

Security Federal Bank

Code of Ethics

CODE OF ETHICS AND CONFLICT OF INTEREST FOR DIRECTORS

THE BUSINESS OF SECURITY FEDERAL CORPORATION

The business of Security Federal Corporation and its subsidiaries (“Security Federal”) includes a full array of retail banking and related services. During the performance of our duties, it is necessary to interact with many constituencies. These groups place their trust in us and accordingly, we have the responsibility to keep this trust and be in strict compliance with all applicable laws and regulations.

Security Federal requires corporate and affiliate directors to observe a high standard of ethics in business and personal matters. The following Code of Ethics specifies certain standards for the guidance of directors. The Code should be considered as illustrative, but not regarded as all-inclusive.

Any instance of violation of this Code of Conduct and Conflict of Interest policy by a director will be reported to the full Board.

CONFLICT OF INTEREST/OUTSIDE INTERESTS

Directors are required to administer the affairs of the corporation and its subsidiaries fairly and impartially, avoiding situations which could result in, or give the appearance of, a conflict of interest concerning either Security Federal or its stockholders, or any affiliate or its customers. Personal interest which could affect the proper exercise of judgment must be avoided. In those cases where personal interests do exist, or may appear to exist, the director in question should disqualify himself or herself and abstain from participating in the discussion of and voting on the matter. Abstentions for conflict of interest should be a matter of Board record, though the exact nature of the conflict need not be included in the record only that the potential conflict was disclosed and that appropriate action was taken to exclude the director’s involvement. Should a director disclose a questionable conflict of interest, which in the opinion of the Board does not require abstention, that fact should also be a matter of Board record including the reason for such determination. The following are examples of personal interest which constitute a conflict of interest:

The director has an interest in the activity, transaction, property or relationship such that the director could receive personal financial benefit from an individual or entity outside the corporation, either directly or indirectly, based on his or her involvement in the discussion or vote.

An immediate family member of the director, to include a parent, sibling, spouse, child or dependent, or any relative sharing the same residence, has an interest in the activity, transaction, property or relationship which is known to the director and may result in a similarly defined financial benefit to that family member based on the directors involvement.

The director has a business association with the individual or entity involved in the discussion or vote. For purposes of this policy a business association is defined as:

- Any corporation or organization of which the director is an officer or partner, or in which the director beneficially owns ten percent or more of any class of equity security, including subordinated debt;
- Any trust or other estate in which a director has a substantial beneficial interest or as to which the director serves as trustee or in a similar fiduciary capacity.

Directors, principal shareholders, and executive officers must make annual disclosures to the entire board of any actual and potential conflicts of interest and any potential conflicts of their related interests.

CONFIDENTIAL INFORMATION

The confidential nature of Bank accounts and financial information in general is a fundamental precept in financial services. Our directors must be constantly alert to the responsibility of maintaining confidentiality. Confidential information must not be disclosed to anyone except as required for Board business or as required by law. When disclosing confidential information, directors must do so in a manner that does not risk violating confidentiality.

In certain instances, confidential information could be considered “insider information” within the meaning of federal and state securities laws. Disclosure or use of such information for personal gain or for avoiding personal loss could result in substantial civil and criminal penalties to individuals who disclose or who use this information. Directors must be extremely cautious in discussing the corporate affairs of Security Federal with customers or outsiders, including with stockholders of Security Federal who do not have a right to such information before an announcement is made to all stockholders of Security Federal.

TRADING IN SECURITY FEDERAL’S STOCK

Directors are encouraged to participate and maintain ownership in the stock of Security Federal. While there are occasions that dictate the purchase or sale of any investment, active buying and selling of Security Federal’s common stock in order to make short term profits is discouraged. Directors are cautioned that the Securities and Exchange Commission has stringent rules and regulations related to trading securities while in the possession of material, non--public information.

