



SECURITY NATIONAL CORPORATION

Annual Report 2024

FINANCIAL HIGHLIGHTS

CONSOLIDATED DATA FOR SECURITY NATIONAL CORPORATION

(Dollar amounts in thousands, except for share and per share information)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Interest Income	\$51,320	\$52,475	\$48,662	\$40,551	\$40,504
Net Income	26,209	27,617	27,311	22,472	19,617
Return on Average Assets	1.46%	1.55%	1.43%	1.18%	1.18%
Return on Average Equity	12.36%	14.54%	14.72%	11.28%	10.66%
Earnings Per Share					
Basic	\$16.07	\$16.86	\$16.48	\$13.14	\$11.33
Diluted	15.81	16.60	16.25	12.96	11.16
Assets	1,849,404	1,809,335	1,807,797	1,958,819	1,807,719
Deposits	1,390,434	1,359,745	1,415,148	1,515,530	1,404,580
Net Loans	1,203,594	1,114,902	1,026,648	944,211	947,553
Investment Securities	403,687	469,698	520,325	503,370	355,340
Shareholders' Equity	216,090	200,832	180,468	195,932	191,190
Allowance for Credit Losses	19,760	19,760	17,767	17,755	17,673
Shares Outstanding	1,646,800	1,657,633	1,669,271	1,683,998	1,734,875
Shareholders of Record	185	188	185	193	195

FROM THE CHAIRMAN, PRESIDENT AND CEO

To Our Shareholders:

Security National Bank, founded in 1884, reached a significant milestone as we celebrated our 140th year in business. Our success over that long period of time is a testament to the commitment and support from all of our stakeholders – shareholders, customers and employees – and the communities that we serve. We look forward to continuing to build upon that legacy.



L to R: **Jeremy Uhl**, Treasurer; **D. Douglas Rice**, Chairman, President and CEO; **Jeremy Craighead**, Executive Vice President

I am pleased to report that Security National Corporation achieved a strong year of earnings in 2024, totaling \$26.2 million. Earnings per share were \$16.07, over twice the amount recorded just a decade ago. This performance allowed us to distribute cash dividends to shareholders of \$8 per share, a 33% increase over 2023.

The banking industry faced many challenges in 2024 including increased competition for

customer deposits and a rate environment that continued to pressure net interest margin. SNC's business model and management principles enabled us to successfully navigate these conditions. The year's results were primarily driven by the following:

- Development of and attention to a well-diversified customer base
- Capitalizing on growth opportunities with new and existing customers
- Effective balance sheet management including strong liquidity and capital ratios that allow timely and prudent action to meet opportunities; and
- Significant fee-based revenue sources, particularly wealth management and mortgage related services

These efforts resulted in a return on assets of 1.46%, a level that is 1.5 times higher than the community bank industry average.

Total loans outstanding grew 7.8% to a record \$1.22 billion in 2024. Commercial loan activity was notable – our Sioux Falls presence was a particular bright spot. Additional new relationships were sourced through trusted business partners. Agricultural loan balances rose in 2024; higher input costs and lower commodity prices led to higher operating line usage by our ag producers.



Security National Wealth Management

L to R: **Tom Limoges**, Vice President of Investments; **Hallie Salmen**, Trust Officer; **Cari Gehling**, Director of Trust and Trust Officer; **Anthony Lamb**, Senior Vice President of Wealth Management; **Karrie Hruska**, Vice President and Senior Trust Counsel; **Chrystal Mollet**, Vice President and Trust Officer; **Richard Kunz**, Vice President and Trust Officer

Non-interest income – that derived from fees for services – reached a new high of nearly \$27 million in 2024. Our Wealth Management Division recorded a significant portion of this amount, \$19.9 million, 11.7% higher than 2023. The Division's assets climbed to an impressive \$5.4 billion driven by continued business development efforts, our staff's exceptional levels of service and expertise, and market gains during the year.

The Corporation's capital advanced to \$216 million, a 7.6% increase from the previous year. This provides us the ability to strategically deploy resources in ways most advantageous to shareholders.

We are proud of what we have accomplished and are optimistic about the future. Growth opportunities abound in all of our markets, and we have the people, products, and services in place to meet them. As always, we thank you for your support and confidence in Security National Corporation.

D. Douglas Rice

Chairman, President and CEO

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Security National Corporation
Dakota Dunes, South Dakota

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements of Security National Corporation (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on COSO.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report of Management.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forvis Mazars, LLP

Omaha, Nebraska
February 10, 2025

Security National Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Columnar amounts in thousands)

	As of December 31	
	2024	2023
Assets		
Cash and Due From Banks	\$ 144,844	\$ 127,055
Federal Funds Sold	650	3,300
Cash and Cash Equivalents	145,494	130,355
Securities Available-for-Sale	348,463	404,342
Securities Held-to-Maturity	51,237	60,395
Non-Marketable Equity Securities	3,987	4,961
Loans Held-for-Sale	935	1,289
Loans, Net of Allowance for Credit Losses of \$19,760,000 at December 31, 2024 and 2023	1,202,659	1,113,613
Accrued Interest Receivable	14,734	13,971
Premises and Equipment, Net	13,090	12,998
Goodwill	1,736	1,736
Cash Value Life Insurance	51,506	48,588
Net Deferred Income Tax Asset	13,416	14,682
Other Assets	2,147	2,405
Total Assets	<u>\$ 1,849,404</u>	<u>\$ 1,809,335</u>
Liabilities and Shareholders' Equity		
Liabilities		
Demand Deposits	\$ 429,117	\$ 471,730
Savings and Interest-Bearing Checking Deposits	623,889	643,811
Time Deposits	337,428	244,204
Total Deposits	1,390,434	1,359,745
Other Borrowings	180,880	167,989
Federal Home Loan Bank Debt	42,100	63,650
Other Liabilities	19,900	17,119
Total Liabilities	<u>1,633,314</u>	<u>1,608,503</u>
Shareholders' Equity		
Common Stock, \$10 Par Value; 5,000,000 Shares Authorized: 1,646,800 Shares Issued and Outstanding in 2024 (1,657,633 Shares Issued and Outstanding in 2023)	16,468	16,576
Additional Paid-in Capital	36,970	36,479
Retained Earnings	184,902	174,238
Accumulated Other Comprehensive (Loss)	(22,250)	(26,461)
Total Shareholders' Equity	<u>216,090</u>	<u>200,832</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,849,404</u>	<u>\$ 1,809,335</u>

The accompanying notes are an integral part of these consolidated financial statements.

