



July 30, 2025

To Our Shareholders:

As we reflect on the first half of 2025, we are pleased to report that Security Financial Bank has entered a phase of accelerating growing earnings growth, even as we continue to navigate a 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.

The current economic environment remains marked by uncertainty. Inflation dynamics, geopolitical tensions, and the pace of global economic growth continue to influence the Federal Reserve's interest rate policy. While some indicators point to a possible easing of rates in the coming quarters, others suggest that inflation may remain persistent, warranting a more prolonged period of higher rates. In response to these unknowns, we are actively managing our balance sheet, credit risk, and liquidity under the assumption that rates could move in either direction.

Balance Sheet Summary – Second Quarter

Loan balances increased during the first half of 2025 by \$32.0 million to a total of \$701.3 million and were \$47.7 million or 7.3% higher from the second quarter 2024. We continue to see strong loan demand in all our markets, which combined with higher rates 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 \$10.0 million or 1.43% of gross loans. Non-accrual loans of \$8.4 million represented 1.19% of the loan portfolio and increased \$6.0 million from the second quarter 2024 due to a large relationship being downgraded. Loans past due 30 days or more were 1.26% of gross loans, which were up 0.73% from a year ago but still at low levels.

Deposits were \$25.8 million higher from year-end with a balance of \$805.6 million and were \$78.9 million higher than a year ago. A portion of the increase, \$27.3 million, was a result of obtaining brokered deposits; however, core deposits have grown \$48.9 million during this time, representing a 6.9% 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 totaled \$1.6 million compared to \$2.9 million at year-end and \$3.9 million as of second quarter 2024. At our July 2025 board meeting we voted to repay the remaining balance in August 2025.

Income Statement Summary – Second Quarter

Net income for the first six months of 2025 was \$6.1 million compared to \$3.7 million for the same period last year. The increase is the result of growing interest income faster than interest expense. Starting in late 2024, the net interest margin started expanding due to assets being repriced higher while interest expense was maintained at similar levels.

Interest income of \$25.2 million year-to-date was up \$3.9 million from the second quarter of 2024. Our loan growth, higher rate environment, and repricing of the investment portfolio have resulted in increased interest income. Interest expense of \$9.8 million was \$275,000 higher than last year primarily due to growing deposit balances.

Non-interest income of \$1.4 million was \$64,000 more than the same period of 2024 due to increased insurance commission income, a prepayment fee on an investment security that was paid off and a gain on the sale of a foreclosed asset. Non-interest income growth continues to struggle due to weak demand in the residential mortgage industry.

Non-interest expense of \$9.9 million was up \$863,000 from the second 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.

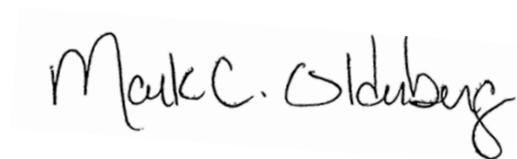
Loan loss provisions were \$450,000 for the six months as we continue reserving for potential losses given our strong loan growth over the past couple of years. Management believes the ACL is adequately funded given all current assumptions.

Earnings per share (EPS) for the first half of 2025 was \$465.42, which is up from \$286.83 in the first half 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