

2024 ANNUAL REPORT





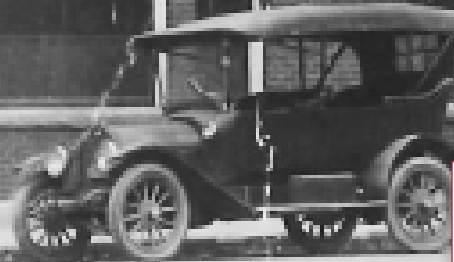
**Security Financial Bank celebrated its 90th anniversary, marking a significant milestone.**

First opened on April 6, 1934 in the middle of the Great Depression, SFB quickly became a trusted depository for its clients and a financial resource for area businesses, farmers, and community members. SFB is proud to continue that tradition today.

A LOOK BACK AT THE BEGINNING OF SECURITY FINANCIAL BANK

**APRIL 6, 1934**

Security National Bank (SNB) started in Durand, WI. SNB succeeded First National Bank, which began in 1915.



**1934 - ORIGINAL BANK CHARTER**  
Security National Bank's National Charter.

*Believing* in communities for over 90 years.

# SHAREHOLDER LETTER

To Our Shareholders,

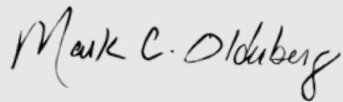
As we reflect on 2024, we are pleased to share both the challenges we faced and the positive strides we made. Although our overall earnings were comparable to the prior year, the results were better than anticipated given the various market conditions. We remain optimistic as the bank experienced higher levels of net income in the latter part of the year, due particularly to improving net interest income. We were able to maintain a solid financial position, with strong asset quality and growth, and a disciplined approach to cost management.

We are confident the foundation we've built will enable us to continue growing and enhance our profitability in 2025. Improvements in net interest income, alongside our focus on prudent risk management and community engagement, will help us remain resilient in an evolving economic landscape. Our commitment to providing value to our customers, shareholders, and communities remains steadfast.

Like other businesses, we continue to evaluate our strategic priorities to ensure future success. With that in mind, we have modified our goals for the next several years to include asset growth, improving our employee experience, focusing on technology, becoming the #1 community bank in each of our markets, and being a top 25% peer performer.

By concentrating our efforts on each of these priorities, we believe we can continue to serve our customers, communities, and shareholders with the same commitment we have since our first day.

Thank you for your confidence in us, and we appreciate your support.



**Mark C. Oldenberg**  
President & CEO



**1947**  
Founders discuss a new bank building to better serve the community.



**2000 - SFSC**  
Holding company of Security National Bank is formed.



**2009 - EAU CLAIRE**  
SFB opens third location.



**2018 - LADYSMITH**  
Pioneer Bank becomes SFB's fifth branch.



**1968 - GRAND OPENING**  
Security National Bank's new building in Durand. Still open today.



**2005 - RIVER FALLS**  
Opened as second full-service banking location.

**2007 - sfb**  
Name changed to Security Financial Bank.



**2014 - BLOOMER**  
People's State Bank in Bloomer acquired.



**2021 - JACKSON COUNTY**  
SFB acquires locations in Alma Center, Motor Bank, and Black River Falls.

# BALANCE SHEET SUMMARY

Looking back at 2024, similar themes were encountered as in 2023. The rapid rate hikes imposed by the Federal Reserve Bank in 2022 and 2023 caused challenges relating to liquidity and deposit growth. As a result, management implemented strategies to ensure these risks were addressed, which included increasing and diversifying our funding sources, strengthening customer relationships, enhancing deposit products and services, and stress testing.

Security Financial Services Corporation (SFSC) ended the year with \$953.5 million in total assets, an increase from \$886.1 million at the end of 2023. The growth in the balance sheet was primarily attributable to loan growth and was funded by increases in both deposits and borrowings.

Loans totaled \$659.8 million at the end of 2024, which was an increase of \$50.1 million (8.2%) from 2023. Commercial and commercial real estate loans comprised 51% of the growth, agriculture and agriculture real estate contributed 24%, and residential real estate contributed 25%.

