



April 22, 2022

To Our Shareholders:

The new year is off to a good start even though outstanding loan balances were down during the quarter our pipeline is strong and asset quality remains high. While rising interest rates have slowed mortgage production, we should see longer-term benefits from additional net interest income in the second half of the year. Our results show we have continued to focus on realizing efficiencies from our latest acquisition providing additional cost savings.

“With my first ninety days behind me it is a pleasure to tell you how happy I am to be part of the SFB team that is focused on building relationships and providing value to our customers and shareholders” said CEO Oldenberg.

#### Balance Sheet Summary – First Quarter

Loans, at \$506.1 million, are down \$20.5 million from year-end due largely to unanticipated payoffs of several large loans and were up \$22.7 million (4.68%) from first quarter 2021. Paycheck Protection Program (PPP) loans of \$4.7 million remained in the portfolio and are expected to be forgiven, compared to \$33.5 million one year ago and \$6.3 million at year-end.

Credit quality at SFB is strong and the Allowance for Loan Losses (ALL) was adequately funded at \$7.7 million or 1.53% of gross loans. Total non-accrual loans of \$3.3 million are down slightly from year-end and were 0.66% of the portfolio. Loans past due 30-89 days were 0.04% of the portfolio, down from the year-end ratio of 0.35%

Deposits were up \$3.1 million from year-end at a balance of \$751.7 million and were \$35.4 million higher than first quarter 2021.

SFSC debt of \$11.5 million is down \$500,000 from year end and down \$5.4 million from first quarter 2021 as the Company continues to pay down principal on acquisition debt ahead of schedule.

#### Income Statement Summary – First Quarter

Net Income from Operations, which doesn't include securities gains, for the first quarter of \$2,848,000 was \$349,000 (13.97%) greater than 2021. Net Income for the quarter of \$2,857,000 exceeded first quarter 2021 by \$1,082,000, largely due to the timing of the State Income Tax recognition in 2021 related to the shareholder adoption of Entity State Income Tax Election.

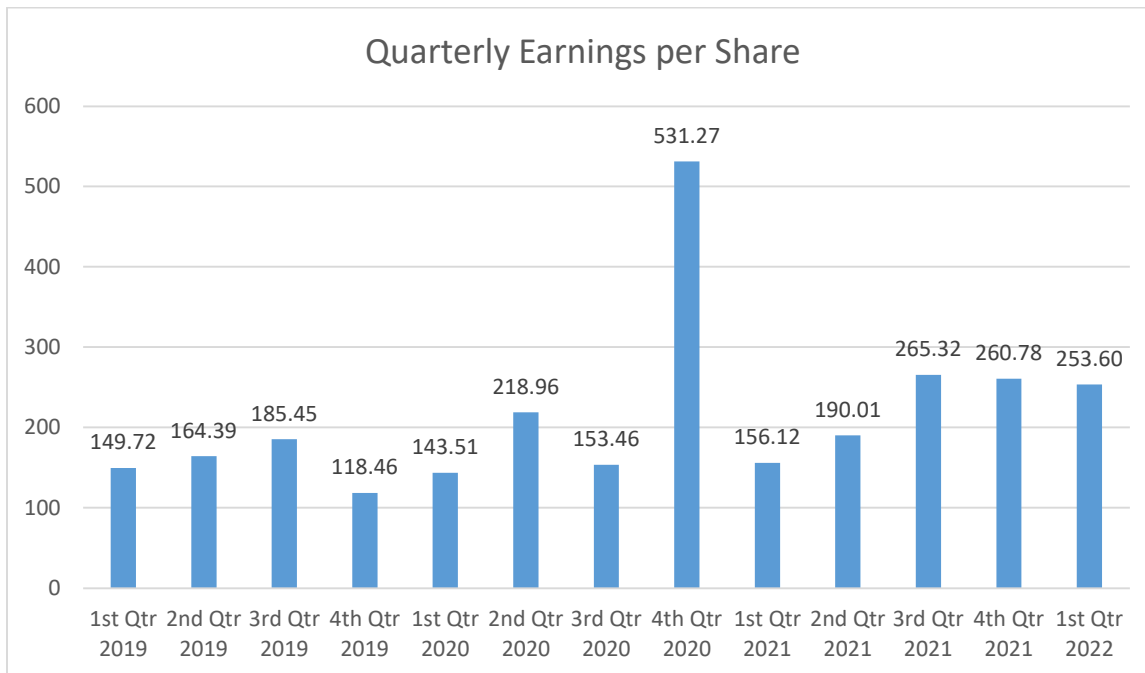
Interest income of \$7,262,000 was up \$397,000 (5.78%) from first quarter 2021. Decreasing market rates during 2021 partially offset the significant increase in loans. Increases in loan balances were able to offset declining interest rates during 2021. Interest expense of \$755,000 was down \$257,000 due to lower borrowing costs for the bank and reduced SFSC debt.

Non-interest income of \$619,000 was \$520,000 (45.65%) less than first quarter 2021. PPP fees were \$297,000 less than 2021 and mortgage fees were \$173,000 less.