Security National Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Columnar amounts in thousands, except per share data)

	Years Ended December 31	
	2024	2023
Interest Income		
Loans	\$ 62,530	\$ 51,590
Securities:		
Taxable	9,570	11,291
Non-Taxable	1,726	1,860
Other	5,768	6,531
Total Interest Income	<u>79,594</u>	<u>71,272</u>
Interest Expense		
Deposits	20,721	11,734
Other Borrowings and Federal Home Loan Bank Debt	7,553	7,063
Total Interest Expense	<u>28,274</u>	<u>18,797</u>
Net Interest Income	51,320	52,475
Provision for Credit Losses	-	-
Net Interest Income after Provision for Credit Losses	<u>51,320</u>	<u>52,475</u>
Non-Interest Income		
Wealth Management	19,976	17,881
Service Charges	6,129	6,827
Other	847	1,269
Total Non-Interest Income	<u>26,952</u>	<u>25,977</u>
Non-Interest Expense		
Salaries and Employee Benefits	29,943	27,598
Net Occupancy	1,799	1,802
Furniture and Equipment	1,238	1,286
Other	11,598	11,986
Total Non-Interest Expense	<u>44,578</u>	<u>42,672</u>
Income Before Income Taxes	33,694	35,780
Income Taxes:		
Current	7,694	7,872
Deferred	(209)	291
Net Income	<u>\$ 26,209</u>	<u>\$ 27,617</u>
Earnings Per Share		
Basic	\$ 16.07	\$ 16.86
Diluted	15.81	16.60
Weighted Average Number of Shares Outstanding		
Basic Shares	1,631	1,638
Diluted Shares	1,658	1,664

The accompanying notes are an integral part of these consolidated financial statements.

Security National Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Columnar amounts in thousands)

	Years Ended December 31	
	2024	2023
Net Income	\$ 26,209	\$ 27,617
Other Comprehensive Income, Net of Tax		
Net Unrealized Gain on Available-for-Sale Securities	4,208	6,497
Reclassification Adjustment for Realized Gains on Available-for-Sale Securities	3	-
Other Comprehensive Income	4,211	6,497
Comprehensive Income	\$ 30,420	\$ 34,114

Security National Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Columnar amounts in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, January 1, 2023	\$ 16,693	\$ 36,171	\$ 160,562	\$ (32,958)	\$ 180,468
Net Income	-	-	27,617	-	27,617
Other Comprehensive Income	-	-	-	6,497	6,497
Adoption of ASC 326	-	-	(2,007)	-	(2,007)
Purchase and Retirement of Common Stock	(174)	(382)	(1,743)	-	(2,299)
Employees and Directors Common Stock Transactions	57	690	(229)	-	518
Cash Dividend Declared (\$6.00 Per Share)	-	-	(9,962)	-	(9,962)
Balance, December 31, 2023	\$ 16,576	\$ 36,479	\$ 174,238	\$ (26,461)	\$ 200,832
Net Income	-	-	26,209	-	26,209
Other Comprehensive Income	-	-	-	4,211	4,211
Purchase and Retirement of Common Stock	(179)	(392)	(1,929)	-	(2,500)
Employees and Directors Common Stock Transactions	71	883	(357)	-	597
Cash Dividend Declared (\$8.00 Per Share)	-	-	(13,259)	-	(13,259)
Balance, December 31, 2024	\$ 16,468	\$ 36,970	\$ 184,902	\$ (22,250)	\$ 216,090

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Columnar amounts in thousands)

	Years Ended December 31	
	2024	2023
Cash Flows from Operating Activities		
Net Income	\$ 26,209	\$ 27,617
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Loans Originated for Sale	(32,675)	(20,527)
Proceeds from Loans Sold	33,029	19,238
Depreciation and Amortization	3,156	3,341
Net Realized (Gain) on Securities Available-for-Sale	(5)	-
Deferred Income Taxes	(209)	291
(Increase) in Cash Value Life Insurance	(1,418)	(1,280)
Stock-based compensation, net of tax benefit	595	502
(Increase) in Accrued Interest Receivable	(763)	(3,382)
Increase in Accrued Interest Payable	2,189	2,083
Decrease (Increase) in Other Assets	405	(1,037)
Increase (Decrease) in Other Liabilities	635	(274)
Net Cash from Operating Activities	<u>31,148</u>	<u>26,572</u>
Cash Flows from Investing Activities		
Proceeds from Maturities of Interest-Bearing Time Deposits Due from Banks	-	747
Purchase of Available-for-Sale Securities	(27,510)	(11,457)
Proceeds from Calls or Maturities of Available-for-Sale Securities	70,526	64,672
Proceeds from Sales of Available-for-Sale Securities	16,714	-
Proceeds from Calls or Maturities of Held-to-Maturity Securities	8,829	5,311
Net Decrease (Increase) Non-Marketable Equity Securities	974	(1,067)
Net (Increase) in Loans	(89,046)	(88,965)
Purchase of Cash Value Life Insurance	(1,500)	-
Capital Expenditures	(1,269)	(1,726)
Net Cash (used in) Investing Activities	<u>(22,282)</u>	<u>(32,485)</u>
Cash Flows from Financing Activities		
Net Increase (Decrease) in Deposits	30,689	(55,403)
Repayment of Other Borrowings	(11,137)	(14,066)
Proceeds from Other Borrowings	24,028	7,335
Proceeds from Federal Home Loan Bank Debt	51,950	135,350
Repayments of Federal Home Loan Bank Debt	(73,500)	(94,450)
Proceeds from Issuance of Common Stock	2	16
Payments to Acquire and Retire Common Stock	(2,500)	(2,299)
Dividends Paid	(13,259)	(9,962)
Net Cash from (used in) Financing Activities	<u>6,273</u>	<u>(33,479)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,139	(39,392)
Cash and Cash Equivalents at Beginning of Year	130,355	169,747
Cash and Cash Equivalents at End of Year	<u>\$ 145,494</u>	<u>\$ 130,355</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Interest	\$ 26,085	\$ 16,714
Income Taxes	7,452	8,342

The accompanying notes are an integral part of these consolidated financial statements.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies

General - The consolidated financial statements include the accounts of Security National Corporation and its wholly-owned subsidiaries (the Company), which consist of The Security National Bank of Sioux City, Iowa and Security National Bank of South Dakota. The Company is principally engaged in commercial, agricultural, consumer and real estate lending and deposit activities. The Company also provides wealth management services. All intercompany transactions and accounts have been eliminated in consolidation.

