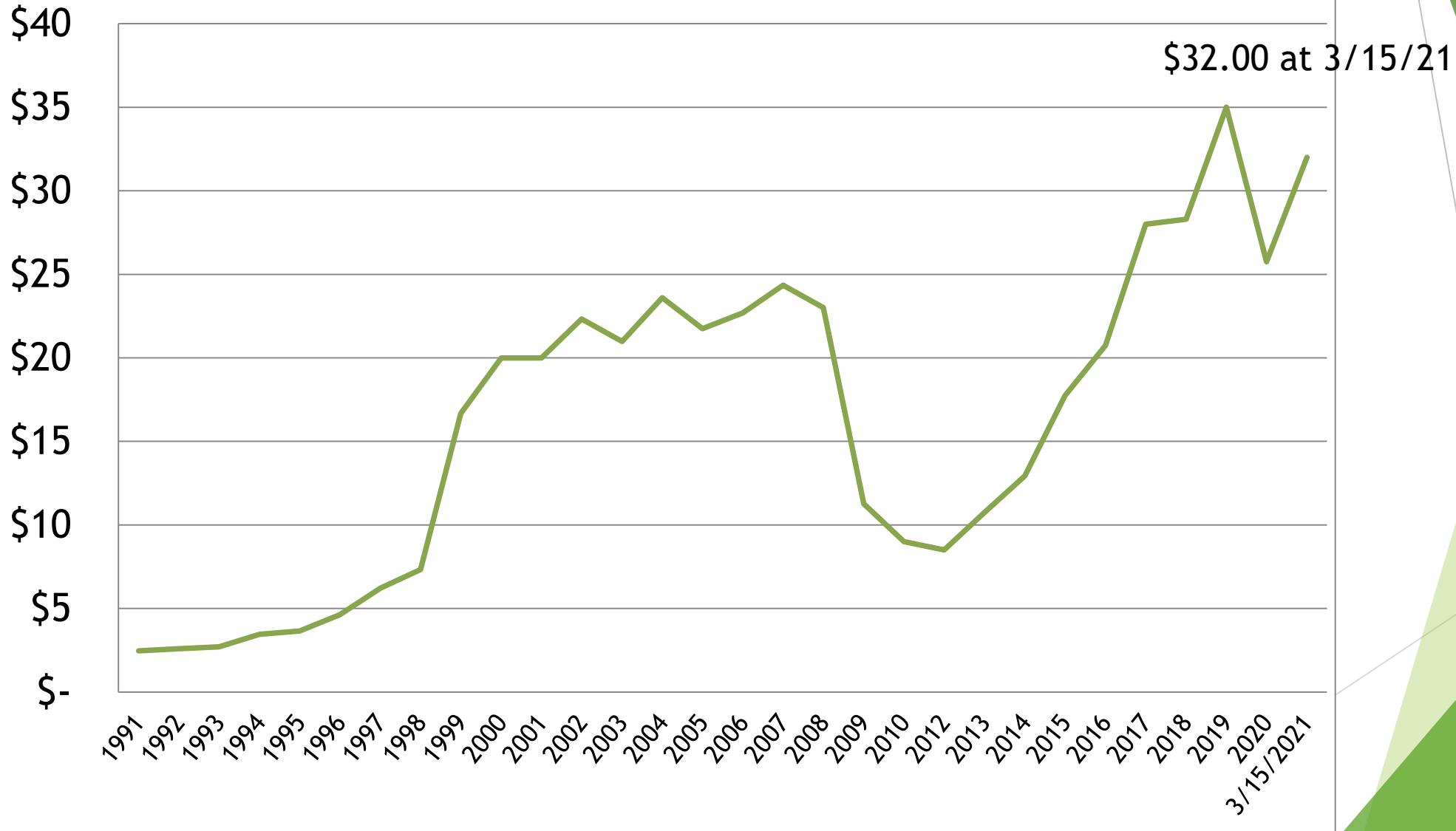
President of Security Federal Corporation