Credit quality of our loan portfolio remained strong during 2024. The allowance for credit losses was adequately funded at \$9.6 million or 1.43% of gross loans. Total nonaccrual loans decreased from \$2.4 million to \$1.3 million during 2024 and represented only 0.19% of gross loans, while past due loans only represented 0.54% of gross loans.

The banking industry continued to experience increased competition for deposits in 2024 from other financial institutions, investment brokers, and due to Federal Reserve Bank monetary policies; however, deposits of \$779.8 million were up \$44.8 million (6.1%) from one year ago. The higher rate environment continued to encourage customers to move funds from lower-yielding non-maturity deposits to higher-yielding time deposits, putting additional pressure on net interest income.

SFSC debt related to the acquisition of Jackson County Bank continues to be reduced ahead of schedule. Principal paydowns of \$4.1 million during the year brought the outstanding balance to \$2.9 million at the end of 2024. Principal payments on the debt have totaled \$9.1 million since 2021.

Total equity at the end of 2024 was \$78.5 million, an increase of \$16.6 million from 2023. Of this increase, \$9.9 million was related to our capital raise and \$2.5 million was attributed to a reduction in unrealized losses related to the Company's investment portfolio. The other \$4.2 million increase was due to the Company's earnings in excess of shareholder distributions.



## BOARD OF DIRECTORS

- Jack Kaiser, Chair  
*(Since 2009)*
- .....
- Chuck Forster  
*(Since 2013)*
- .....
- Bob Komro  
*(Since 2015)*
- .....
- Jim Kusilek  
*(Since 2024)*
- .....
- Jim Mayo  
*(Since 2006)*
- .....
- Mark Oldenberg  
*(Since 2022)*
- .....
- Jim Price  
*(Since 2014)*
- .....
- Jeanne Szepieniec  
*(Since 2024)*
- .....
- Andy Wieser  
*(Since 2020)*

<p><b>6,553</b> CUSTOMER SERVICE CHATS IN APP</p>	<p><b>\$33 MM</b> BILL PAYMENTS</p>	<p><b>2.28 MM</b> MOBILE &amp; ONLINE BANKING LOGINS</p>	<p><b>\$766 MM</b> IN MOBILE TRANSFERS</p>
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## SFSC HIGHLIGHTS

### **SFSC Board Elects Two New Directors**

Jim Kusilek and Jeanne Szepieniec were both elected to the SFSC Board in 2024.

Jim has experience as both an agricultural and commercial lender. His career path changed 25 years ago when he and his wife, Audrey, were part of a family purchase of a struggling 300-cow dairy in Barron County. The couple now fully owns the ag operation, which has grown to 1,600 dairy cows and 1,200 heifers with 25 employees.

Jim has been involved with several organizations

including the Wilmar and Sheboygan Jaycees, the Rice Lake Rotary Club, Bethany Church Council, the Dairy Business Association, the American Dairy Coalition, and the Professional Dairy Producers of WI. He currently serves as Board president for the Rice Lake Pregnancy Help Center.

Jeanne started her strong work ethic at the age of 15 by working at her family-owned car dealerships, Chilson Automotive. Her roles at the dealership included project management, customer service, operations, product integration, charity contributions, and more.

Jeanne holds an MBA from the University of Wisconsin-Eau Claire. She serves as the Board president for the Wisco Cooperative Board of Directors,

is a Board member for the Regis Catholic Schools Foundation, and volunteers at Immaculate Conception Church.

Jeanne was elected to a three-year term while Jim's term will expire in 2026.

### **Successful Capital Offering**

During the first quarter of 2024, SFSC completed a capital offering where 1,850 shares of new stock were offered. With stock valued at \$5,350 per share, the offering raised almost \$10 million. With this additional capital, we reduced our SFSC holding company debt and invested funds in Security Financial Bank, both reducing our risk and giving us the ability to continue growing.



## INCOME STATEMENT

The result of industry challenges experienced in 2024 were compression of net interest margin, lower non-interest income due to a lack of mortgage activity, increased non-interest expenses related to maintaining/hiring employees, and higher compliance costs. To address these challenges, SFSC continued to implement various strategies to either increase net interest income or limit the increase in expenses.