The Company has one operating segment with similar business activities from which it earns revenues and incurs expenses. The operating results of the Company are regularly reviewed by the Chief Executive Officer (i.e., the chief operating decision maker) who makes decisions about the allocation of resources.

Adoption of New Accounting Standard - On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326), as amended, using the modified retrospective method, which required credit losses be measured using a current expected credit loss (CECL) methodology over the expected life of certain financial assets. The standard is applicable to loans, held-to-maturity (HTM) debt securities and off-balance sheet credit exposures. In addition, for available-for-sale (AFS) debt securities, ASC 326 requires a potential allowance for any credit related impairment that is identified.

The Company recorded a decrease to retained earnings of \$2,007,000, net of tax effect, as of January 1, 2023 for the cumulative effect of adopting ASC 326.

Use of Estimates - In preparing consolidated financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the allowance for credit losses and fair value of financial instruments.

Reclassifications - Certain reclassifications have been made to the 2023 consolidated financial statements to conform to the 2024 presentation. These reclassifications had no effect on net earnings.

Cash and Cash Equivalents - Cash and cash equivalents includes cash on hand, due from banks, money market funds and federal funds sold with an original maturity date of three months or less.

Securities - AFS securities consist of debt securities reported at estimated fair value with unrealized gains and losses, after applicable income taxes, reported in other comprehensive income (loss). AFS securities may be sold for management of general liquidity needs, response to market interest rate fluctuations, implementation of asset/liability management strategies, funding increased loan demand, or other similar factors. The fair value of securities is based on quoted market prices, or if quoted market prices are not available, then the fair value is estimated using quoted market prices for similar securities. HTM securities are reported at amortized cost and consist of debt securities for which the Company has the positive intent and ability to hold to maturity.

Premiums and discounts are amortized to the earliest call or maturity date of the related securities using the effective yield method. Gains and losses on the sales of securities are recognized using the specific identification method.

Non-Marketable Equity Securities - Federal Reserve and Federal Home Loan Bank stock are not actively traded and do not have readily determinable fair values, therefore are reported at cost as non-marketable equity securities.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies

Continued

Loans Held-for-Sale - Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Gains and losses are recorded in non-interest income on the Consolidated Statements of Income.

Loans - Loans that the Company has the intent and ability to hold for the foreseeable future are stated at the amount of unpaid principal less an allowance for credit losses and any deferred fees and costs on originated loans. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The accrual of interest on loans is discontinued when the Company believes that the borrower may be unable to meet payments as scheduled, generally when the loan is 90 days past due. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the term of the loan.

Current year interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. Previous year interest accrued but not collected for loans placed on nonaccrual or charged-off is included in total charged-off loans.

Allowance for Credit Losses – Loans - The allowance for credit losses (ACL) for loans represents the Company's estimate of credit losses over the expected life of the portfolio. The ACL is adjusted as losses are expected to occur through a provision for credit losses charged against income. Loan losses are charged against the ACL when the Company believes the uncollectability of a loan is confirmed. Subsequent recoveries, if any, are credited to the ACL. The ACL is evaluated on a quarterly basis.

The Company estimates the ACL using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. The ACL is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following five loan portfolio segments:

Agricultural loans generally consist of loans for working capital, livestock, equipment and farmland. Repayment is primarily dependent on the sale of agricultural commodities. Credit risk is driven by market changes in commodity and farmland values.

Commercial loans generally consist of loans for working capital and equipment. *Commercial real estate loans* generally consist of loans for construction and business expansion. Repayment of both commercial segments is primarily from the cash flow of the borrower's principal business operation. Credit risk is driven by the creditworthiness of the borrower, real estate values and general economic conditions.

Residential real estate loans are secured by owner-occupied family residences and home equity lines of credit. Repayment is primarily dependent on the personal income and creditworthiness of the borrower. Credit risk is driven by economic conditions affecting personal income and property values.

Consumer loans generally consist of short-term loans for personal purposes. Repayment is primarily dependent on the personal income and creditworthiness of the borrower. Credit risk is driven by the creditworthiness of the borrower and general economic conditions.

Historical loss experience is used for estimating the ACL. The Company also qualitatively adjusts for risk factors (Q-Factors) in assessing the expected credit losses within the loan portfolio segments. The risks considered in making Q-Factor adjustments include the impact of any changes in (1) lending policies and procedures, (2) national, regional, and local economic conditions, (3) the nature and volume of the loan portfolio segments, (4) the experience of lending staff, (5) underlying collateral values and (6) concentrations of credit.

Loans that do not share similar risk characteristics with the loan portfolio segments are evaluated individually based on underlying collateral values.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies

Continued

Allowance for Credit Losses – Unfunded Commitments - The ACL for unfunded commitments represents expected losses resulting from contractual obligations to extend credit. The Company estimates the amount of expected losses by calculating a commitment usage factor and applying factors used in the ACL loan methodology noted above. The ACL for unfunded commitments was recorded at \$715,000 as of December 31, 2024 and 2023 in other liabilities on the Consolidated Balance Sheets.

Allowance for Credit Losses – Held-to-Maturity Securities - The ACL for HTM securities represents expected losses based on a probability of default methodology. There is no ACL for HTM securities recorded on the Consolidated Balance Sheets for the years presented.

Premises and Equipment - Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the Modified Accelerated Cost Recovery System (MACRS) or straight-line method over the estimated useful lives of the assets. The Company's depreciation schedules range from 15 to 40 years for premises and 3 to 10 years for furniture, fixtures and equipment.

Long-Lived Assets - The Company evaluates long-lived assets for impairment whenever events or circumstances indicate the carrying amount may be less than fair value. No impairment was recognized during the years presented.

Goodwill - Goodwill arises from the excess of cost over net assets acquired in purchase transactions. Goodwill is not amortized but reviewed for impairment at least annually. No goodwill was acquired or had impairment recognized during the years presented.

Cash Value Life Insurance - The Company has purchased life insurance policies on certain employees and directors. Policies are recorded at the cash surrender value adjusted for any charges that are probable at settlement.

Wealth Management Assets - Assets held by the Company in fiduciary or agency capacities are not included on the Consolidated Balance Sheets.

Securities Sold Under Agreements to Repurchase - The Company enters into sales of securities under agreements to repurchase which provides for the repurchase of the same security. Securities sold under agreements to repurchase are treated as financings, and the obligations to repurchase such securities are reflected as a liability in other borrowings on the Consolidated Balance Sheets. The securities underlying the agreements remain in the asset accounts on the Consolidated Balance Sheets.

