



SECURITY  
BANK & TRUST CO.

# ANNUAL REPORT 2022



Member  
**FDIC**

*Growing, together.*



## DEAR CLIENTS & FRIENDS

Thank you for being an integral part of Security Bank & Trust Co. We are truly grateful for the trust you have placed in us by choosing to bank with our institution. Your support and loyalty have been instrumental in our success.

At Security Bank & Trust Co., we are deeply committed to providing a level of personal service that goes above and beyond. We understand the significance of taking care of our clients and exceeding their expectations. Whether you engage with our team members during business visits, branch interactions, or while managing your investments through our Trust Department, you will encounter individuals who are genuinely dedicated to delivering exceptional service. To us, serving you is the highlight of our day.

Since our establishment by Arthur Hoese in 1935, Security Bank & Trust Co. has stayed true to our commitment to clients and communities. While other banks have undergone changes in ownership, the Hoese family has remained steadfast in their dedication to our communities and clients. Our longevity and success are a testament to the strong relationships we cultivate and our unwavering support for community growth. We combine this commitment with a strong focus on delivering technology-driven financial solutions to all our clients, empowering them to thrive.

Our product offerings reflect our dedication to exceptional service. We continually invest in technology enhancements that simplify your life, starting with mobile and online access and management of your personal and business accounts. By consistently adding and improving these tools, we aim to make your banking experience seamless and convenient.

Above all, we are deeply rooted in our communities. We take immense pride in living, working, and investing in the state we call home—Minnesota. Supporting the growth and prosperity of our neighbors is a central focus for us. As we look towards the future, we remain resolute in our commitment to providing personalized service, leveraging technology to drive innovation, and investing in the communities we serve. We understand that our success is intricately tied to the success of our stakeholders, and we are excited about the opportunities that lie ahead.

We extend our heartfelt gratitude to all our stakeholders, including our valued clients, dedicated employees, regulatory authorities, shareholders, and community partners. Your unwavering trust and support have been pivotal to our achievements, and we are sincerely grateful for the privilege of serving you.

Thank you for being an essential part of Security Bank & Trust Co. We consider it an honor to be your trusted financial partner.

A handwritten signature in black ink that reads "Gale M. Hoese".

Gale Hoese, CEO

A handwritten signature in black ink that reads "Andy Schornack".

Andy Schornack, President



## AG LENDING

Agriculture is an evolving business with new technologies, increasing working capital requirements, and more scale than in any prior generation. In 2022, collaborations between financial institutions, agricultural organizations, and governments aimed to create tailored financial products and support mechanisms for our agricultural entrepreneurs. Security Bank & Trust Co. alone extended \$94.7 million in Farm Operating and Farmland Loans to our communities.



## BEGINNING FARMER LOAN PROGRAM WITH MN DEPARTMENT OF AGRICULTURE

We are an active participant in the Beginning Farmer Loan Program provided by the Minnesota Department of Agriculture that aims to support individuals aspiring to become full-time farmers. This program offers affordable financing options with reasonable down payments and built-in safeguards such as farm management training and financial planning. It is a partnership approach with the state's financial participation, allowing farmers to finance purchases, refinance existing farm debts, or fund improvements in conjunction with the requested financing package. Loan terms include a loan-to-value ratio of no more than 90%, flexible amortization periods of 15-30 years with a balloon payment due in 10 years, and a prepayment penalty for the first five years. The program limits the Rural Finance Authority's participation to 45% of the lender's loan, up to a maximum of \$400,000. The RFA offers a reduced interest rate on its portion of the loan, while the local lender retains the remaining balance and handles the day-to-day operation of the loan.

## MIDWINTER AG ROUNDUP



2022 marked the first of many Midwinter Ag Roundups for Security Bank & Trust Co.

We were looking for a way to better serve and better connect our ag customers with local resources. So we created an annual event that would bring together Minnesota farmers, community members, and leading experts in the agriculture industry for a day of networking and learning followed by a hearty lunch from Unhinged Pizza.



Lifelong farmer and public speaker, Wayne Humphreys, joined us at the Glencoe City Center Ballroom as the keynote speaker for the 2022 Midwinter Ag Roundup. He spoke to the room of around eighty individuals about the relatable and current realities of farming through his personal experience and good doses of humor. His farm operation is several hundred acres of corn and soybeans with the business feeding around twenty-thousand hogs annually.