Non-interest expense of \$4,278,000 was \$215,000 (4.79%) less than first quarter 2021. Merger efficiencies, including process streamlining, branch closures and staffing reductions drove these cost savings.

No loan loss provision was expensed during the quarter as the Reserve for Loan Losses was determined to be adequately funded.

Earnings per share for the quarter of \$253.60 were down \$7.18 from the fourth quarter 2021, but are up \$97.48 (62.44%) from first quarter 2021.



Thank you for your continued loyalty and support. If you are interested in receiving the 2021 Financial Audit or the 2021 Fair Market Business Valuation, please contact Julie Sabelko at [jsabelko@sfbank.com](mailto:jsabelko@sfbank.com) or 715-672-2415.

We invite you to visit any of our banking locations for your banking needs or visit us at [www.sfbank.com](http://www.sfbank.com) to learn more about how we can serve you.

Best Regards,

Mark Oldenberg  
President and  
Chief Executive Officer

Paul Solyntjes  
Executive Vice President and  
Chief Financial Officer



Balance Sheet Comparison - March 31, Year-to-date (000s)

	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>3/31/2021</u>	<b>Change in 1st Qrt</b>	
				<u>\$ Change</u>	<u>% Change</u>
Cash Equivalents	\$30,867	\$36,049	\$25,096	(\$5,182)	-14.37%
Securities	256,632	265,534	201,531	(\$8,902)	-3.35%
Fed Funds Sold	15,138	369	86,965	\$14,769	na
Loans	506,139	526,658	483,489	(\$20,519)	-3.90%
Allowance for Loan Losses	(7,738)	(7,745)	(7,242)	\$7	-0.09%
Other Assets	42,364	42,798	41,369	(\$434)	-1.01%
<b>TOTAL ASSETS</b>	<b>\$843,402</b>	<b>\$863,663</b>	<b>\$831,208</b>	<b>(\$20,261)</b>	<b>-2.35%</b>
Total Deposits	\$751,732	\$748,641	\$716,336	\$3,091	0.41%
SFSC Debt	11,500	12,000	16,887	(500)	-4.17%
Fed Funds Purchased	0	0	0	0	#DIV/0!
Other Liabilities	22,277	34,342	33,368	(12,065)	-35.13%
<b>TOTAL LIABILITIES</b>	<b>785,509</b>	<b>794,983</b>	<b>766,591</b>	<b>(9,474)</b>	<b>-1.19%</b>
Common Stock, Surplus & Undivided Profits	68,644	69,103	63,335	(459)	-0.66%
Unrealized Gains (Losses) on Securities	(10,751)	(423)	1,282	(10,328)	2441.61%
<b>Total STOCKHOLDERS' EQUITY</b>	<b>57,893</b>	<b>68,680</b>	<b>64,617</b>	<b>(10,787)</b>	<b>-15.71%</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$843,402</b>	<b>\$863,663</b>	<b>\$831,208</b>	<b>(20,261)</b>	<b>-2.35%</b>



Year-to-date Income Statement Comparison (000s)

	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>3/31/2021</u>	<b>3/31 Year-over-year</b>	
				<b>\$ Change</b>	<b>% Change</b>
<b>INCOME:</b>					
Interest Income	\$7,262	\$28,743	\$6,865	\$397	5.78%
Non-interest Income	619	4,930	1,139	(\$520)	-45.65%
<b>Total Income</b>	<b>7,881</b>	<b>33,673</b>	<b>8,004</b>	<b>(\$123)</b>	<b>-1.54%</b>
Interest Expense - SFB	665	3,097	884	(\$219)	-24.77%
Interest Expense - SFSC Debt	90	512	128	(\$38)	-29.69%
<b>Total Interest Expense</b>	<b>755</b>	<b>3,609</b>	<b>1,012</b>	<b>(\$257)</b>	<b>-25.40%</b>
<b>Total Income less Interest Expense</b>	<b>7,126</b>	<b>30,064</b>	<b>6,992</b>	<b>\$134</b>	<b>1.92%</b>
<b>EXPENSES:</b>					
Salaries and Benefits	2,667	11,154	2,688	(\$21)	-0.78%
Other Operating Expense	1,611	6,847	1,805	(\$194)	-10.75%
<b>Total Non-interest Expense</b>	<b>4,278</b>	<b>18,001</b>	<b>4,493</b>	<b>(\$215)</b>	<b>-4.79%</b>
<b>Net Income from Operations</b>	<b>2,848</b>	<b>12,063</b>	<b>2,499</b>	<b>\$349</b>	<b>13.97%</b>
(Gains) or Losses on Sale of Securities	(9)	0	0	(\$9)	#DIV/0!
Provisions for Loan Losses	0	575	75	(\$75)	-100.00%
Provisions for Income Tax Expense	0	1,598	649	(\$649)	-100.00%
<b>NET INCOME</b>	<b>\$2,857</b>	<b>\$9,890</b>	<b>\$1,775</b>	<b>\$1,082</b>	<b>60.96%</b>