Income Taxes - The Company files a consolidated federal income tax return and separate state income tax returns for each subsidiary. Current income tax expense reflects income taxes incurred for the current period by applying the provisions of enacted income tax laws to the Company's taxable income. Deferred income tax assets and liabilities are recorded based on differences between the financial statement and tax basis of assets and liabilities, using enacted income tax rates. Deferred income tax expense or benefit results from changes in deferred income tax assets and liabilities between periods.

During the fourth quarter of each year, the Company evaluates the liability related to uncertain income tax positions. Income tax positions are recognized if it is more-likely-than-not, based on the technical merits, that the income tax position would be realized or sustained upon examination. The determination of whether or not an income tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the Company's judgment.

Earnings Per Share - Basic earnings per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if restricted shares were included.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 1 - Summary of Significant Accounting Policies

Continued

Revenue Recognition - The Company recognizes revenue as it is earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. The principal source of revenue is interest income from loans and investments. The Company also earns non-interest income from various banking and financial services offered to its customers. Certain specific policies related to non-interest income include the following:

Service Charges on Deposit Accounts - Service charges on deposit accounts, primarily customer overdraft and account operating fees, are recognized as transactions occur and services are provided.

Interchange Fees - Interchange fees are primarily from debit card transactions processed through card association networks, merchant services, and other card related services, and are recognized as transactions occur.

Wealth Management Fees - Wealth Management income includes fees from asset management, custody, recordkeeping, investment advisory and administrative services and are recognized as services are provided.

Note 2 - Securities

The amortized cost and fair value with gross unrealized gains and losses of debt securities as of December 31 are as follows:

	2024				2023			
	Gross				Gross			
	Amortized	Unrealized		Fair	Amortized	Unrealized		Fair
	Cost	Gains	/ (Losses)	Value	Cost	Gains	/ (Losses)	Value
Available-for-Sale								
U.S. Treasury & Gov't								
Agency Securities	\$ 60,168	\$ -	\$ (2,677)	\$ 57,491	\$ 69,309	\$ -	\$ (4,242)	\$ 65,067
Mortgage-Backed Securities	256,828	97	(21,838)	235,087	286,379	70	(24,581)	261,868
Other Securities	4,197	1	(381)	3,817	25,138	14	(497)	24,655
State & Municipal Securities	22,061	50	(1,731)	20,380	23,642	182	(1,509)	22,315
Corporate Securities	34,463	8	(2,783)	31,688	34,666	9	(4,238)	30,437
Total	\$377,717	\$ 156	\$ (29,410)	\$348,463	\$ 439,134	\$ 275	\$ (35,067)	\$ 404,342
Held-to-Maturity								
State & Municipal Securities	\$ 51,237	\$ -	\$ (1,854)	\$ 49,383	\$ 60,395	\$ 14	\$ (1,765)	\$ 58,644

Gross gains of \$33,000 resulting from sales of securities were realized in 2024. Gross losses of \$28,000 resulting from sales of securities were realized in 2024. There were no gross gains or losses realized in 2023. Realized gains and losses from sales of securities are included in other non-interest income on the Consolidated Statements of Income.

Securities with a carrying value of \$212,418,000 and \$236,672,000 at December 31, 2024 and 2023, respectively, were pledged for securities sold under agreements to repurchase and for other purposes as required or permitted by law.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 2 - Securities

Continued

Individual securities by the length of time each has been in a continuous loss position as of December 31 are as follows:

	2024					
	<u>Less Than 12 Months</u>		<u>12 Months Or More</u>		<u>Total</u>	
	Unrealized		Unrealized		Unrealized	
	Fair Value	(Losses)	Fair Value	(Losses)	Fair Value	(Losses)
U.S. Treasury & Gov't Agency Securities	\$ 9,533	\$ (141)	\$ 47,958	\$ (2,536)	\$ 57,491	\$ (2,677)
Mortgage-Backed Securities	21,597	(397)	197,584	(21,441)	219,181	(21,838)
Other Securities	-	-	3,720	(381)	3,720	(381)
State & Municipal Securities	7,483	(80)	56,173	(3,505)	63,656	(3,585)
Corporate Securities	997	(3)	29,747	(2,780)	30,744	(2,783)
Total	<u>\$ 39,610</u>	<u>\$ (621)</u>	<u>\$ 335,182</u>	<u>\$ (30,643)</u>	<u>\$ 374,792</u>	<u>\$ (31,264)</u>

	2023					
	<u>Less Than 12 Months</u>		<u>12 Months Or More</u>		<u>Total</u>	
	Unrealized		Unrealized		Unrealized	
	Fair Value	(Losses)	Fair Value	(Losses)	Fair Value	(Losses)
U.S. Treasury & Gov't Agency Securities	\$ -	\$ -	\$ 65,068	\$ (4,242)	\$ 65,068	\$ (4,242)
Mortgage-Backed Securities	18,351	(167)	238,743	(24,414)	257,094	(24,581)
Other Securities	1,246	(52)	20,850	(445)	22,096	(497)
State & Municipal Securities	13,202	(119)	55,536	(3,155)	68,738	(3,274)
Corporate Securities	-	-	29,496	(4,238)	29,496	(4,238)
Total	<u>\$ 32,799</u>	<u>\$ (338)</u>	<u>\$ 409,693</u>	<u>\$ (36,494)</u>	<u>\$ 442,492</u>	<u>\$ (36,832)</u>

The total fair value of individual securities in an unrealized loss position at December 31, 2024 and 2023 was \$374,792,000 and \$442,492,000, respectively, which is approximately 94% and 96%, respectively, of the Company's investment portfolio fair values. The unrealized losses associated with each category were caused primarily by changes in interest rates, and prices are expected to recover as they approach maturity. No allowance for credit losses has been recorded for the years presented. The Company has the intent and ability to hold these securities to maturity and does not believe it is more-likely-than-not that it will be required to sell the securities before recovery.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 2 - Securities

Continued

The maturities of mortgage-backed and other securities are disclosed separately because assets underlying the securities may be called or repaid without penalty. The amortized cost and estimated fair value of debt securities, by contractual maturity, as of December 31, 2024 are as follows:

	Amortized Cost	Fair Value
Available-for-Sale		
Due in One Year or Less	\$ 23,292	\$ 22,973
Due between One Year and Five Years	57,215	53,493
Due between Five Years and Ten Years	33,125	30,234
Due after Ten Years	3,060	2,859
	<u>116,692</u>	<u>109,559</u>
Mortgage-Backed Securities	256,828	235,087
Other Securities	4,197	3,817
Total	<u>\$ 377,717</u>	<u>\$ 348,463</u>
Held-to-Maturity		
Due in One Year or Less	\$ 3,627	\$ 3,606
Due between One Year and Five Years	36,415	35,382
Due between Five Years and Ten Years	11,195	10,395
Total	<u>\$ 51,237</u>	<u>\$ 49,383</u>

Note 3 - Loans and Allowance for Credit Losses

Nearly all of the Company's loans are to Iowa and South Dakota based customers. Although the loan portfolio is well-diversified by industry, the economies of Iowa and South Dakota are largely dependent upon the agricultural economy.

