NEWS RELEASE

SECURITY FEDERAL CORPORATION ANNOUNCES INCREASE IN QUARTERLY AND YEAR-TO-DATE EARNINGS

Aiken, South Carolina (July 31, 2026) - Security Federal Corporation (the "Company") (OTCID: SFDL), the holding company for Security Federal Bank (the "Bank"), today announced earnings and financial results for the three and six months ended June 30, 2026.

Second Quarter Financial Highlights

Net income available to common shareholders was $3.7 million, or $1.19 per common share, for the second quarter of 2026, an increase of $1.3 million, or 55.4% from the second quarter of 2025. The increase in net income was driven by higher net interest income (up $1.2 million, or 10.6%) and non-interest income (up $615,000, or 23.7%), which offset increased provision for credit losses (up $240,000, or 100.0%) and non-interest expense (up $181,000, or 1.7%).

	Quarter Ended	
(Dollars in Thousands, except for Earnings per Share)	*6/30/2026*	*6/30/2025*
Total interest income	$ 18,926	$ 19,449
Total interest expense	6,417	8,137
Net interest income	12,509	11,312
Provision for credit losses	240	-
Net interest income after provision for credit losses	12,269	11,312
Non-interest income	3,210	2,595
Non-interest expense	10,542	10,361
Income before income taxes	4,937	3,546
Provision for income taxes	832	756
Net income	4,105	2,790
Preferred stock dividends	415	415
Net income available to common shareholders	$ 3,690	$ 2,375
Earnings per common share (basic)	$ 1.19	$ 0.75

Year-to-Date (Six Months) Comparative Financial Highlights

Net income available to common shareholders was $6.8 million, or $2.19 per common share, for the first six months of 2026, an increase of $1.8 million, or 36.7% from the first six months of 2025. The increase in net income was driven by higher net interest income (up $2.2 million, or 10.0%) and non-interest income (up $1.1 million, or 21.7%), which offset increased provision for credit losses (up $465,000, or 100.0%) and non-interest expense (up $900,000, or 4.5%).

	For the Six Months Ended	
(Dollars in Thousands, except for Earnings per Share)	*6/30/2026*	*6/30/2025*
Total interest income	$ 37,747	$ 38,682
Total interest expense	12,957	16,141
Net interest income	24,790	22,541
Provision for credit losses	465	-
Net interest income after provision for credit losses	24,325	22,541
Non-interest income	6,134	5,039
Non-interest expense	21,102	20,202
Income before income taxes	9,357	7,378
Provision for income taxes	1,737	1,582
Net income	7,620	5,796
Preferred stock dividends	830	830
Net income available to common shareholders	$ 6,790	$ 4,966
Earnings per common share (basic)	$ 2.19	$ 1.56

Credit Quality

The Bank recorded a $350,000 provision for credit losses on loans and a $115,000 provision for credit losses on unfunded commitments, resulting in a total provision for credit losses of $465,000 for the first six months of 2026 compared to no provision for credit losses during the same period in 2025. The following table shows the non-performing assets and allowance for credit losses balances at the periods indicated.

At Period End (dollars in thousands):	*6/30/2026*	*12/31/2025*	*6/30/2025*
Non-performing assets	$ 5,945	$ 5,842	$ 5,954
Non-performing assets to total assets	0.37%	0.36%	0.37%
Allowance for credit losses	$ 13,685	$ 13,529	$ 14,007
Allowance for credit losses to gross loans	1.98%	1.97%	2.00%

Balance Sheet Highlights and Capital Ratios

Dollars in thousands (except per share amounts)	***6/30/2026***	***12/31/2025***	***6/30/2025***
Total assets	$ 1,603,495	$ 1,618,084	$ 1,625,236
Cash and cash equivalents	84,678	75,335	142,190
Total loans receivable, net	677,710	676,182	685,501
Investment securities	750,698	776,285	707,609
Deposits	1,360,517	1,371,777	1,383,201
Borrowings	26,107	35,262	39,566
Total shareholders' equity	205,219	200,455	191,279
Common shareholders' equity	122,270	117,506	108,330
Common equity book value per share	$ 39.54	$ 37.74	$ 34.02
Total risk based capital to risk weighted assets (1)	21.23%	20.56%	20.46%
CET1 capital to risk weighted assets (1)	19.98%	19.30%	19.20%
Tier 1 leverage capital ratio (1)	10.83%	10.18%	10.54%
(1) - Ratio is calculated using Bank only information and not consolidated information			

Security Federal has 19 full-service branches located in Aiken, Ballentine, Clearwater, Columbia, Graniteville, Langley, Lexington, North Augusta, Ridge Spring, Wagener and West Columbia, South Carolina and Augusta and Evans, Georgia. A full range of financial services, including trust and investments, are provided by the Bank and insurance services are provided by the Bank’s wholly owned subsidiary, Security Federal Insurance, Inc.

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