



2020

ANNUAL REPORT





Welcome to Monona Bankshares 2020 Annual Report.

This July, Monona Bank is celebrating our 30th Anniversary of providing extraordinary financial products to those in our communities. Given all the changes we've seen in the banking industry over the past 30 years, this is quite a milestone. Not only has our bank survived, we also continue to thrive. In fact, we had one of our best years ever financially in 2020, and at the end of last year, Monona Bank was the 6th largest bank in Dane County. Not bad for a bank that was transacting business from a trailer at the bottom of Monona Drive just 30 years ago.

While we've always prided ourselves in being able to quickly adapt to our rapidly evolving banking industry, for more than a year now we've also had to adapt to a worldwide pandemic. Who would have thought a year ago that we'd have to temporarily close our nine branches and move most of our associates home to work; but still achieve more than \$110 million of balance sheet growth and record profits for 2020? While our financial performance was outstanding, I am just as proud of the many ways our bank was able to assist our communities when they needed it most. To me, that is the essence of what it means to be a community bank, and another great reason why you can be proud of your investment in Monona Bank. You can read more about some of the ways we helped our communities during the pandemic on page 6.

This report contains information about our bank, as well as a brief management update and summary of our recent financial performance. We've also included information about our holding company, Monona Bankshares', stock performance.

Finally, I'd like to share that while the pandemic may have forced us to make unexpected changes to the way we do banking, I truly believe we are a stronger bank because of it. If nothing else, the pandemic certainly highlighted the importance of banking locally with an experienced team that understands the local economy.

Warm regards,

Paul Hoffmann

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Board of Directors

It's not often members of a company's board of directors can say they've worked together for 30 years. But three of Monona Bank's original founders have worked together as directors since 1991, when they joined five other local business leaders, to create a new bank. At that time, many banks in Dane County were being purchased and merged into larger regional or national banks. Our founders understood how important it is for communities to have access to a locally owned and managed bank, where decisions are made locally by people who are committed to the prosperity of our communities. 30 years later, we are proud to carry on our founding board members' vision for a locally owned and managed bank.



Michael Blake*



Mark Burish



Tim Carey



Thomas Gannon*



Peter Gunderson



Paul Hoffmann



Chris Homburg



Nancy Kiefer*



Ron Krantz



CHARTERED IN 1991

LOCALLY OWNED. LOCALLY MANAGED.

*Original Founder

Management Report

While the past year was extremely challenging year in many ways, we certainly met the challenge. By early 2020, we had made plans for the year and were beginning to execute them. Then COVID-19 took over and those plans were put on hold as we adapted to the emerging pandemic.

With a focus on keeping our clients and associates safe, we closed our lobbies and many of our associates began working from home (at times, more than 50% of associates were working from home). This put an immediate strain on our technology resources, but we quickly adapted and continue to operate under this new environment, even today. Our branches shifted to drive up only, and clients were encouraged to use our robust online and mobile banking products.