The Company's policy for requiring collateral and guarantees varies with the creditworthiness of each borrower. The portfolio is generally secured by accounts receivable, inventory, crops, property, plant and equipment, income producing commercial properties, marketable and non-marketable securities or interest-bearing time deposits.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 3 - Loans and Allowance for Credit Losses

Continued

As described in Note 1, the Company identifies five loan portfolio segments. Balances by loan portfolio segment as of December 31 are as follows:

	2024	2023
Agricultural	\$ 388,295	\$ 381,977
Commercial	159,812	145,824
Commercial Real Estate	365,787	305,494
Residential Real Estate	281,117	271,380
Consumer	29,435	30,445
Total Loans	1,224,446	1,135,120
Net Deferred Loan Fees	(2,027)	(1,747)
Allowance for Credit Losses	(19,760)	(19,760)
Net Loans	<u>\$ 1,202,659</u>	<u>\$ 1,113,613</u>

Activity for the allowance for credit losses by loan portfolio segment for the years ended December 31 is as follows:

	2024				
	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Agriculture	\$ 10,833	\$ -	\$ 27	\$ -	\$ 10,860
Commercial	2,815	(12)	-	-	2,803
Commercial Real Estate	3,475	-	-	-	3,475
Residential Real Estate	2,368	-	-	-	2,368
Consumer	269	(22)	7	-	254
Total	<u>\$ 19,760</u>	<u>\$ (34)</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 19,760</u>

	2023					
	Beginning Balance	Adoption of ASC 326	Charge-offs	Recoveries	Provision	Ending Balance
Agriculture	\$ 9,891	\$ 932	\$ -	\$ 10	\$ -	\$ 10,833
Commercial	2,413	402	-	-	-	2,815
Commercial Real Estate	3,078	397	-	-	-	3,475
Residential Real Estate	2,128	239	-	1	-	2,368
Consumer	257	30	(22)	4	-	269
Total	<u>\$ 17,767</u>	<u>\$ 2,000</u>	<u>\$ (22)</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 19,760</u>

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 3 - Loans and Allowance for Credit Losses

Continued

Collateral-dependent loans evaluated individually by portfolio segment and type of underlying collateral as of December 31 are as follows:

2024				
	Business			
	Real Estate	Assets	Total	
Agricultural	\$ 2,657	\$ 2,168	\$ 4,825	
Commercial	1,541	2,100	3,641	
Commercial Real Estate	3,735	-	3,735	
	<u>\$ 7,933</u>	<u>\$ 4,268</u>	<u>\$ 12,201</u>	

2023				
	Business			
	Real Estate	Assets	Total	
Agricultural	\$ 405	\$ 445	\$ 850	
Commercial	1,496	1,984	3,480	
Commercial Real Estate	1,906	-	1,906	
	<u>\$ 3,807</u>	<u>\$ 2,429</u>	<u>\$ 6,236</u>	

In order to effectively manage credit risk within the Company's agricultural and commercial loan portfolio, loans are risk rated in accordance with the Company's established risk rating system. Risk ratings are assigned to the Company's loans based on various characteristics including management quality, financial condition, repayment ability and collateral coverage. Risk ratings are derived from standard regulatory rating definitions. "Pass" ratings are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high probability of orderly repayment. Loans rated "Special Mention" have potential weaknesses that require management's closer attention but not sufficient risk to warrant adverse classification. The Company's "Watch List" ratings include substandard, doubtful and potential loss rated loans which have risk characteristics that make collection in full on the basis of current facts questionable to improbable.

The Company evaluates residential real estate and consumer portfolios based on payment activity. Loans past due 90 days or more still accruing and nonaccrual loans are considered "Nonperforming".

The credit quality of each agricultural and commercial loan is monitored on an annual basis by the lender to determine the appropriate risk rating based on the most recent information and events. In addition, loan reviews are performed which independently evaluate credit quality and determine if loans are appropriately rated. Loans determined to be of a higher risk to the Company are evaluated more often than others. At a minimum, all "Watch List" loans are assessed on a quarterly basis, while the remaining "Pass" and "Special Mention" loans are assessed in proportion to their relative risk to the loan portfolio as a whole.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 3 - Loans and Allowance for Credit Losses

Continued

Credit quality indicators by loan portfolio segment are as follows:

	Term Loans Origination Year					Revolving Loans	Total
	2024	2023	2022	2021	Prior		
December 31, 2024							
Agricultural:							
Pass	\$ 35,673	\$ 27,602	\$ 38,648	\$ 41,527	\$ 86,331	\$ 142,588	\$ 372,369
Special Mention	1,779	293	73	791	714	4,854	8,504
Watch List	647	292	1,344	951	2,870	1,318	7,422
Total	<u>\$ 38,099</u>	<u>\$ 28,187</u>	<u>\$ 40,065</u>	<u>\$ 43,269</u>	<u>\$ 89,915</u>	<u>\$ 148,760</u>	<u>\$ 388,295</u>
Commercial:							
Pass	\$ 20,227	\$ 26,343	\$ 38,769	\$ 6,080	\$ 15,844	\$ 38,305	\$ 145,568
Special Mention	108	16	86	4,879	249	4,755	10,093
Watch List	-	-	162	169	120	3,700	4,151
Total	<u>\$ 20,335</u>	<u>\$ 26,359</u>	<u>\$ 39,017</u>	<u>\$ 11,128</u>	<u>\$ 16,213</u>	<u>\$ 46,760</u>	<u>\$ 159,812</u>
Commercial Real Estate:							
Pass	\$ 68,608	\$ 41,696	\$ 107,580	\$ 50,760	\$ 81,490	\$ 2,561	\$ 352,695
Special Mention	756	121	2,097	26	1,764	450	5,214
Watch List	163	101	1,433	198	5,741	242	7,878
Total	<u>\$ 69,527</u>	<u>\$ 41,918</u>	<u>\$ 111,110</u>	<u>\$ 50,984</u>	<u>\$ 88,995</u>	<u>\$ 3,253</u>	<u>\$ 365,787</u>
Residential Real Estate:							
Performing	\$ 51,181	\$ 39,824	\$ 47,383	\$ 43,340	\$ 89,772	\$ 9,581	\$ 281,081
Nonperforming	-	-	-	-	36	-	36
Total	<u>\$ 51,181</u>	<u>\$ 39,824</u>	<u>\$ 47,383</u>	<u>\$ 43,340</u>	<u>\$ 89,808</u>	<u>\$ 9,581</u>	<u>\$ 281,117</u>
Consumer:							
Performing	\$ 14,545	\$ 6,139	\$ 3,419	\$ 3,963	\$ 1,054	\$ 281	\$ 29,401
Nonperforming	1	5	-	24	3	1	34
Total	<u>\$ 14,546</u>	<u>\$ 6,144</u>	<u>\$ 3,419</u>	<u>\$ 3,987</u>	<u>\$ 1,057</u>	<u>\$ 282</u>	<u>\$ 29,435</u>