ANNUAL DIVIDEND RATE SECURITY FEDERAL CORPORATION



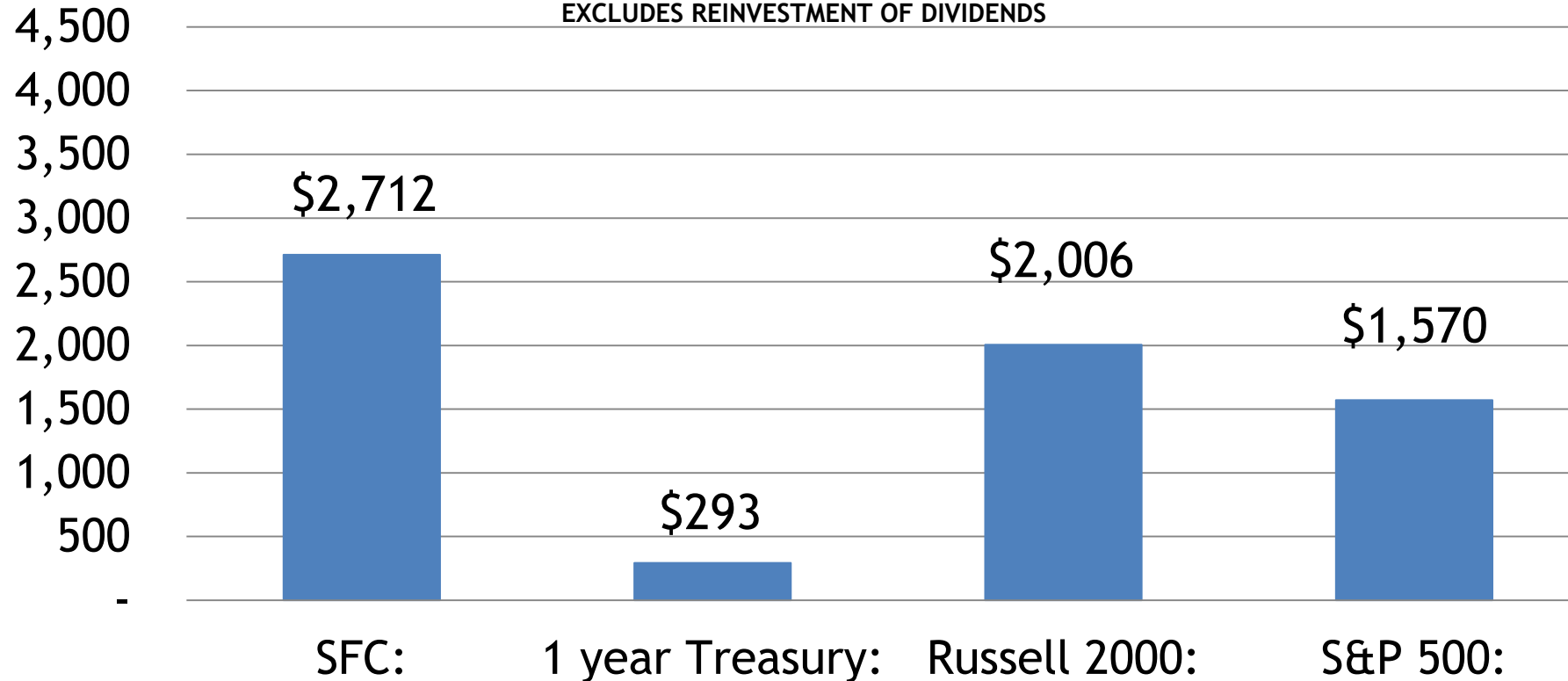
- FIRST DIVIDEND WAS PAID IN MARCH 1991
- NOW \$0.44/ SHARE ANNUALLY
- DIVIDEND YIELD ON CURRENT PRICE IS 1.4%

STOCK PRICES SECURITY FEDERAL CORPORATION



\$100 INVESTED ON 10/31/87 WOULD BE AT MARCH 15, 2021

EXCLUDES REINVESTMENT OF DIVIDENDS



- 1 YR TREASURY INVESTMENT IS A 3.3% return
- S & P 500 IS A 8.6% return
- RUSSELL 2000 IS AN 9.4% return
- SECURITY FEDERAL CORP STOCK IS A 9.2% return WITHOUT DIVIDENDS & 10.4% return WITH DIVIDENDS