Interest income increased \$9.8 million (27.8%) from the prior year. This increase was a result of reinvesting maturing securities into higher-yielding securities and our strong loan growth over the past couple of years originated at higher current market interest rates.

Interest expense increased from \$12.9 million in 2023 to \$20.0 million in 2024, an increase of \$7.1 million or 55.4%. Due to the Federal Reserve Bank increasing rates in 2022 and 2023, deposit interest expense increased significantly for banks starting in 2023 and continued throughout 2024. In a strategy to combat the increase in interest expense, we grew the loan portfolio; however, these loans were funded primarily with higher costing brokered deposits and borrowings. The combination of increased competition for core deposits and taking on additional brokered deposits and borrowings led to the bank's cost of funds rising in 2024. Although interest expense increased, starting in late 2024, monthly interest expense started decreasing due to the Federal Reserve Bank cutting short-term rates.

Non-interest income of \$3.0 million was \$57,000 (1.85%) less in 2024 than in 2023. We were able to maintain non-interest income, despite continued challenges in the mortgage industry, by expanding our products and services, which led to increased fee income.

Non-interest expense of \$20.1 million was \$2.1 million (11.55%) more than 2023. The reason for the increase was primarily due to increased investments in personnel and security losses taken to provide liquidity and fund securities purchases and loan growth. Although these strategies increased non-interest expense, they were investments for future growth of the Company. Due to the strong growth of the loan portfolio over the past two years, a \$450,000 provision for credit losses was recorded in 2024, which totaled 0.35% of the increase in loan balances since 2022. Also, based on the recent legislation passed by the state of Wisconsin that eliminated Wisconsin income tax on interest income for certain commercial and agricultural loans, SFSC shareholders realized a benefit of approximately \$750,000 in 2024.

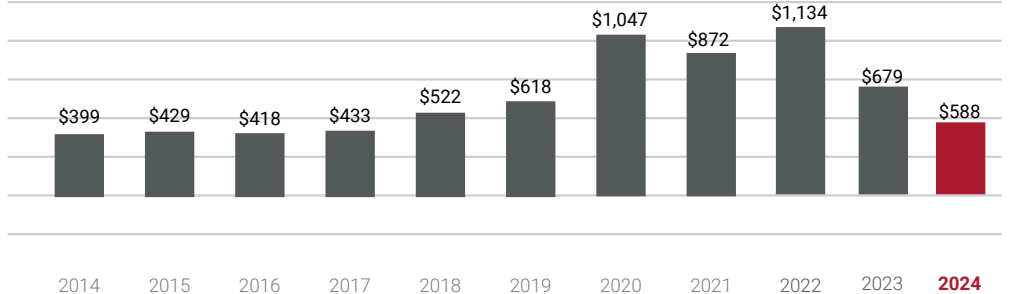
Earnings Per Share (EPS) for the year were \$588.74, which represented a return of 9.80% on book value as of December 31, 2024.



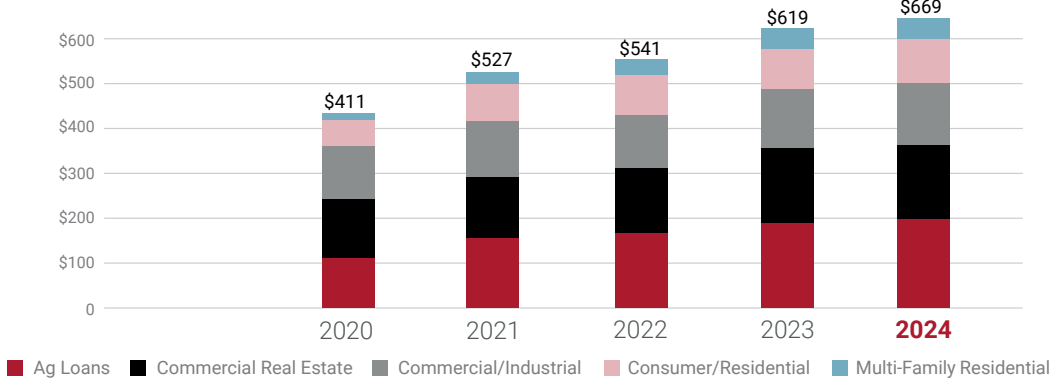
## OUR VISION

To be the best business and ag bank and top employer in each of the markets we serve.