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 3 - Loans and Allowance for Credit Losses

Continued

	Term Loans Origination Year				Revolving Loans	Total
	2023	2022	2021	Prior		
December 31, 2023						
Agricultural:						
Pass	\$ 48,795	\$ 46,449	\$ 47,332	\$ 99,631	\$ 135,372	\$ 377,579
Special Mention	332	1,432	563	431	435	3,193
Watch List	44	-	156	405	600	1,205
Total	<u>\$ 49,171</u>	<u>\$ 47,881</u>	<u>\$ 48,051</u>	<u>\$ 100,467</u>	<u>\$ 136,407</u>	<u>\$ 381,977</u>
Commercial:						
Pass	\$ 35,049	\$ 46,113	\$ 8,249	\$ 20,236	\$ 26,297	\$ 135,944
Special Mention	77	193	5,475	267	313	6,325
Watch List	75	-	-	480	3,000	3,555
Total	<u>\$ 35,201</u>	<u>\$ 46,306</u>	<u>\$ 13,724</u>	<u>\$ 20,983</u>	<u>\$ 29,610</u>	<u>\$ 145,824</u>
Commercial Real Estate:						
Pass	\$ 40,080	\$ 94,194	\$ 55,214	\$ 97,907	\$ 6,345	\$ 293,740
Special Mention	-	2,171	208	851	-	3,230
Watch List	102	-	-	8,422	-	8,524
Total	<u>\$ 40,182</u>	<u>\$ 96,365</u>	<u>\$ 55,422</u>	<u>\$ 107,180</u>	<u>\$ 6,345</u>	<u>\$ 305,494</u>
Residential Real Estate:						
Performing	\$ 50,082	\$ 55,920	\$ 50,515	\$ 108,563	\$ 6,290	\$ 271,370
Nonperforming	-	-	-	10	-	10
Total	<u>\$ 50,082</u>	<u>\$ 55,920</u>	<u>\$ 50,515</u>	<u>\$ 108,573</u>	<u>\$ 6,290</u>	<u>\$ 271,380</u>
Consumer:						
Performing	\$ 14,963	\$ 6,499	\$ 6,013	\$ 2,560	\$ 390	\$ 30,425
Nonperforming	12	3	2	-	3	20
Total	<u>\$ 14,975</u>	<u>\$ 6,502</u>	<u>\$ 6,015</u>	<u>\$ 2,560</u>	<u>\$ 393</u>	<u>\$ 30,445</u>

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 3 - Loans and Allowance for Credit Losses

Continued

An age analysis of past due and nonaccrual loans by portfolio segment as of December 31 is as follows:

2024						
	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total Past Due and Nonaccrual	Current	Total Loans
Agricultural	\$ 129	\$ -	\$ 346	\$ 475	\$ 387,820	\$ 388,295
Commercial	1,764	-	486	2,250	157,562	159,812
Commercial Real Estate	2,326	-	1,956	4,282	361,505	365,787
Residential Real Estate	1,837	36	-	1,873	279,244	281,117
Consumer	229	34	-	263	29,172	29,435
	<u>\$ 6,285</u>	<u>\$ 70</u>	<u>\$ 2,788</u>	<u>\$ 9,143</u>	<u>\$ 1,215,303</u>	<u>\$ 1,224,446</u>

2023						
	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total Past Due and Nonaccrual	Current	Total Loans
Agricultural	\$ 225	\$ -	\$ 406	\$ 631	\$ 381,346	\$ 381,977
Commercial	3,480	-	126	3,606	142,218	145,824
Commercial Real Estate	451	-	-	451	305,043	305,494
Residential Real Estate	887	10	-	897	270,483	271,380
Consumer	155	7	13	175	30,270	30,445
	<u>\$ 5,198</u>	<u>\$ 17</u>	<u>\$ 545</u>	<u>\$ 5,760</u>	<u>\$ 1,129,360</u>	<u>\$ 1,135,120</u>

The Company had three agricultural loans totaling \$668,000, one commercial loan totaling \$3,000,000 and six other loans totaling \$593,000 considered to be modified to borrowers experiencing financial difficulty (MBFD) during 2024. The Company had four MBFD loans totaling \$142,000 during 2023. There was no subsequent effect to the allowance for credit losses from MBFDs during 2024 or 2023.

The Company has various loans outstanding to directors and executive officers, including companies in which they are the principal owner (related parties). Such loans are made in the ordinary course of business at comparable terms and conditions as loans made to unrelated parties. Total loans to related parties at December 31, 2024 and 2023 amounted to \$52,443,000 and \$38,382,000, respectively.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 4 - Premises and Equipment

Premises and equipment as of December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,529	\$ 2,529
Premises	20,737	20,619
Furniture, Fixtures and Equipment	11,597	10,564
	<u>34,863</u>	<u>33,712</u>
Accumulated Depreciation	<u>(21,773)</u>	<u>(20,714)</u>
Net Carrying Value	<u>\$ 13,090</u>	<u>\$ 12,998</u>

Depreciation expense amounted to \$1,135,000 and \$1,021,000 for the years ended December 31, 2024 and 2023, respectively. These amounts are included in the net occupancy and furniture and equipment line items on the Consolidated Statements of Income.

Note 5 - Deposits

At December 31, 2024, the scheduled maturities of time deposits are as follows:

2025	\$ 292,092
2026	14,081
2027	30,444
2028	457
2029	<u>354</u>
Total	<u>\$ 337,428</u>

Time deposits that exceed the Federal Deposit Insurance Corporation Insurance limit of \$250,000 at December 31, 2024 and 2023 were \$96,912,000 and \$68,592,000, respectively. Brokered time deposits at December 31, 2024 and 2023 were \$0 and \$1,093,000, respectively.