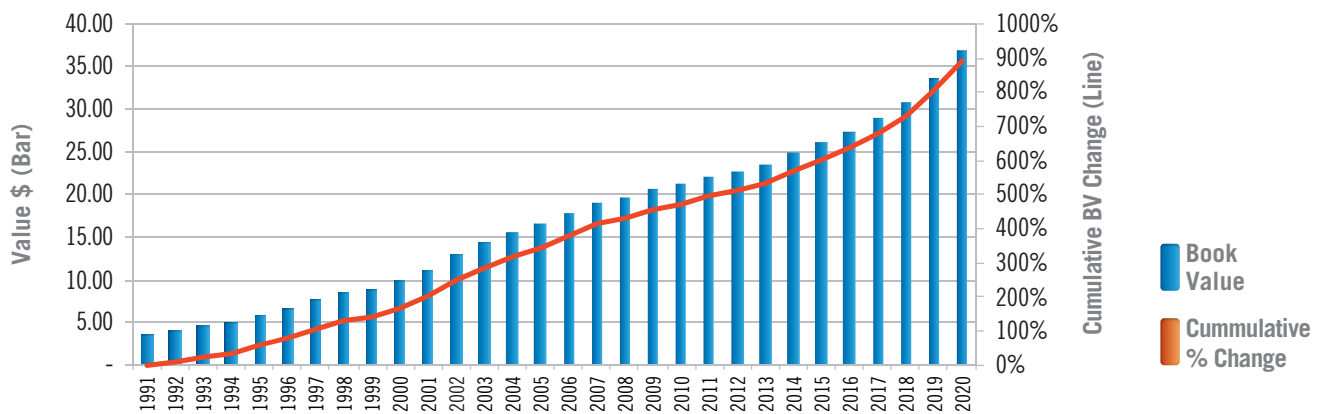
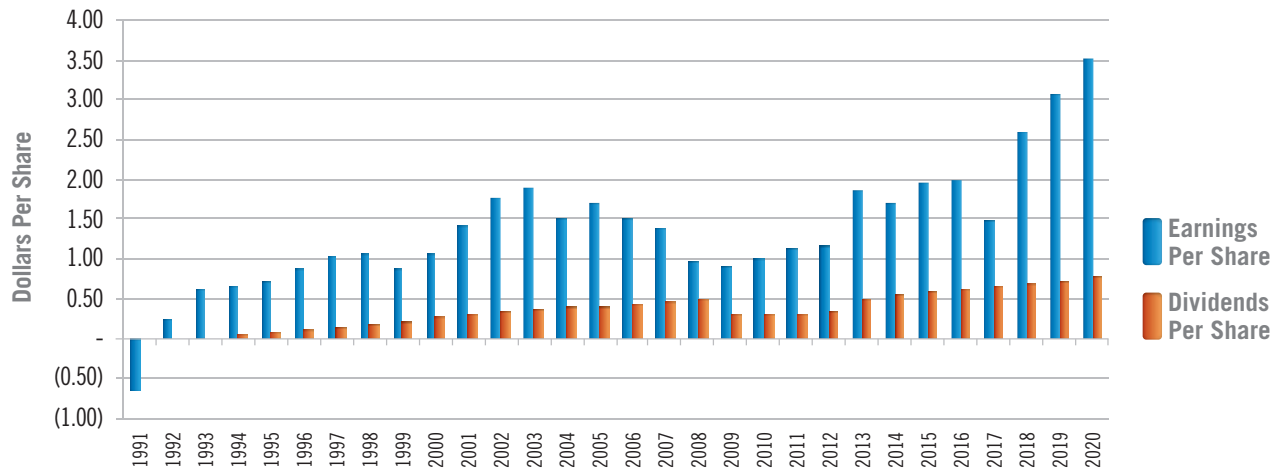
In the first quarter of 2020, interest rates declined, presenting opportunities for mortgage clients to purchase homes, or refinance an existing mortgage. We successfully responded, despite having many associates at home, and originated more than 1,000 mortgages for \$269.5 million dollars, more than doubling

our previous record set in 2019. Our incredible response meant 1,000+ clients could save thousands of dollars in interest expense over the life of their loan. A truly phenomenal year!

Our response to the new Paycheck Protection Program (PPP) was nothing short of phenomenal as well. On the very first morning of the program, our team began securing much needed funds for local businesses. With most business banking associates working from home, our bank originated \$79.9 million in first round PPP loans to help businesses bridge the early impacts of COVID-19, by redirecting resources to help process of the loans and get funds to clients quickly. By year end, clients had \$34.8 million of loan balances forgiven, and we are currently working to have remaining balances forgiven.

This report shares the incredible financial results we achieved in 2020 through the hard work of all associates at Monona Bank. Our team met the challenges this year brought. Despite all the unknowns of COVID-19, we met client needs and progressed in our mission to **Create an Extraordinary Bank.**

ANNUAL RESULTS



VALUE AND CUMULATIVE BV CHANGE

Monona Bankshares saw record net income and earnings per share (EPS) in 2020. Total net income for the year was \$10.4 million, compared to \$8.9 million in 2019, a 16% increase. EPS increased to \$3.51 from \$3.06, a 15% increase. Dividends per share declared in 2020 were \$0.80, which included a \$0.04 special dividend in recognition of the strong profit year in 2020, an increase of 11%. Finally, return on equity was 9.17% for the year.

Monona Bank crossed the \$1.0 billion asset level in 2020, averaging more than \$1.0 billion in total assets for the year. We ended 2020 with total assets of \$1.1 billion, an increase of 12% over 2020. Total loans outstanding were \$870.2 million at year end, an increase of 12%. Total deposits last year were \$911.0 million, an increase of 15% over 2019. While our growth was due in part from our PPP loan work, when we exclude the PPP-related growth, assets still increased by \$51.0 million, or 7%, in 2020.

Our growth in income was the result of strong income from the sale of loans which exceeded 2019 by \$3.4 million, or 226%. Net interest income increased \$3.3 million over 2019, or 11%. This increase includes the impact of fees earned on the Paycheck Protection Program. This growth was offset by increases in both our provision for loan losses and noninterest expenses. We increased our provision for loan losses to account for the credit quality unknowns surrounding COVID-19. Our noninterest expense increases were mostly in the variable components of salaries and benefits.