There may be occasions when directors will become aware of certain facts related to Security Federal such as earnings, expansion plans, potential acquisition or other similar situations which may reasonably be expected to be important to the investing

public. Insider information is information that has not been publicly released and which a reasonable person would consider important in determining whether to buy, sell or hold securities. Until such information is disseminated to the general public through a press release or other public announcement, directors are prohibited from either purchasing or selling Security Federal's stock. Violation of this policy could subject directors to possible action by the Securities and Exchange Commission, the result of which may include fines and/or imprisonment. Should any director desire to acquire or sell Security Federal's stock while knowledgeable of information which has not been released to the public, inquiries for advice should be made to the Board Chairman.

COMPENSATION

Directors shall not solicit or accept compensation, including commissions, fees or propositions, for services performed for the Corporation or its subsidiaries from any source other than the Corporation or subsidiary for which the services are performed. Such remuneration involving personal gain to a director in connection with activities of the Bank are highly improper and in some cases illegal.

GIFTS, FAVORS AND ENTERTAINMENT

Substantial gifts and excessive entertainment offered because of a director's affiliation with Security Federal should be courteously and tactfully declined. Directors shall not give or accept, and shall discourage immediate family members from accepting, any gift or favor, including property, gratuities, special discounts, price concessions, personal items, personal entertainment, (other than of a normal social nature), personal services, favor or dispensation of any kind, that may be given with the intent of influencing the director's actions as a member of the Board, or have the appearance of intending to influence the director's actions as member of the Board. Additionally, Directors are prohibited from requesting favors from or hiring an employee of the Bank for services related or unrelated to the employee's position at the Bank.

The preceding prohibitions are not applicable to entertainment or hospitality of a reasonable value, or gifts (but never cash), which under the circumstances, are of limited or nominal value. Whenever possible, Security Federal should pay the director's expenses. Frequent invitations from customers or vendors for meals or entertainment should be declined or handled with firm insistence that the director pay for alternate meals. The acceptance of gifts of more than a nominal value, defined by this policy as \$100 or less, could be considered as an attempt at bribery and could subject both the giver and the recipient to felony charges as well as the penalties prescribed under the Bank Bribery Act, 18 U.S.C. § 215. The Bank Bribery Act also covers agents or attorneys of a financial institution.

Full and timely disclosure to Security Federal's Chief Executive Officer must be made with respect to entertainment, hospitality or gifts received. Any question or doubt as to the appropriateness of their receipt should be referred to and resolved by the Board Chairman on a timely basis. The tactful communication of the limitations of this policy to the donors of gifts is also strongly encouraged.

ANTI -TRUST RULES – CHARGES AND PRICING

Interest rates on deposits and loans, terms of loans, service charges and other similar matters will be determined solely on the basis of what is in the best interest of Security Federal and its customers. Under no circumstances should any agreements or

understandings be established with any other financial institution concerning such charges. Security Federal is individually responsible for its policies and operating procedures. It is important that no comments be made or actions taken by directors that could be misinterpreted as an agreement to cooperate with competitors in following a common course of action as to rates of interest paid, the terms on which loans are made, hours or the price or services offered to customers.

PERSONAL REPUTATION

It is imperative that the conduct of each director reflect positively on Security Federal and fellow directors, officers, and employees. A reputation for loyalty, good morals, ethics, and integrity is within the reach of all, and directors must remain above reproach throughout their directorship.

RELATIONSHIPS TO EMPLOYEES

The Board of Directors is comprised of outside directors who are not employees of the Company and inside directors who are employees. Outside directors have no place in the internal chain of command and shall not directly criticize or reprimand any employee. If an outside director has a concern with the behavior or performance of an employee of the Company, the concern shall be shared with one of the inside directors or the President of the Bank who shall take appropriate steps to address the issue using established chains of authority.

COMMUNITY AND POLITICAL ACTIVITY

As an institution, Security Federal cannot and should not engage in politics. Directors, however, may be individually involved in politics. Directors should ensure that their participation in political activities in no way reflects unfavorably on Security Federal. Accordingly, participation in community or political activities must be accomplished in a legal manner;; not be divisive in the community; and occur in such a manner which clearly indicates that the director does not speak for Security Federal

Before running for an elected political office or accepting an appointment to a federal, state or local government office, the director must discuss the position with Security Federal's Board Chairman.