The aggregate amount of deposits with related parties at December 31, 2024 and 2023 was \$12,176,000 and \$34,466,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

(Columnar amounts in thousands)

Note 6 - Other Borrowings and Federal Home Loan Bank Debt

Securities underlying repurchase agreements consist of obligations of the Company to other parties. The securities had an amortized cost of \$203,863,000 and \$227,123,000 and fair value of \$189,368,000 and \$209,973,000 at December 31, 2024 and 2023, respectively. The gross obligation by the class of collateral pledged and the remaining contractual maturity of the agreements at December 31 is as follows:

2024				
Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	Greater than 90 Days	Total
U.S. Treasury and Agency Securities	\$ 46,134	\$ -	\$ 2,777	\$ 48,911
Mortgage-Backed Securities	125,751	-	3,223	128,974
Total Repurchase Agreements	\$ 171,885	\$ -	\$ 6,000	\$ 177,885

2023				
Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	Greater than 90 Days	Total
U.S. Treasury and Agency Securities	\$ 36,791	\$ -	\$ 1,092	\$ 37,883
Mortgage-Backed Securities	119,567	-	4,908	124,475
Total Repurchase Agreements	\$ 156,358	\$ -	\$ 6,000	\$ 162,358

Securities sold under agreements to repurchase from related parties totaled \$76,279,000 and \$49,614,000 at December 31, 2024 and 2023, respectively.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 6 - Other Borrowings and Federal Home Loan Bank Debt

Continued

Total other borrowings for the years ended December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Securities Sold Under Agreements to Repurchase	\$ 177,885	\$ 162,358
Federal Funds Purchased	2,995	5,631
Total	<u>\$ 180,880</u>	<u>\$ 167,989</u>

Federal funds purchased and Federal Reserve Bank borrowings generally mature within one year from their transaction date.

At December 31, 2024 and 2023, collateral available for Federal Reserve Bank borrowings included commercial and agricultural loans totaling \$276,323,000 and \$208,211,000, respectively.

At December 31, 2024 and 2023, collateral available for advances with the Federal Home Loan Bank of Des Moines included real estate loans totaling \$103,959,000 and \$111,156,000, respectively. The Company's term borrowings as of December 31, 2024 totaled \$42,100,000 with \$8,800,000 maturing in 2025, \$4,050,000 in 2026, \$8,175,000 in 2027, \$12,125,000 in 2028, and \$8,950,000 in 2029. Interest rates range from 1.06% to 4.60%. At December 31, 2023, the Company had term borrowings outstanding of \$63,650,000.

At December, 31, 2024, the Company had a \$10,000,000 line of credit available expiring March 31, 2025 with a variable interest rate equal to 7.50%. There was no amount outstanding on the line of credit as of December 31, 2024 and 2023.

Note 7 - Income Taxes

Reconciliations of income tax computed at statutory rates compared to the provision for income taxes are as follows:

	<u>2024</u>	<u>2023</u>
Federal Tax at Statutory Rates	\$ 7,076	\$ 7,514
Benefit of Tax-Exempt Interest	(399)	(484)
Benefit of Cash Surrender Value Life Insurance	(281)	(277)
State Tax, Net of Federal Benefit	1,256	1,412
Other	<u>(167)</u>	<u>(2)</u>
Provision for Income Taxes	<u>\$ 7,485</u>	<u>\$ 8,163</u>

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 7 - Income Taxes

Continued

The approximate income tax effect of each type of temporary difference which gave rise to deferred income tax assets and deferred income tax liabilities as of December 31 is as follows:

	2024	2023
Deferred Income Tax Assets		
Allowance for Credit Losses	\$ 4,901	\$ 4,901
Deferred Compensation	2,446	2,326
Paid Time Off Accrual	67	71
Other-Than-Temporary Impairment Prior to ASC 326 Adoption	100	100
Unrecognized Tax Benefits	190	169
Unrealized Loss on Securities Available-for-Sale	7,004	8,322
	<u>\$ 14,708</u>	<u>\$ 15,889</u>
Deferred Income Tax Liabilities		
Premises and Equipment	\$ 759	\$ 660
Loan Fees	158	160
Prepaid Expense	155	139
Other	220	248
	<u>\$ 1,292</u>	<u>\$ 1,207</u>
Net Deferred Income Tax Asset	<u>\$ 13,416</u>	<u>\$ 14,682</u>

Reconciliations of unrecognized income tax benefits for the years ended December 31 are as follows:

	2024	2023
Unrecognized Tax Benefits - Opening Balance	\$ 731	\$ 746
Gross Increases - Current Period Tax Positions	150	56
Lapse of Statute of Limitations	<u>(56)</u>	<u>(71)</u>
Unrecognized Tax Benefits - Ending Balance	<u>\$ 825</u>	<u>\$ 731</u>

The Company recorded a cost of \$94,000 that increased the effective tax rate for 2024. For the year ended December 31, 2024, the liability for interest was \$79,000 with a recorded cost of \$8,000. The tax years that remain subject to examination for Federal and State tax include 2024, 2023, 2022 and 2021 resulting from a statute of limitation of three years. Any interest and penalties on income tax assessments or income tax refunds are recognized on the Consolidated Statements of Income as a component of the income tax expense. All of the gross unrecognized income tax benefits would impact the Company's effective tax rate if recognized. The amount of unrecognized income tax benefits is not expected to change significantly over the next 12 months.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

Note 8 - Employee Benefit Plans

Retirement Savings Plan - The Company has a 401(k) Retirement Savings Plan which covers substantially all full-time employees who elect to participate. The Company makes matching contributions equal to 100% of the employee contribution, with the Company contribution not to exceed 6% of the employee's salary. Company contributions to the plan totaled \$1,124,000 and \$1,052,000 for 2024 and 2023, respectively.

Restricted Stock Plan - The Company has a Restricted Stock Plan whereby 80,000 shares of the Company's common stock may be awarded at the discretion of the Board of Directors. Recipients of restricted stock have the usual rights of a shareholder including the right to receive cash dividends and to vote the shares. The restricted stock vests at the lesser of normal retirement or five years. No shares are to be granted after December 31, 2027. The Company issued shares totaling 7,190 and 7,213 in 2024 and 2023, respectively. There were 26,696 and 24,169 non-vested shares outstanding as of December 31, 2024 and 2023, respectively. The average fair value of shares was \$125 for the years presented. The Company recognized expense of \$595,000 and \$502,000 attributable to this plan in 2024 and 2023, respectively. As of December 31, 2024, there was \$2,328,000 of unrecognized compensation expense related to non-vested restricted stock awards.