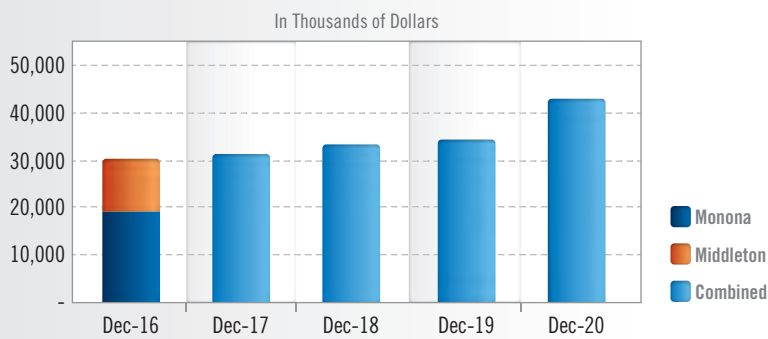
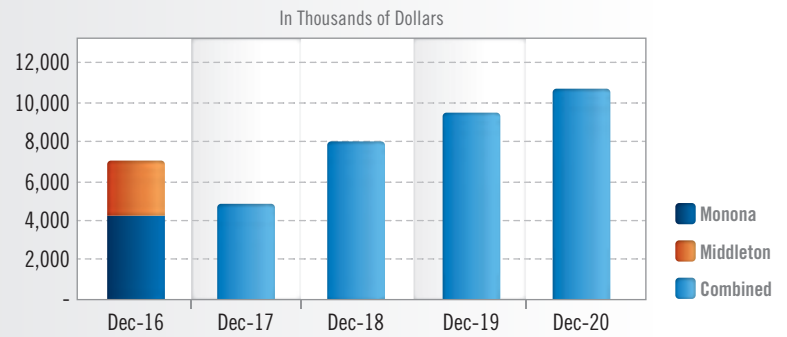
Financial Highlights (Unaudited)

	END OF PERIOD COMPARISONS				
	2020	2019	2018	2017	2016
Total Assets *	\$ 1,070,657	\$ 957,147	\$ 913,043	\$ 899,398	\$ 514,717
Total Net Loans *	\$ 870,182	\$ 779,762	\$ 730,006	\$ 683,114	\$ 420,596
Total Deposits *	\$ 911,044	\$ 791,037	\$ 739,824	\$ 726,156	\$ 395,309
ROA	1.02%	0.97%	0.86%	0.50%	0.84%
ROE	9.17%	8.45%	7.57%	4.33%	7.43%
Earnings *	\$ 10,350	\$ 8,894	\$ 7,469	\$ 4,138	\$ 3,926
Total Equity *	\$ 109,385	\$ 98,524	\$ 88,655	\$ 82,444	\$ 54,145
Average Shares	2,946,884	2,902,067	2,861,101	2,802,062	1,972,508
Ending Shares	2,967,919	2,921,087	2,878,640	2,837,604	1,973,384
EPS YTD	\$ 3.51	\$ 3.06	\$ 2.61	\$ 1.48	\$ 1.99
Book Value	\$ 36.86	\$ 33.73	\$ 30.80	\$ 29.05	\$ 27.44
Recent Sales Price	\$ 45.00	\$ 42.00	\$ 36.25	\$ 35.00	\$ 27.50
DIVIDEND INFORMATION					
Dividend Per Share	\$ 0.800	\$ 0.720	\$ 0.690	\$ 0.650	\$ 0.625
Dividend Payout Ratio	22.78%	23.49%	26.43%	44.01%	32.08%
Yield Based on Recent Price	1.78%	1.71%	1.90%	1.86%	2.27%

* in thousands

NET INCOME GROWTH

- 2020 was a record net income year, earning \$10.4 million for the year
- Annual increase since 2017 which was the acquisition year
- Acquisition has had positive impact on Net Income