*"Sometimes it just  pays to know which side of the post to put the wire on!"*

*— Wayne Humphreys*





*“When we first moved to Waconia over 30 years ago, local community members recommended Security Bank as a capable, friendly bank with good people from top to bottom. We couldn’t agree more—this relationship has made managing our finances much easier!”*

**David Brockpahler, DayCo Concrete Company, Inc.**



## COMMERCIAL LENDING

The 2022 commercial lending space experienced several noteworthy trends and developments. A gradual recovery from the economic disruptions caused by the COVID-19 pandemic resulted in businesses regaining stability and confidence. Commercial lenders faced increased demand for financing as companies sought to expand operations, invest in technology, and capitalize on emerging opportunities.

Security Bank & Trust's lending team worked diligently to understand these changing dynamics and to be financial partners for those looking to take advantage of the growing acquisition landscape. As a community bank and local business environment expert, we were well-positioned to assist in acquisition strategies and ownership transitions. By providing tailored financial solutions, fostering trust, and offering flexible terms, we can continue to play a vital role in facilitating small business acquisitions and contributing to the growth and prosperity of our communities.



## AUTOMATION LOAN PARTICIPATION PROGRAM WITH THE MN DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT

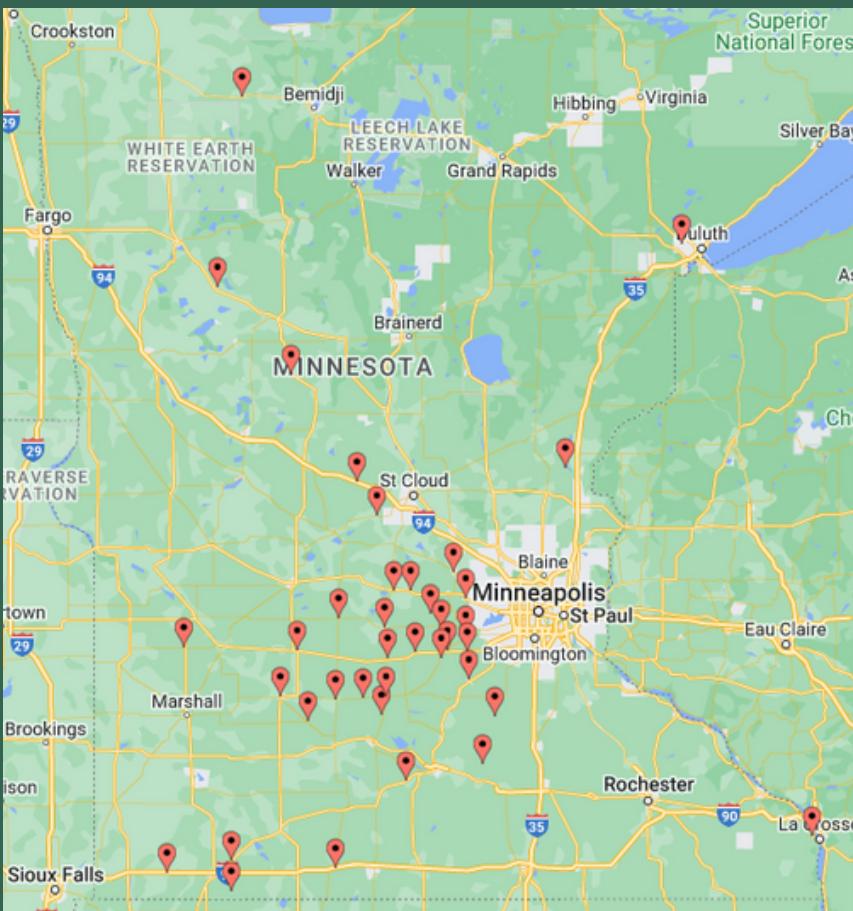
Efforts to improve access to financing for small-scale farmers and local businesses continued in 2022. The Minnesota Department of Employment and Economic Development launched a program to help local businesses in the manufacturing, warehousing, distribution, and technology sectors increase productivity and automation in their business operations. Funds can be used to cover financing gaps and expand financing opportunities for businesses purchasing machinery, equipment, or software. We hopped on the chance to partner with MN DEED to help spread the word on this financing option for our Minnesota small business owners and farmers.



# MAKING A DIFFERENCE IN OUR COMMUNITIES SINCE 1935

Security Bank & Trust Co. has an immense history of providing its cities, towns, school districts, water and sewer districts, and other governmental entities financial services. Over forty local government agencies and organizations trust us with their banking needs and we continue to find innovative ways to support them from their daily to their long-range plans. This includes offering access to low cost capital funds through the purchase of their tax-exempt bonds and lease obligations. Our reach extends across the State of Minnesota where we have bonds impacting forty great cities and counties. We will continue to reinvest back into our communities to keep them strong and resilient.