EXTENSIONS OF CREDIT

Guidelines concerning extensions of credit to directors, executive officers and principal shareholders are provided in the Board's Regulation O policy.

ILLEGAL ACTIVITY

Directors are expected to abide by all local, state and federal laws, regulations and guidelines. Examples of illegal activity include, but are not limited to, unauthorized sale of information, sexual harassment, and discrimination. Any director who is charged with, or is entering into a pretrial diversion or similar program for, any crime involving breach of trust, dishonesty, money laundering, a drug--related offense, a crime of violence or a felony must immediately notify Security Federal's Board Chairman.

COMPETITION

The competition between Security Federal and other financial institutions must always

be positive. The best possible service and personal interest in our customers are much more effective than the criticism of a competitor. Such criticism is not in keeping with the character of Security Federal and should have no place in the conversation of directors.

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CODE OF ETHICS AND CONFLICT OF INTEREST FOR EMPLOYEES

ADMINISTRATION OF THE CODE

On a daily basis, employees interact with customers, suppliers and professional groups such as attorneys, accountants, insurance agents and realtors. These groups place their trust in us and we have a responsibility to guard that trust through an unwavering commitment to common ethical standards.

This Code of Ethics specifies certain “reasonable” standards for behavior including the avoidance of conflicts of interest and the proper disclosure of any conflicts should they exist. It is illustrative, but not all inclusive. The Code applies to all employees, including officers and Senior Financial Officers, hereinafter inclusively referred to as “employees”. Failure of any employee to comply with this Code may result in termination of employment. Additionally, any violation or suspected violation of the Code must be promptly reported to the Audit Committee of the Board.

Senior Management will convey the importance of this Code of Ethics in written correspondence and/or employee training at least once annually. Requests for clarification related to the Code may be referred to the Compliance Department or Human Resources. However, matters of interpretation and situation resolution, including the granting of waivers, are the responsibility of the Audit Committee of the Board. The Audit Committee will administer the Code and will make periodic reports to the Board of Directors, as necessary.

EXPECTATIONS OF SENIOR FINANCIAL OFFICERS

Setting a standard for the organization, the Board of Directors charges its Senior Financial Officers (the Chief Executive Officer, President of Security Federal Corporation, President of Security Federal Bank, Chief Financial Officer, Chief Lending Officer and Chief Administrative Officer) to maintain conduct above reproach. Acting honestly and ethically themselves, these Officers are expected to promote ethical behavior throughout the organization. Furthermore, any Senior Financial Officer who is involved in preparing or reviewing disclosures to be provided to the public, including documents filed with the Securities and Exchange Commission, must assure that such information complies with regulatory guidelines and is accurate, full, fair, timely and understandable.

As principal executive officers, individuals in the above named roles are subject to Regulation O and must report any material transaction or relationship that reasonably could be expected to result in a conflict of interest to the Board.

Questions concerning the ethics of Senior Financial Officers should be referred to the Board Audit Committee.

PERSONAL INTEGRITY & COMPLIANCE WITH LAWS AND REGULATIONS

It is expected that all employees demonstrate good morals, ethics and integrity, consistently displaying conduct that reflects favorably on Security Federal. Good conduct includes, but is not limited to, the following:

- Properly handling personal finances
- Assuring the integrity of customer records, including accurate and timely maintenance
- Appropriately safeguarding company assets
- Honestly and candidly dealing with internal auditors, regulators and attorneys
- Providing the highest level of personal financial services in a courteous and professional manner and treating all individuals fairly without regard to age, race, creed, national origin, gender, religion, sexual orientation, disability, marital status, or social and economic status.

Furthermore, every employee is expected to abide by federal, state and local laws, regulations and guidelines. Individuals engaged in activities found to violate legal or regulatory authority will be subject to termination of employment. Examples of illegal activity include, but are not limited to:

- Embezzlement
- Unauthorized sale of information
- Fraud such as forgery, counterfeiting and check kiting
- Unauthorized use of funds, revenues and fees
- Abuse of expense, asset and liability accounts
- Sexual harassment or discrimination.

