



April 17, 2025

To Our Shareholders:

As we reflect on the past quarter, we are pleased to report that Security Financial Bank has entered a phase of growing earnings momentum, even as we continue to navigate a challenging and dynamic interest rate environment. This performance is a testament to the strength of our diversified loan portfolio, our disciplined risk management, and the resilience of our team in adapting to shifting market conditions.

While volatility in interest rates has created both headwinds and opportunities, our strategic focus on core banking fundamentals; prudent lending, stable deposit growth, and operational efficiency has positioned us to deliver consistent value to our shareholders. We remain committed to managing through uncertainty with agility and foresight, and we are optimistic about the road ahead.

Balance Sheet Summary – First Quarter

Loan balances increased during the quarter by \$15.4 million to a total of \$684.9 million and were \$47.2 million or 7.4% higher from the first quarter 2024. We continue to see strong loan demand in all our markets, which combined with higher rates on loan renewals has contributed to our increasing net interest income.

Credit quality continues to be strong, and the Allowance for Credit Losses (ACL) was adequately funded at \$9.8 million or 1.43% of gross loans. Non-accrual loans of \$1.1 million represented 0.16% of the loan portfolio and decreased \$1.1 million from the first quarter 2024. Loans past due 30 days or more were 0.42% of gross loans, which was up 0.17% from a year ago but still at very low levels.

Deposits were \$19.4 million higher from year-end with a balance of \$799.2 million and were \$59.7 million higher than a year ago. A portion of the increase, \$17.3 million, was a result of obtaining brokered deposits; however, core deposits have grown \$42.4 million during this time, which represents a 5.9% increase of core deposits. Competition for deposits remains elevated as customers continue to look for higher rate products both in and out of the banking system.

Security Financial Services Corporation (SFSC) debt continues to be paid down ahead of schedule and totals \$1.7 million compared to \$2.9 million at year-end and \$4.0 million as of first quarter 2024.

Income Statement Summary – First Quarter

Net income for the first quarter was \$2.8 million compared to \$1.7 million for the same period last year. The increase is the result of growing interest income while maintaining interest expense. The compression in margin experienced during 2024 and 2023 has reversed and is now expanding.

Interest income of \$12.3 million was up \$2.0 million from the first quarter of 2024. Our loan growth, higher rates, and repricing of the investment portfolio have resulted in additional interest income. Interest expense of \$4.9 million was \$300,000 higher than last year primarily due to growing deposit balances.

Non-interest income of \$800,000 was \$32,000 lower than the same period of 2024 due to less earnings on bank-owned life insurance policies that were surrendered last year as part of a strategy to increase interest income in our investment portfolio. Non-interest income continues to struggle due to the weak demand in the residential mortgage industry.

Non-interest expense of \$5.1 million was \$449,000 more than the first quarter of 2024. Non-interest expenses continue to rise as we make investments in people and technology to assist in the future growth of the bank. To help mitigate further increases, we continue to review processes and our third-party relationships looking for cost savings and efficiency improvements.

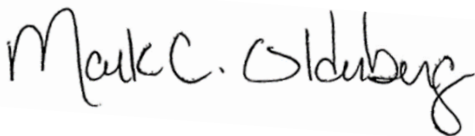
Loan loss provisions were \$225,000 for the quarter as we continue reserving for potential losses given our strong loan growth over the past couple of years. Management believes the ACL is adequately funded given all current assumptions.

Earnings per share (EPS) for the quarter was \$217.18, which is up from \$135.36 in the first quarter of 2024. The increase in EPS is primarily a result of the increasing net interest income.

Thank you for your continued loyalty and support. If you are interested in receiving a copy of our 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