

Benton
Financial Corporation

2020 Annual Report

March 9, 2021

Dear Fellow Shareholder:

2020 proved to be a turbulent year, like no other. The worldwide pandemic left no one untouched.

Benton Financial Corporation had the good fortune to have another prosperous year. Net income for the year was \$2,407,305. Earnings per share were \$3.72, an 11 cent increase over the previous year. Book value per share improved \$3.13 to end the year at \$42.13. The capital to asset ratio stands at 13.39%. This is significantly above the "Well Capitalized" ratio as defined by the Federal Deposit Insurance Corporation (FDIC).


Balance Sheet Averages indicated excellent growth. Net Average Loans led the way with a 14% increase of \$11 million, followed by a 9% increase of \$12 million in Total Average Deposits. Total Average Assets ended the year up 10% or \$17 million. This Balance Sheet Growth is impressive considering our bank's lobbies were closed twice during the year for considerable time. We also experienced absent employees and working from home.

We were able to service our dedicated and patient customers with the assistance of electronic signatures for both deposits and loans, online applications, mobile deposit and merchant capture, to name a few. The investment in technological infrastructure has made this aforementioned growth possible. These accomplishments and growth could not be achieved without our experienced and dedicated Team at Fowler State Bank. This Team is not just a group of people who work together. It is a group of people who trust each other. It is astounding what can be accomplished when you don't care who gets the credit.

We must look at the banking industry going forward with concern. Net Interest Margins are greatly compressed by historically low rates on loans and bank investments. Current changes taking place in government policy and fiscal debt, along with the pandemic, keep the future economic outlook in significant observation and interest. We remain confident and committed.

I personally want to thank the employees and directors who have shown fantastic drive and enormous flexibility during a very challenging year. We appreciate the support of our shareholders and welcome their thoughts, questions and comments. Stay safe and with faith.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven T. Pettet", followed by a long horizontal line extending to the right.

Steven T. Pettet
President & CEO

FINANCIAL HIGHLIGHTS

	2020	2019	2018
PER SHARE			
Basic earnings	\$3.72	\$3.61	\$3.34
Cash dividends	.84	.84	.80
Book value	42.13	39.00	34.41
PERFORMANCE RATIOS			
Return on average equity capital	9.80%	11.52%	10.33%
Return on average assets	1.31%	1.70%	1.41%
EARNINGS			
Net interest income	\$7,094,686	\$6,650,067	\$6,608,329
Provision for loan losses	0	0	160,000
Net income	2,407,305	2,381,312	2,289,515
Cash dividends	541,817	544,333	533,415
BALANCE SHEET AVERAGES			
Total assets	\$183,557,291	\$166,779,596	\$162,695,076
Loans (net)	89,051,658	77,896,634	72,332,462
Noninterest bearing balances	8,545,194	8,963,736	10,461,168
Interest bearing balances	131,375,665	119,191,386	117,717,200
Total deposits	139,920,859	128,155,122	128,178,368
Equity capital (net of unrealized gains)	24,558,301	23,384,386	22,157,079
OTHER			
Weighted average shares outstanding	646,485	659,829	684,711

FIVE YEAR RECORD

Year	Net Income		Dividend		Capital	
	Amount	Earnings Per Share(1)	Amount	Per Share	Amount	Per Share(2)
2020	\$ 2,407,305	\$ 3.72	\$ 541,817	\$ 0.84	\$ 27,198,964	\$ 42.13
2019	\$ 2,381,312	\$ 3.61	\$ 544,333	\$ 0.84	\$ 25,096,144	\$ 39.00
2018	\$ 2,289,514	\$ 3.34	\$ 533,415	\$ 0.80	\$ 22,755,995	\$ 34.41
2017	\$ 2,023,153	\$ 2.87	\$ 532,179	\$ 0.77	\$ 22,472,123	\$ 32.78
2016	\$ 1,953,072	\$ 2.69	\$ 549,734	\$ 0.77	\$ 20,935,990	\$ 29.50

(1) Based on average shares outstanding

(2) Based on year-end outstanding shares

PLEASE NOTE:

The financial statements in this Annual Report are not a replacement for the Audited Financial Statements of the Company. The Audited Financial Statements contain much more detail. Audited Financial Statements are available upon request from the Company; simply call (800) 439-3951 or visit the Bank's webpage at www.fowlerstatebank.com.

If you have questions about the Audited Financials, please feel free to contact Steven T. Pettet, President & CEO or Steven K. Brunton, Executive Vice President & CFO at (765) 884-1200 or (800) 439-3951.