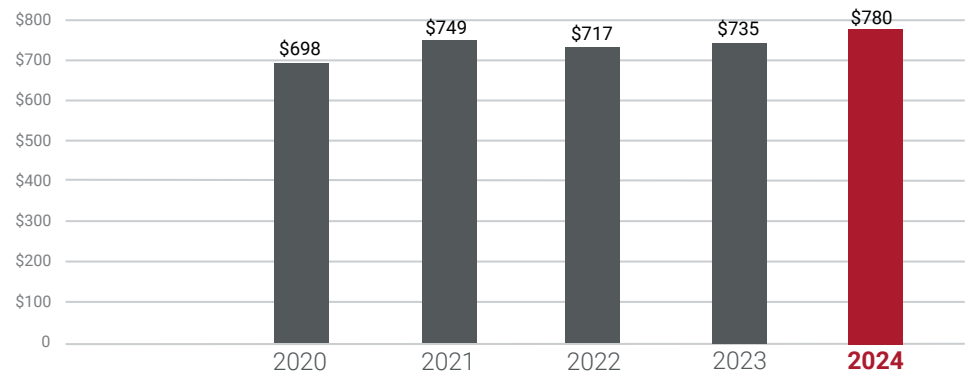
### EARNINGS PER SHARE OVER THE LAST DECADE



### LOAN BALANCE (IN MILLIONS)



### DEPOSIT BALANCE (IN MILLIONS)



# STATEMENT OF CONDITION

Here's how we add up (without the extra 000s)

	2024	2023	2022	2021	2020
<b>Assets</b>					
Cash and Cash Equivalents	\$26,483	\$15,666	\$19,733	\$36,418	\$136,889
Securities	\$221,947	\$212,361	\$229,748	\$265,534	\$178,112
Gross Loans	\$669,336	\$619,337	\$541,846	\$526,658	\$474,240
Allowance for Credit Losses	(9,561)	(9,528)	(7,735)	(7,745)	(7,160)
Bank Building, Furniture/Fixtures	\$8,996	\$9,030	\$8,902	\$9,230	\$9,528
Goodwill	\$6,122	\$6,122	\$6,122	\$6,122	\$6,122
Other Real Estate Owned	\$465	-	-	\$85	-
Cash Value of Life Insurance	\$15,169	\$19,749	\$19,175	\$15,660	\$15,227
Other Assets	\$14,502	\$13,368	\$10,565	\$11,701	\$11,471
<b>Total Assets</b>	<b>\$953,459</b>	<b>\$886,105</b>	<b>\$828,356</b>	<b>\$863,663</b>	<b>\$824,429</b>
<b>Liabilities and Equity</b>					
<b>Total Deposits</b>	<b>\$779,779</b>	<b>\$734,936</b>	<b>\$716,843</b>	<b>\$748,641</b>	<b>\$697,459</b>
Short-Term Borrowings	-	\$1,965	\$15,395	\$1,454	\$2,684
Borrowed Funds - Bank	\$85,000	\$75,000	\$30,000	\$27,998	\$37,140
SFSC Debt	\$2,886	\$7,000	\$9,000	\$12,000	\$15,500
Other Liabilities	\$7,270	\$5,269	\$5,230	\$4,890	\$6,407
<b>Total Liabilities</b>	<b>\$874,935</b>	<b>\$874,170</b>	<b>\$776,468</b>	<b>\$794,983</b>	<b>\$759,190</b>
Common Stock	\$1,385	\$1,200	\$1,200	\$1,200	\$1,200
Surplus	\$28,229	\$18,547	\$18,463	\$18,419	\$18,335
Undivided Profits	\$67,063	\$62,883	\$58,952	\$51,356	\$44,847
Unrealized Gain (Loss) on Securities	(15,447)	(17,989)	(23,990)	(423)	\$2,542
Treasury Stock (at Cost)	(2,706)	(2,706)	(2,737)	(1,872)	(1,685)
<b>Total Equity</b>	<b>\$78,524</b>	<b>\$61,935</b>	<b>\$51,888</b>	<b>\$68,680</b>	<b>\$65,239</b>
<b>Total Liabilities and Equity</b>	<b>\$953,459</b>	<b>\$886,105</b>	<b>\$828,356</b>	<b>\$863,663</b>	<b>\$824,429</b>