Any individual who is charged with, or is entering into a pre-trial diversion or similar program for, any crime involving breach of trust, dishonesty, money laundering, a drug-related offense, a crime of violence or a felony must immediately notify his or her supervisor.

CONFIDENTIAL INFORMATION

Customer Information

The confidential nature of private financial information is a fundamental precept of banking.

Personal and financial information of customers including fellow employees must be held in strict confidence and safeguarded in accordance with the provisions of the Gramm-Leach-Bliley Act and the Privacy Policy of Security Federal. Furthermore, when confidential information is disclosed for authorized business or legal reasons, care must be taken to communicate such information within the framework of established security controls.

Business Sensitive Information

Corporate affairs, including but not limited to the company's competitive position, assets and liabilities, strategic plans, regulatory actions, and information about human resources, suppliers and stockholders, should be guarded as sensitive information to be used for internal business purposes only. Employees are reminded

that even published information may be subject to proprietary rights and infringement law and should be used for authorized purposes only.

SECURITY FEDERAL STOCK

Employees are encouraged to participate and maintain ownership in the stock of Security Federal. While there are occasions that dictate the purchase or sale of an investment, active buying and selling of Security Federal's common stock in order to make short term profits is discouraged. Employees, especially officers and Senior Financial Officers, are cautioned that the Securities and Exchange Commission has stringent rules and regulations related to trading securities while in the possession of material, non--public information.

There may be occasions when, in the course of normal duties, an employee becomes aware of certain facts related to Security Federal such as earnings, expansion plans, potential acquisition or other similar situations which may reasonably be expected to be important to the investing public. Insider information is information that has not been publicly released and which a reasonable person would consider important in determining whether to buy, sell or hold securities. Until such information is disseminated to the general public through a press release or other public announcement, employees are prohibited from either purchasing or selling Security Federal's stock. Violation of this policy could subject participants to possible action by the Securities and Exchange Commission, the result of which may include fines and/or imprisonment. Any employee who desires to acquire or sell Security Federal stock while possessing "insider" knowledge must refrain from doing so unless a determination is made by Chief Executive Officer that such information is immaterial.

Additionally, employees are prohibited from prematurely disclosing any such information to customers, stockholders and other external parties who do not have a business appropriate reason to know prior to public announcement.

ANTI -TRUST RULES

Interest rates on deposits and loans, terms of loans, service charges and other similar matters will be determined solely on the basis of the best interest of Security Federal and its customers. It is important that no comments be made or actions be taken by officers or employees that could be interpreted as an agreement to cooperate with competitors in following a common course of action as to rates of interest paid, the terms on which loans are made, the price or services offered to customers, hours of operation and the like. Situations where discussions with competitors are permissible are strictly limited to circumstances where action by a banking group is warranted, such as an extension of a term loan by a group of banks or a potential bad loan situation where cooperation among lenders is necessary to assist the borrower in working out financial problems.

POLITICAL ACTIVITY

Security Federal Involvement

Federal law prohibits banks and bank holding companies from making political contributions directly to parties or candidates. Additionally, loans for political purposes are subject to the restriction of campaign finance law. Security Federal is permitted, however, to participate in non--partisan political action committees that solicit segregated funds to support candidates for a strong and competitive banking system. Notwithstanding this exception, Security Federal will not reimburse any individual for political contributions or for the cost of attendance at any political

function, and the Bank will not provide supplies, special services, equipment or labor for political purposes.

Employee Involvement

Employees are encouraged to stay well informed on local, state and national affairs and to satisfy their responsibility to vote in all elections. Involvement in other community and political activities is also encouraged, as long as such activities do not reflect unfavorably on Security Federal and provided that participation:

- Is accomplished in a legal manner
- Does not interfere with work performance
- Is not deemed to be divisive in the community
- Occurs in a manner which clearly indicates that the employee does not speak for Security Federal.