Below is where you'll find our municipal bonds and public funding allocated to.



Glencoe	Hutchinson
Delano	Winsted
Belle Plaine	Redwood Falls
Brewster	Sherburn
Round Lake	Albany
Hamburg	Eagle Bend
Norwood Young America	Morgan
Cologne	Perham
Gibbon	Clarkfield
Fairfax	Lake Crystal
Winthrop	Elysian
Adrian	Cold Spring
Waconia	La Crescent
Bagley	Montgomery
Hermantown	Buffalo
Nessel	Cosmos
Brownnton	Olivia
Dassel	Layfayette
Cokato	New Germany

## 2022 COMMUNITY GIVEBACK

As a community bank, we strongly believe that when individuals and groups come together to contribute their time, resources, and skills to their communities, great things happen. Here are just a few of the ways we worked to give back in 2022:



### FOOD PACKING

On a monthly basis, we set-up shop inside Glencoe City Center to pack lunches for McLeod County Elementary's Backpack Food Program. This program sends food home with elementary school kids who receive free and reduced-price lunches so that they have nourishment over the weekend.



### 4-H LIVESTOCK AUCTIONS

We are avid supporters of the past, present, and future generations of farmers. Part of that support includes our annual involvement in 4-H Auctions across multiple counties. In 2022, our total bids / donation of \$19,910 went towards state-wide livestock 4-H programs such as youth project workshops and education in our community.



### ADOPT A HIGHWAY

We are committed to sustainable banking. And one of the ways we embody that mission is our annual Adopt a Highway participation. Through Minnesota Department of Transportation, we commit to picking up litter along our adopted highways twice a year. This allows us to keep our communities clean AND save local taxpayers money.



### SPREADING HOLIDAY CHEER

Two programs we participate in annually are the Marine Toys for Tots Collection and the Salvation Army's Donation Drive. Our work with these two organizations during a particularly financially strenuous time for most families allows us to make the holiday season just a little bit brighter for those who need it the most.



**SUPPORTING MINNESOTA ATHLETICS**

Supporting local youth and adult sports teams and programs has been our M.O. since 1978. From field improvements, upgrades, and repairs to volunteering at concession stands and throwing the first pitch. Financial and temporal contributions to Minnesota athletics fosters a sense of community pride, and promotes physical fitness, teamwork, and personal growth of all ages. This is a cause we will continue to invest in for decades to come.



**FIELD LIGHTS FOR PLATO BLUE JAYS BASEBALL**

Let there be light! 2022 marked the year the Plato Blue Jays Baseball Field received their first-ever field lights thanks to SBTC's \$20,000 donation, Great River Energy and Xcel Energy's hard work on the installation and electrical wiring, and other community fundraising efforts.



**MINNESOTA BASEBALL ASSOCIATION ANNUAL SPONSORSHIP**

We've been the official bank of the Minnesota Baseball Association since 1978. This annual sponsorship means we're able to support around 270 ballparks and thousands of adult amateur league players across the state.

**31 YEARS**

**OF THE ANNUAL NEW GERMANY COOKOUT**

Every year, we stake out the New Germany City Hall to provide delicious, locally-grown food to the community members we live and work with every day. We're so grateful for all who can make it out and even more for those who take leftovers home to loved ones.



## WHERE TO FIND US

### SOCIAL MEDIA

You can follow us on social media to stay in the know about community events, where to shop locally, different community giveback opportunities, and what's new at Security Bank.



[@bankwithsbtc](#)



### COMMUNITY EVENTS

You'll find us out and about at numerous parades, fairs, festivals, and shows throughout the year. In 2022, we were loyal sponsors - and will likely be 2023 sponsors of:

- Winsted Winter Festival
- Taste of Chaska
- Glad Days
- Glencoe Dairy Day
- Waconia Dickle Day
- Brownton Days
- Chaska River City Days
- Southwest Metro Chamber Coffee Connection
- McLeod County Fair
- Winstock Festival
- Glencoe Days
- Sibley County Fair
- Minnesota Holstein Show
- Carver County Fair
- and more!