Balance Sheet Summary

December 31, 2020, 2019 and 2018

Assets

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 3,578,307	\$ 2,850,345	\$ 2,810,138
Investments	79,455,582	77,229,493	83,089,491
Loans, net of allowance for loan losses of \$2,008,261 and \$2,067,665 and \$2,182,930	89,607,583	80,078,550	75,758,598
Federal Home Loan Bank stock	810,000	697,500	697,500
Federal funds sold	26,748,000	3,812,000	1,454,000
Premises and equipment	646,144	732,936	710,001
Interest receivable	1,777,555	1,647,407	1,647,355
Other assets	450,179	372,093	928,947
Total assets	<u>\$ 203,073,350</u>	<u>\$ 167,420,324</u>	<u>\$ 167,096,030</u>

Liabilities and Stockholders' Equity

Noninterest bearing deposits	\$ 8,150,123	\$ 9,094,551	\$ 8,808,658
Interest bearing deposits	149,813,226	117,085,820	120,706,369
Total deposits	<u>157,963,349</u>	<u>126,180,371</u>	<u>129,515,027</u>
Borrowings	17,000,000	15,500,000	14,500,000
Interest payable	34,828	45,441	54,788
Other liabilities	876,209	598,368	270,220
Total liabilities	<u>175,874,386</u>	<u>142,324,180</u>	<u>144,340,035</u>
Preferred stock, no par value	0	0	0
Common stock, no par value	1,642,982	1,638,013	1,682,261
Capital surplus	2,238,611	2,172,392	2,046,285
Retained earnings	21,657,779	19,792,291	18,659,156
Accumulated other comprehensive income	1,659,592	1,493,448	368,293
Total stockholders' equity	<u>27,198,964</u>	<u>25,096,144</u>	<u>22,755,995</u>
Total liabilities and stockholders' equity	<u>\$ 203,073,350</u>	<u>\$ 167,420,324</u>	<u>\$ 167,096,030</u>

Income Statement Summary
December 31, 2020, 2019 and 2018

	2020	2019	2018
Interest Income			
Cash and equivalents	\$ 22,026	\$ 135,209	\$ 128,989
Loans receivable	5,193,177	4,858,879	4,651,995
Investment securities	2,566,641	2,790,843	2,763,713
Total interest income	<u>7,781,844</u>	<u>7,784,931</u>	<u>7,544,697</u>
Interest Expense			
Deposits	378,469	857,981	747,592
Borrowings	308,689	276,883	188,776
Total interest expense	<u>687,158</u>	<u>1,134,864</u>	<u>936,368</u>
Net Interest Income	7,094,686	6,650,067	6,608,329
Provision for loan loss	-	-	160,000
Net Interest Income After Provision for Loss	<u>7,094,686</u>	<u>6,650,067</u>	<u>6,448,329</u>
Other Income			
Service charges	406,316	442,252	425,711
Gains (losses) on securities	294,831	606,520	103,255
Other income	340,058	292,927	313,339
Total other income	<u>1,041,205</u>	<u>1,341,699</u>	<u>842,304</u>
Other Expenses			
Salaries and employee benefits	3,353,107	3,081,081	3,027,093
Premises, equipment and operating	1,109,337	1,156,575	907,794
Other expenses	880,565	1,028,573	923,411
Total other expenses	<u>5,343,009</u>	<u>5,266,229</u>	<u>4,858,298</u>
Income Before Income Tax	2,792,882	2,725,537	2,432,335
Income tax expense	385,577	344,525	142,820
Net Income	<u>\$ 2,407,305</u>	<u>\$ 2,381,312</u>	<u>\$ 2,289,515</u>

These statements are unaudited.

Statement of Equity Summary
December 31, 2020, 2019 and 2018

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive	
	Shares Outstanding	Amount			Income	Total
Balance January 1, 2018	685,498	\$ 1,746,643	\$ 1,958,938	\$ 17,858,672	\$ 907,869	\$ 22,472,122
Net income				2,289,515		2,289,515
Reclass due to <i>ASU 2018-02</i>				(135,173)	135,173	-
Other comprehensive income					(674,749)	(674,749)
Cash dividends (\$0.80 per share)				(533,415)		(533,415)
Issuance of Stock	5,834	15,541	176,982			192,523
Purchase of Stock	(30,000)	(79,923)	(89,635)	(820,443)		(990,001)
Balance December 31, 2018	661,332	\$ 1,682,261	\$ 2,046,285	\$ 18,659,156	\$ 368,293	\$ 22,755,995
Net income				2,381,312		2,381,312
Other comprehensive income					1,125,155	1,125,155
Cash dividends (\$0.80 per share)				(544,333)		(544,333)
Issuance of Stock	6,119	15,194	198,412			213,606
Purchase of Stock	(23,874)	(59,442)	(72,305)	(703,844)		(835,591)
Balance December 31, 2019	643,577	\$ 1,638,013	\$ 2,172,392	\$ 19,792,291	\$ 1,493,448	\$ 25,096,144
Net income				2,407,305		2,407,305
Other comprehensive income					166,144	166,144
Cash dividends (\$0.84 per share)				(541,817)		(541,817)
Issuance of Stock	1,924	4,969	66,219			71,188
Purchase of Stock	-	-	-	-		-
Balance December 31, 2020	<u>645,501</u>	<u>\$ 1,642,982</u>	<u>\$ 2,238,611</u>	<u>\$ 21,657,779</u>	<u>\$ 1,659,592</u>	<u>\$ 27,198,964</u>

These statements are unaudited.