# COMPARATIVE STATEMENT

## THANKS FOR BEING PART OF THE TEAM

### Notable Retirements in 2024

Marcia Berger	49 Years
Faye Owen	47 Years
Cheryl Carter	46 Years
Julie Forsting	45 Years
Selina Moen	33 Years
Benita Miles	20 Years
Norb Christman	20 Years
Cindy Feiten	15 Years
Judy Lauer	6 Years

142  
EMPLOYEES IN 2024

8.6 YEARS  
AVERAGE YEARS  
OF SERVICE IN 2024

1,230 YEARS  
COMBINED YEARS  
OF SERVICE

★★★★★  
40 GOOGLE 5-STAR  
CUSTOMER REVIEWS

*You will be missed!*



## STATEMENT OF INCOME

Here's how we add up (without the extra 000s)

	2024	2023	2022	2021	2020
<b>Interest Income</b>					
Interest Income - Securities	\$4,074	\$3,358	\$3,647	\$2,524	\$2,199
Interest Income - Loans	\$39,525	\$31,156	\$27,542	\$25,942	\$21,101
Interest Income - Other	\$1,483	\$763	\$477	\$277	\$253
<b>Total Interest Income</b>	<b>\$45,082</b>	<b>\$35,277</b>	<b>\$31,666</b>	<b>\$28,743</b>	<b>\$23,553</b>
<b>Interest Expense</b>					
Less Interest Expense - Bank	\$19,647	\$12,275	\$3,108	\$3,097	\$3,780
Less Interest Expense - SFSC	\$338	\$583	\$496	\$512	\$118
<b>Total Interest Expense</b>	<b>\$19,985</b>	<b>\$12,858</b>	<b>\$3,604</b>	<b>\$3,609</b>	<b>\$3,898</b>
<b>Net Interest Income</b>	<b>\$25,097</b>	<b>\$22,419</b>	<b>\$28,062</b>	<b>\$25,134</b>	<b>\$19,655</b>
Plus Noninterest Income	\$3,027	\$3,084	\$3,168	\$4,930	\$8,265
<b>Total Income Less Interest Expense</b>	<b>\$28,124</b>	<b>\$25,503</b>	<b>\$31,230</b>	<b>\$30,064</b>	<b>\$27,920</b>
<b>Noninterest Expense</b>					
Salaries & Employee Benefits	\$11,641	\$10,463	\$10,758	\$11,154	\$9,259
Occupancy	\$2,137	\$2,102	\$2,559	\$2,203	\$1,644
Other Operating Expenses	\$5,478	\$5,087	\$4,230	\$4,644	\$3,376
<b>Total Noninterest Expense</b>	<b>\$19,256</b>	<b>\$17,652</b>	<b>\$17,547</b>	<b>\$18,001</b>	<b>\$14,279</b>
<b>Net Income from Operations</b>	<b>\$8,868</b>	<b>\$7,851</b>	<b>\$13,683</b>	<b>\$12,063</b>	<b>\$13,641</b>
Provision for Credit Losses	\$450	-	-	\$575	\$1,685
Net Securities (Gains) Losses	\$800	328	56	-	-
Income Tax Expense (Benefit)	-	(94)	901	\$1,598	\$53
<b>Net Income</b>	<b>\$7,618</b>	<b>\$7,617</b>	<b>\$12,726</b>	<b>\$9,890</b>	<b>\$11,903</b>

## BANKERS WHO **BELIEVE** IN YOU

Local businesses and organizations are the backbone of communities. They believe in local jobs, local decision making, and giving back. That's why SFB believes in them, providing financial options tailored to each organization's individual financial needs.



