



January 30, 2024

To Our Shareholders:

Reflecting on this past year, it is safe to say it was not the year in banking anyone thought it would be. I am happy to report the successful results we achieved given the industry challenges encountered. Our team was able to grow loans and deposits at a time where interest rates were rising while also maintaining credit quality. We are committed to growing in 2024, but we will do it only by following the same high standards as we always have. Funding costs continue to increase, but our strong growth and liquidity position gives us flexibility to manage our balance sheet effectively.

We recently sent all shareholders information on our capital offering. If you are interested in receiving additional information on this offering, please contact me as soon as possible. The primary reason we are conducting the offering is to facilitate additional growth. As you will see in the numbers below, we had exceptional loan growth in 2023, and we want to take advantage of any additional opportunities in 2024 to strengthen the bank for the future.

Balance Sheet Summary

Loan balances grew \$37.4 million during the quarter and \$77.5 million during the year to a total of \$619.3 million, a 14.30% increase from December 2022. As a result of further industry consolidation and changes in our market area, we continue having success in growing new and existing relationships across our product offerings.

Credit quality remained strong with net charge-offs for 2023 of \$38,000, while the balance of our Loan Loss Reserve was \$9.5 million representing 1.54% of gross loans. Non-accrual loans of \$2.4 million were down \$0.6 million from December 31, 2022. Loans past due over 30 days were 0.34% of gross loans, which was up from 0.12% a year ago.

Deposits increased \$0.9 million from last quarter and were \$18.1 million higher for the year at a total of \$734.9 million. Local competition for deposits has been strong most of the year as higher interest rates and market gains have resulted in funds leaving the banking system.

Security Financial Services Corporation (SFSC) debt was unchanged during the quarter at \$7.0 million, which is down from \$9.0 million at the end of last year.

Income Statement Summary

Net income for the fourth quarter was \$1.86 million resulting in year-to-date net income of \$7.6 million. Similar to industry results, our funding costs continue to increase but have slowed down from early in the year. Future increases will be heavily influenced by any decisions made by the Federal Open Market Committee (FOMC) to raise or lower interest rates.

Interest income during the quarter of \$9.6 million was up \$0.4 million from last quarter. Interest expense was \$3.9 million for the current quarter compared to \$3.5 million last quarter. The increase quarter-over-quarter was the result of customers continuing to move funds into higher-cost time deposits and due to growth in borrowings at Security Financial Bank (SFB).

Non-interest income of \$3.6 million for the current year was \$5,000 higher than in 2022. Declining mortgage related revenue was offset by increases in other fee income and earnings on bank-owned life insurance.

Non-interest expense of \$18.2 million for 2023 was \$160,000 higher compared to last year. Salaries and Benefits were down \$295,000 while other operating expenses increased \$455,000.

No loan loss provision was expensed during the quarter as the reserve for loan losses was determined to be adequately funded.

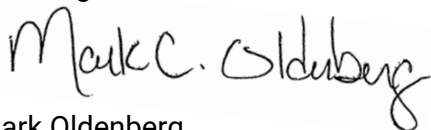
The Wisconsin state budget signed by Governor Evers on July 5, 2023 provided financial institutions an exemption on income earned on Wisconsin commercial and agricultural loans less than \$5 million retroactive to January 1, 2023. This tax law change allowed us to record a credit of \$94,000 compared to an expense of \$901,000 in 2022.

Earnings per share (EPS) for the year of \$679.35 were down \$455.00 from last year and book value per share was \$5,518 as of December 31, 2023. The decrease in EPS during the year resulted primarily the increase in interest expense being greater than the increase in interest income. Also, 2022 had \$3 million of accounting income related to the purchase of Jackson County Bank.

Thank you for your confidence in us, and we appreciate your support. If you are interested in receiving the 2023 Financial Audit, please contact Krystal Hudson at khudson@sfbank.com or 715-930-7034.

We invite you to visit any of our banking locations for your banking needs or visit us at www.sfbank.com to learn more about how we can serve you.

Best Regards,



Mark Oldenberg
President and Chief Executive Officer