At no time will employees solicit colleagues for partisan political contributions. Contributions to a Bank PAC may be collected once annually, if authorized by the Chief Executive Officer, but all contributions shall be voluntary, and all individuals shall have the right to refuse to contribute without fear of reprisal.

Moreover, before running for an elected political office or accepting any appointment to a federal, state or local government office, an employee must meet with the Chief Executive Officer and Audit Committee of the Board to assess potential conflicts of interest.

EMPLOYEE ACCOUNTS

In all cases, the rate of interest the bank pays on employee deposit accounts will not exceed the rate available to all customers. The bank will assess all applicable account fees, including overdraft charges, on all employee accounts.

UNDESIRABLE BUSINESS

No employee may discriminate in the acceptance of business brought to us by reputable persons. On the other hand, accounts or loans extended to controversial or unsavory persons or entities are highly likely to result in financial loss, reputational damage or embarrassment. Business relationships of this nature should be considered with great caution and a penchant to decline.

COMPETITION

The competition between Security Federal and other financial institutions must always be positive. Rather than criticizing competitors, employees are encouraged to create a competitive advantage by providing the best possible service to our customers. Criticism of other financial institutions is not in keeping with the character of Security Federal.

CONFLICTS OF INTEREST

Personal Interests

Employees are required to perform their duties fairly and impartially, avoiding situations which could result in, or give the appearance of, a conflict of interest. Personal interest which could affect the proper exercise of judgment must be avoided. In those cases where personal interests do exist, or may appear to exist,

the employee in question must disclose the potential conflict of interest and abstain from participating in the activity or transaction. The following are examples of personal interest which constitute a conflict of interest:

The employee has an interest in an activity, transaction, property or relationship such that the employee could receive personal financial benefit from Security Federal or a third party, either directly or indirectly, based on his or her position with the company or his or her involvement in the activity.

An immediate family member or domestic partner of the employee (to include a parent, sibling, spouse, child or dependent, or any individual sharing the same residence) has an interest in the activity, transaction, property or relationship which is known to the employee and may result in a similarly defined financial benefit to that family member based on the employee's position with Security Federal or the employee's involvement in the activity.

The employee has a business association with the individual or entity involved in the transaction. For purposes of this policy a business association is defined as:

Any corporation or organization of which the employee is an officer or partner, or in which the employee beneficially owns ten percent or more of any class of equity security, including subordinated debt;

Any trust or other estate in which an employee has a substantial beneficial interest or as to which the employee serves as trustee or in a similar fiduciary capacity.

Extensions of Credit

No employees may extend credit or participate in a credit extension for which proceeds of the loan are to be given to the employee, a domestic partner or immediate family member of the employee, or an entity in which the employee has a financial interest. Additionally, no employee may extend credit if the borrower, in turn, loans proceeds to the employee, pays debt of the employee, or purchase assets from the employee, or extends any of these same benefits to a domestic partner or immediate family member of the employee, or an entity in which the employee has a financial interest.

No employee may extend credit to a customer at a preferential rate or term without first obtaining exception approval from the appropriate internal loan authority.

No employee may extend credit to an employee of a Bank regulatory agency, which has supervision over Security Federal

Additional guidelines including terms, conditions and restrictions, for the extensions of credit to Security Federal employees are covered in the employee handbook.

Guidelines concerning extensions of credit to directors, senior financial officers and principal shareholders are provided in the Board's Regulation O policy.

External Employment

Employees are expected to devote their full vocational interest to their job with the Company and cannot engage in any other occupation for remuneration without prior approval from their supervisor and the Human Resources Department. In no case, may the business or employment directly or indirectly compete with Security Federal.

Directorships

Employees are encouraged to participate in business, civic, charitable and religious organizations. However, acceptance of membership on an outside board may create a conflict of interest, particularly if the organization is seeking a beneficial relationship with Security Federal or with a financial institution in general. In the interest of avoiding a conflict of interest, directorships for any external organization must be approved by the CEO, President of the Bank, or President to the Corporation prior to an employee commitment.