Benton Financial Corporation

DIRECTORS & OFFICERS

STEVEN K. BRUNTON - *Executive Vice President & CFO*

MICHAEL E. FISCHBACH - *Vice Chairman*

JOHN S. FREELAND - *Chairman*

RICK J. MICKLE

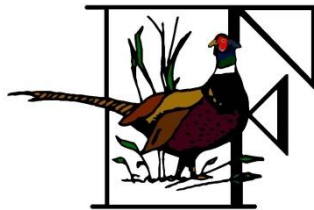
STEVEN T. PETTET - *President & CEO*

SUZANNE M. SOULIGNE

JOHN C. WRIGHT

KASSEY L. BUDREAU - *Secretary*

CYNTHIA L. EBERHARDT - *Assistant Secretary*



Fowler State Bank

OFFICERS

Steven T. Pettet - *President & CEO*

Steven K. Brunton - *Executive Vice President & CFO*

Rick J. Mickle - *Senior Vice President & Investment Officer*

Kassey L. Budreau - *Vice President & Human Resource Manager*

Linda K. Brouillette - *Vice President*

Traci L. Davies - *Vice President*

Cynthia L. Eberhardt - *Vice President*

Kim M. Datzman - *Vice President & Chief Technology Officer*

Lori A. Francis - *Vice President & Compliance Officer*

Anne M. Molter - *Vice President & Senior Trust Officer*

Diane L. Ross - *Vice President & Mortgage Loan Coordinator*

Linda I. Brewer - *Cashier & Assistant Trust Officer*

Kevin K. Lange - *Loan Officer*

Court A. Rooze - *Ag Loan Officer*

Amy M. Hardebeck - *Ag Loan Coordinator*

Michelle E. Huff - *Loan Operations Officer*

Laura S. Lee - *Deposit Operations Officer*

Betsy M. Sanford - *Financial Operations Manager*

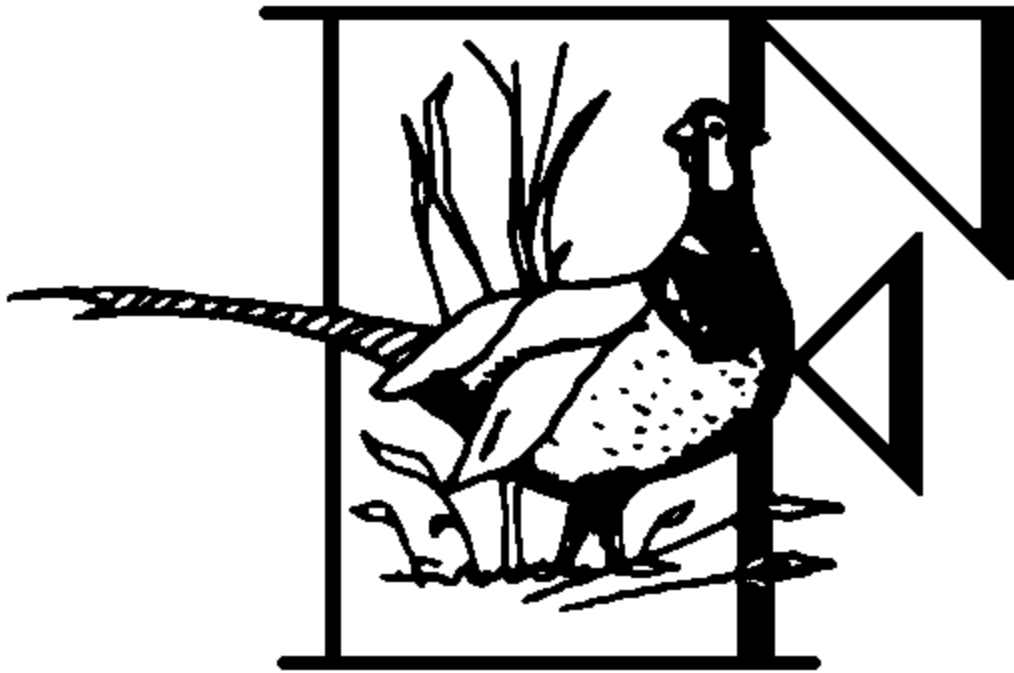
Mary Lou Hardebeck - *Assistant Cashier*

Martha L. Salla - *Assistant Cashier*

Pamela S. Benner - *Assistant Auditor*

Linda K. Ringle - *Branch Manager, Grant Avenue Office*

*“A Community Bank Owned In The
Communities It Serves”*



Fowler State Bank

www.fowlerstatebank.com

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