



May 3, 2024

To Our Shareholders:

Both national and state reports continue to show our economy is strong with inflation reducing but not enough to convince the Federal Open Market Committee to lower interest rates. The impact from higher rates and increased volatility from rapidly changing rate expectations are being reflected in our performance. We have been able to capitalize on the strong growth in our market footprint to grow loans again during the first quarter. We funded this growth with borrowings as we, like most of the industry, continue to have difficulty attracting new deposits.

Also, during the first quarter, we completed a capital offering where we issued 1,850 shares of new stock at \$5,350 per share raising almost \$10 million. With this additional capital, we have reduced our holding company debt and invested funds in Security Financial Bank, both reducing our risk and giving us the ability to continue growing.

Results from our Annual Shareholders' Meeting held on April 23rd included the re-election of Jack Kaiser and Andy Wieser to the Board for terms ending in 2027. In addition, Jim Kusilek and Jeanne Szepieniec were elected as new directors for terms ending in 2026 and 2027 respectively. We also recognized Jack Kaiser for his 15-year anniversary and Jim Price for his 10-year anniversary as a director.

Balance Sheet Summary – First Quarter

Loan balances were increased during the quarter by \$18.4 million to a total of \$637.7 million and were \$90.6 million or 16.6% higher from first quarter 2023. We continue to have a strong loan demand and are establishing new relationships across all our markets.

Deposits were \$4.5 million higher from year-end with a balance of \$739.5 million and were \$5.6 million higher than a year ago. Competition for deposits remains elevated due to the higher interest rate environment and customers shifting their behaviors, both of which are driving up our cost of funds.

Credit quality continues to be strong, and the Allowance for Credit Losses (ACL) was adequately funded at \$9.7 million or 1.52% of gross loans. Non-accrual loans of \$2.2 million are down from year-end and were 0.36% of the portfolio. Loans past due 30 to 89 days were 0.25% of the portfolio, down from the year-end ratio of 0.34%.

SFSC debt of \$4.0 million is down \$3 million from year-end and down \$4.0 million from first quarter 2023 as we used funds from the capital offering to continue paying down debt ahead of schedule.

Income Statement Summary – First Quarter

Net income for the first quarter was \$1.7 million compared to \$1.8 million for the same period last year. We increased interest income more than interest expense during the quarter compared to the same quarter last year.

Interest income of \$10.3 million was up \$2.3 million from first quarter 2023. Higher market rates combined with strong loan growth resulted in additional interest income. Interest expense of \$4.6 million also was higher due to market rates and the continued shift in deposits from lower-cost accounts to higher-cost time deposits.

Non-interest income of \$836,000 was \$96,000 more than the same period 2023 due to additional loan fees and additional service fees as we grow our customer base.

Non-interest expense of \$4.7 million was \$166,000 more than first quarter 2023 as we experience rising costs of operations.

Loan loss provisions were \$150,000 for the quarter as we started setting aside additional funds due to our loan growth. Reserves to gross loans ended the quarter at 1.52% and were determined to be adequate.

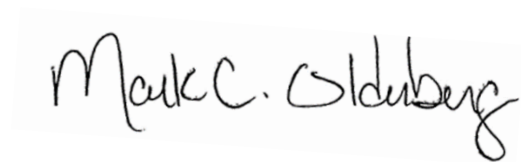
Earnings per share (EPS) for the quarter of \$135.36 were down from \$157.64 in first quarter 2023. Lower EPS results are due to higher non-interest expense and additional shares outstanding.

While we continue to face challenges in this current economic environment, with the talent and experience of our employees, I remain confident that we will produce positive results for our shareholders.

Thank you for your continued loyalty and support. If you are interested in receiving the 2024 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 C. Oldenberg
President and Chief Executive Officer