TRANSACTIONS WITH SUBORDINATES

Employees in supervisory roles are prohibited from commanding personal favors from subordinates or hiring subordinates for personal services related or unrelated to their positions at the Bank.

COMPENSATION, GIFTS AND ENTERTAINMENT

Employees shall not solicit or accept compensation, including commissions, fees or propositions, for services performed for Security Federal or its subsidiaries from any source other than the Security Federal or the subsidiary for which the services are performed. It is highly improper and most often illegal for an employee to receive remuneration from a third party in connection with activities of the Bank.

Substantial gifts and excessive entertainment offered because of an employee's affiliation with Security Federal should be courteously and tactfully declined. Employee's shall not give or accept, and shall discourage immediate family members (as defined above) from accepting any gift, including property, gratuities, special discounts, price concessions, personal items, entertainment or services, favor or dispensation of any kind, that the employee believes or has reason to believe is given with the intent of influencing the employee's actions on behalf of Security Federal, or where acceptance of such gift would have the appearance of intending to influence the employee's actions.

The preceding prohibitions are not applicable to meals, entertainment or hospitality of a reasonable value provided in conjunction with business, or gifts (but never cash), which under the circumstances, are of limited or nominal value. Excessive or frequent invitations from customers or vendors for meals or entertainment should be declined or handled with firm insistence that the director pay for alternating meals. The acceptance of gifts of more than a nominal value, defined by this policy as \$75 or less during a single annual period, may be considered as an attempt at bribery and could subject both the giver and the recipient to felony charges as well as the penalties prescribed under the Bank Bribery Act, 18 U.S.C. § 215. The Bank Bribery Act also covers agents or attorneys of a financial institution. Randomly awarded door prizes, such as those given at business conferences, are not exempt from the nominal gift restriction. However, in the case of door prizes, the Audit Committee may grant a single--instance waiver of the gift limitation on the basis that affected employee is not subject to a potential conflict of interest.

Employees are encouraged to tactfully communicate the limitations of this policy to any customer or vendor offering meals, entertainment, or gifts. Furthermore, full and timely disclosure to the President of the Bank, President of the Corporation, or Chief Executive Officer must be made with respect to any offer of excessive entertainment, or hospitality, and any gift believed to be more valuable than the nominal limit.

Kickbacks and Unearned Fees

Included in the above prohibitions are the bans and restrictions contained in the Real Estate Settlement Procedures Act ("RESPA") and Regulation X of the Department of Housing and Urban Development. Specifically, the Board of Directors prohibits giving or accepting any fee, kickback, or thing of value pursuant to any agreement or understanding for the referral of a real estate settlement service or for receiving any portion of the charge for a settlement service other than for services actually performed. In summary, the basic rule declares any referral of a settlement service is not a compensable act. Compensation is deemed to include not only direct payments (money, merchandise, or other property), but also indirect payments such as free services or reductions in other fees normally charged for the provision of services.

Use of Security Federal Funds for Entertainment

From time to time, officers may purchase tickets for sporting, cultural, or other events with Security Federal funds to entertain prospects, customers, vendors, or others for an express business purpose. If the tickets are declined by the designated individuals for any reason, the officer holding such tickets shall consult with his or her supervisor for a determination of best alternative use.

REPORTING REQUIREMENTS

Prospective employees are required to disclose any potential conflicts of interests prior to hire, and if employed, are required to disclose potential conflicts as they arise. At least once annually, employees must provide the current status of outside employment, business interests, and/or external directorships, along with a commitment to disclose any potential conflict of interest as should they occur. Reports are to be submitted as follows, with a copy to Human Resources for record retention purposes:

Employees -- Report to immediate supervisor

Officers (VP & above) -- Report to President of Corporation/President of Bank Senior Financial Officers (subject to Reg O) -- Report to Board of Directors

AUDIT

On a periodic basis, but no less than every other year, the audit function will conduct a review of documentation to test for compliance with this policy. The Audit Manager will report findings to the Compliance Committee and the Audit Committee of the Board.

Revision History: September 2024, October 2016, February 2016, February 2015, June 2004