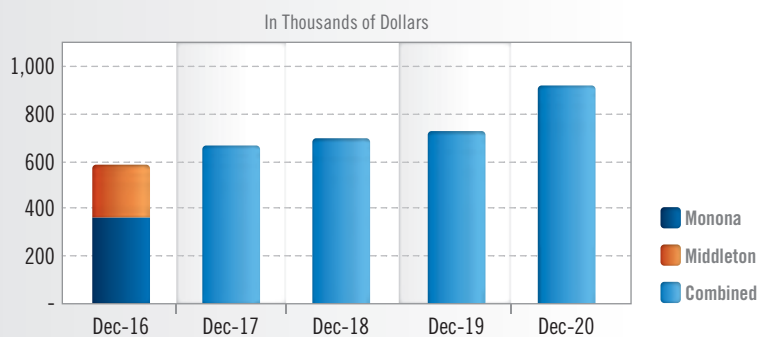
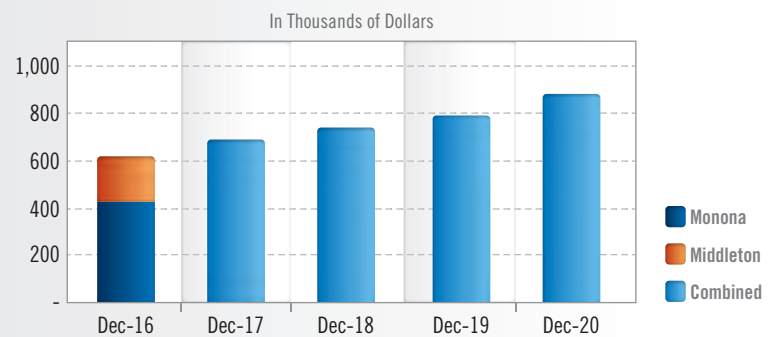


REVENUE

- Total revenue is \$42.9 million
- Revenue has increased 41% since 2016
- Increased gain on sale of loans and paycheck protection program income

LOAN GROWTH

- Total loans are \$882.3 million at year end
- Loans have grown every year since the acquisition
- Paycheck protection loans added to growth; still grew without those balances



CORE DEPOSITS GROWTH

- Strong core deposit growth during the year, core deposits at \$915.9 million
- Total deposits have grown 57% since the acquisition
- Total core deposits at 2020 are \$184.0 million more than 2019

Accomplishments and Community Outreach

Monona Bank knows our bank is only successful when our communities prosper. We believe there is “Strength in Neighbors,” which to our bank, means working hard to help the families and businesses in our communities to prosper and help make our communities great places to live and do business.

In a “normal” year, Monona Bank actively supports numerous local organizations raise the funds they need to run their programs. Last year, while the pandemic meant most fundraisers were cancelled or very limited, the needs of the communities they serve significantly increased. To help meet these increased needs, Monona Bank created a “Strength in Neighbors” campaign to raise money for the most immediate needs in our communities.

This campaign raised \$82,300, which we then donated to more than 20 area food pantries, and other Madison-area non-profits, most of which are clients of our bank. These funds were raised through a combination of board and associate contributions, as well as by shifting some of the budget normally spent on events and sponsorships that we were unable to participate in last year due to the pandemic.

Strength in Neighbors 2020 Campaign

Some of the groups we supported though this campaign included:

- Middleton Outreach Ministry (MOM)
- St. Vincent de Paul
- St. Stephen’s Food Pantry
- Second Harvest Foodbank
- The River Food Pantry
- Goodman Center Food Pantry
- Dane County Humane Society
- FEED Kitchens
- Operation Fresh Start
- NewBridge Senior Services
- Wil-Mar Neighborhood Center
- Northwest Dane County Senior Services
- Bryn Mawr Church Food Pantry
- Dane County Food Pantry Gardens
- Common Wealth Development
- Forward Community Investments (FCI)
- Oregon, Brooklyn, Belleville and Sauk Prairie Food Pantries

In addition to our Strength in Neighbors” campaign efforts, we also supported many Dane County area businesses by providing Paycheck Protection Program (PPP) loans in 2020. During the first round of PPP loans in the Spring of 2020, Monona Bank completed 752 PPP loans, primarily to small businesses in Dane County, with a total value of nearly \$80 million dollars. These funds allowed local businesses to keep their employees working, and their company’s in business during the pandemic.

Monona Bank was proud to be the lead investor in the Dane Workforce Housing Fund last year. Our investment of \$1 Million into this new fund will be used to meet a goal of creating 500 affordable workforce housing units in Dane County over the next three years. As a community bank, we understand the important role that affordable housing has on businesses finding and retaining employees in Dane County.

Monona Bank was founded on the belief that as a locally owned community bank, we need to work hard to help our communities prosper. In 2020, when face with an unprecedented pandemic, our bank truly stepped up to help our communities and can be very proud of how much both our “Strength in Neighbors” campaign and the PPP loans we provided area small businesses, helped people in our communities.



DON'T JUST INVEST. INVEST IN YOUR COMMUNITIES.

(608) 223-2187 

mononabankshares.com 

6430 Bridge Road, Monona, WI 53713 