Bankers Who Believe Campaign: Student Transit



## SFB IN THE COMMUNITY

At SFB, part of our mission is to invest in the communities we serve. SFB supported 293 organizations through sponsorships and donations, and our employees donated 3,269 hours of volunteer time to service in the community, an increase of 1,000+ hours from last year. In addition, SFB donated \$254,023 to area non-profit organizations.

Our United Way campaign was a great success with 53% of employees pledging a total amount of \$13,344.26. As a reflection of this, United Way of the Greater Chippewa Valley named SFB one of its top 10 partners. In addition, Junior Achievement of Wisconsin – Northwest Area honored SFB as a 2024 Partner at its JA Heroes Gala in November.

SFB also hosted, sponsored, or exhibited at more than 70 different events including premier networking events such as Chippewa Valley Home Builders Association’s Builder After Hours, numerous golf outings, receptions, many fundraisers, five insurance agency conferences, and six ag shows and conferences including our very own Chippewa Valley Ag Conference.

**\$254,023**  
DONATED TO  
COMMUNITY GROUPS

**3,269**  
EMPLOYEE  
VOLUNTEER HOURS

**293**  
ORGANIZATIONS SUPPORTED  
SPONSORSHIPS OR DONATIONS

**22**  
COMMUNITY PROJECTS  
ON SFB VOLUNTEER DAY



Black River Falls  
Bears from the Heart donation.



Eau Claire  
American Red Cross donation.



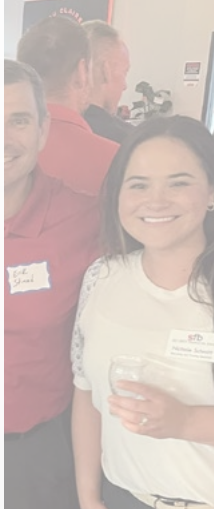
Bloomer  
Veterans Center donation.



Durand  
Highway clean up.

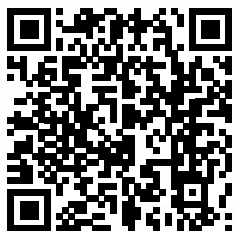


Alma Center  
Mascot Debit Card check donation.



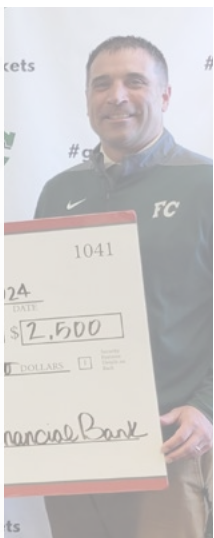
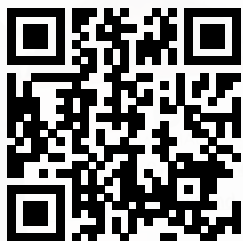
# NEW PRODUCTS OFFERED IN 2024

Insights Budgeting Tool



HERE'S TO THE NEXT!

Autobooks for Business





## OUR MISSION

To grow profitably by deliberately investing in our clients, our employees, and our communities.

## LOCATIONS

### Alma Center

141 W Main St  
Alma Center, WI 54611  
715.964.2311

### Black River Falls Motor Bank

660 Hwy 54 E  
Black River Falls, WI 54724  
715.284.3560

### Black River Falls Main

8 Main St  
Black River Falls, WI 54615  
715.284.5341

### Bloomer

1401 Main St  
Bloomer, WI 54724  
715.568.1100

### Corporate Office

4813 Keystone Crossing  
Eau Claire, WI 54701  
888.254.0615

### Durand

212 W Prospect St  
Durand, WI 54736  
715.672.4237

### Eau Claire

4217 Southtowne Dr  
Eau Claire, WI 54701  
715.833.7685

### Ladysmith

200 Miner Ave W  
Ladysmith, WI 54848  
715.532.5551

### River Falls

1561 Commerce Ct  
River Falls, WI 54022  
715.426.6600