*“Security Bank was very accommodating when we went through a large expansion project, and online check deposits have saved us countless work hours week-to-week. We can call anytime, and rely on an immediate response, which means a lot.”*

**Mike Schweiss**  
**Schweiss Distributing Inc.**



# FINANCIAL SUMMARY

<b>ASSETS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Cash and Cash Equivalents	\$109,451,104	\$200,639,769	\$122,429,179
Investments	205,718,239	170,155,478	226,702,978
Net Loan	369,409,183	343,915,911	359,529,898
Fixed Assets	5,368,408	5,018,172	4,554,888
Other Assets	693,539	586,178	395,761
<b>Total Assets</b>	<b>\$690,640,473</b>	<b>\$720,315,508</b>	<b>\$713,612,704</b>
<b>LIABILITIES &amp; STAKEHOLDER EQUITY</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Deposits	\$619,837,505	\$648,879,912	\$648,617,864
Interest Payable	305,024	131,339	276,520
Other Liabilities	292,254	266,460	232,145
<b>Total Liabilities</b>	<b>\$620,434,783</b>	<b>\$649,277,711</b>	<b>\$649,126,529</b>
Stakeholders' Equity	\$70,205,690	\$71,037,797	\$64,486,175
<b>Total Liabilities &amp; Stakeholders' Equity</b>	<b>\$690,640,473</b>	<b>\$720,315,508</b>	<b>\$713,612,704</b>
<b>INCOME &amp; EXPENSES</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Net Interest Income	\$18,728,854	\$18,241,134	\$19,650,834
Noninterest Income	4,633,092	6,252,876	4,516,771
<b>Total Revenue</b>	<b>\$23,361,946</b>	<b>\$24,494,010</b>	<b>\$24,167,605</b>
Provision for Loan Loss	437,500	-	-
Occupancy and Equipment Expenses	2,197,662	2,223,695	2,149,522
Personnel Expenses	8,167,281	8,292,763	9,085,467
Other Expenses	1,771,717	1,901,305	1,922,380
<b>Income Before Income Taxes</b>	<b>\$10,787,786</b>	<b>\$12,076,247</b>	<b>\$11,010,236</b>
Provisions for Income Taxes		1,100,000	1,048,849
<b>NET INCOME</b>	<b>\$10,787,786</b>	<b>\$10,976,247</b>	<b>\$9,961,387</b>
<b>FINANCIAL RATIO</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Pre-tax Return on Average Assets	1.69%	1.71%	1.54%
Pre-tax Return on Average Equity	16.35%	17.10%	16.25%
Efficiency Ratio	52.82%	53.48%	53.76%
Net Charge-offs as a % of Average Loans	0.00%	0.00%	-0.01%
Nonperforming Assets as a % of Total Assets	0.15%	0.15%	0.11%





## **BOARD OF DIRECTORS**

**Gale Hoese - Chairman of the Board | Security Bank & Trust Co.**

**Andy Schornack - President | Security Bank & Trust Co.**

**Tom Ollig - Foundation Director | Cokato Charitable Trust & Adult Training & Habilitation Center**

**Chad Hoese - Farmer**

**Troy Williams - Senior Account Manager | Sackett Waconia**

**Larry Herrmann - Banking Credit Officer | Security Bank & Trust Co.**

## **SENIOR MANAGEMENT TEAM**

**Gale Hoese - CEO**

**Andy Schornack - President**

**Rachel Schuette - COO**

## **CORPORATE OFFICERS**

**Luke Baker - Credit Manager**

**Adam Birkholz - VP Commercial Lending - Branch Manager**

**Alex Brown - Retail Operations Manager**

**Jon Dahlke - Vice President**

**Joel Ebert - VP Commercial / Ag Loan Officer**

**Amy Gatz - Asst. VP Real Estate Loan Officer**

**JoAnn Halberg - Executive Vice President - Trust**

**Cindy Harman - Vice President of Operations**

**Kevin Hegland - Vice President - Branch President**

**Jonathon Hoese - Vice President**

**Marcus Hoffman - Executive Vice President - Trust**

**Pamela Kutz - VP Loan Officer**

**Adam Lindeman - Ag Loan Officer**

**Penny Lindeman - Compliance Officer**

**Judy Meyer - Vice President - Branch Manager**

**Kellie Oestrich - Human Resources Manager**

**Keith Peters - Branch President**

**David Resch - VP Ag Loan Officer**

**Tina Rosckes - Sr. Vice President - Trust Officer**

**Mary Stoltenburg - VP Real Estate Loan Officer**

**Marilee Vacek - Corporate Secretary**


**Geralyn Vanderlinde - Branch Manager**

**Jacob Vasek - Jr. Loan Officer**

**Dan Wilson - VP Portfolio Management - Trust**

**Scott Zacharias - Vice President**





*“It's reassuring that Security Bank takes an interest in what my company does, and even better when that interest turns into support that helps my business continue to grow. It feels like the best of both worlds: A community bank mentality, with the ability to follow through on larger deals.”*

**Tony Traxler, American Environmental**



*Growing, together.*