Deferred Compensation Plans - The Company has a Director Deferred Fee Plan whereby directors may elect to receive cash or to defer director fees under the terms of the plan. The costs of the plan are fully expensed and the amount deferred totaled \$7,421,000 and \$7,104,000 as of December 31, 2024 and 2023, respectively. The Company has an Executive Deferred Compensation Plan whereby discretionary contributions may be made to participants under the terms of the plan. Contributions fully vest after five years. The amount deferred totaled \$300,000 and \$162,000 as of December 31, 2024 and 2023, respectively.

Other Plans - The Company has adopted several non-qualified benefit plans. The plans are used to provide special compensation and supplemental retirement benefits for certain key officers. There was no expense attributable to these plans in 2024 and 2023. The Company has also adopted an agreement to provide certain executives with salary continuation in the event of termination, with no expense recorded.

Note 9 - Commitments and Contingencies

In the normal course of business, the Company makes various commitments to extend credit which are not reflected in the accompanying financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The creditworthiness of each customer is evaluated on a case-by-case basis. The amount and type of collateral obtained, if it is deemed necessary upon extension of credit, is based on the Company's credit evaluation of the counterparty. The Company had undisbursed lines of credit to existing borrowers of \$310,845,000 and \$319,923,000 at December 31, 2024 and 2023, respectively.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. These commitments are completed in the ordinary course of business, and the credit risk involved in issuing letters of credit and the amount or type of collateral obtained is essentially the same as that involved in extending loan facilities to customers. The Company had standby letters of credit outstanding of \$9,595,000 and \$5,664,000 at December 31, 2024 and 2023, respectively. No material future payments or losses are anticipated as a result of these transactions, the time frame is generally one year or less and the fair value of these guarantees is estimated to be immaterial. Therefore, the Company has not recorded a liability for the contingencies on the Consolidated Balance Sheets.

Litigation - In the normal course of business, the Company is occasionally a party to various legal proceedings. The Company periodically assesses its liabilities and contingencies in connection with these matters, based upon the latest information available. As additional information becomes available, the Company adjusts its assessment and estimates of such liabilities accordingly. The Company is not involved with any legal proceedings that would have a material effect on the Company's financial position.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 10 - Regulatory Matters

The Company's subsidiary banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory or discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The regulations require the Company's subsidiary banks to meet specific capital adequacy guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's subsidiary banks' capital amounts and classifications are also subject to qualitative judgments by the regulators about components and other factors.

The Company's subsidiary banks have adopted the Community Bank Leverage Ratio (CBLR) Framework as defined in Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. To be categorized as well capitalized, the Company's subsidiary banks must maintain a CBLR of 9%.

The most recent notifications from the regulatory agencies categorize the Company's subsidiary banks as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since those notifications that management believes have changed the categories.

Regulatory Tier 1 Capital amounts and Leverage Ratios under the CBLR Framework for the subsidiary banks of the Company as of December 31 are as follows:

	2024		2023	
	Amount	Ratio	Amount	Ratio
The Security National Bank of Sioux City, Iowa	\$ 198,917	12.18%	\$ 192,413	12.01%
Security National Bank of South Dakota	\$ 31,233	12.98%	\$ 30,130	13.43%

Dividends received from the Company's subsidiary banks are the primary source of funds available to the Company for payment of dividends to its shareholders. Banking regulations require minimum capital levels to be maintained and impose certain restrictions on the amount of dividends that the subsidiary banks may pay in any given year. In accordance with these regulatory requirements, \$38,434,000 of undivided profits was available for the payment of dividends as of December 31, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

(Columnar amounts in thousands)

Note 11 - Fair Value of Financial Instruments

Fair value estimates are based on existing balance sheet financial instruments. The estimates do not include the value of anticipated future business, the value of long-term relationships with depositors (core retail intangibles) or the value of assets and liabilities that are not considered financial instruments. Fair values are calculated based on the value without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications or estimated transaction costs.

Estimated fair values are made at a specific point in time based on relevant market information about the financial instrument. Because no market information is available for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics and other factors. These estimates are subjective in nature and cannot be determined with precision. Changes in assumptions could significantly affect the estimated fair values.

GAAP establishes three levels for measuring fair value. Level 1 uses quoted prices for identical instruments in active markets. Level 2 uses quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable. Level 3 uses value drivers that are not observable and include subjective estimates. Examples of value drivers used include comparable security trades, company stock prices, and evaluations of financial statements. There have been no significant changes in the valuation techniques used during the periods presented.

Fair value estimates, as well as the methods and assumptions used to determine estimated fair values are as follows:

	Estimated Fair Value				
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Carrying Value
December 31, 2024					
Financial Assets					
Cash and Due From Banks	\$ 144,844	\$ -	\$ -	\$ 144,844	\$ 144,844
Federal Funds Sold	650	-	-	650	650
Securities Available-for-Sale	56,779	290,184	1,500	348,463	348,463
Securities Held-to-Maturity	-	49,383	-	49,383	51,237
Non-Marketable Equity Securities	-	3,987	-	3,987	3,987
Loans Held-for-Sale	-	935	-	935	935
Net Loans	-	-	1,176,682	1,176,682	1,202,659
Accrued Interest Receivable	-	14,734	-	14,734	14,734
Financial Liabilities					
Demand Deposits	-	429,117	-	429,117	429,117
Savings and Interest-Bearing Checking Deposits	-	623,889	-	623,889	623,889
Time Deposits	-	-	336,459	336,459	337,428
Other Borrowings	-	170,366	-	170,366	180,880
Federal Home Loan Bank Debt	-	41,448	-	41,448	42,100
Accrued Interest Payable	-	4,739	-	4,739	4,739

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands)

Note 11 - Fair Value of Financial Instruments

Continued

	Estimated Fair Value				Carrying Value
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
December 31, 2023					
Financial Assets					
Cash and Due From Banks	\$ 127,055	\$ -	\$ -	\$ 127,055	\$ 127,055
Federal Funds Sold	3,300	-	-	3,300	3,300
Securities Available-for-Sale	64,370	338,472	1,500	404,342	404,342
Securities Held-to-Maturity	-	58,644	-	58,644	60,395
Non-Marketable Equity Securities	-	4,961	-	4,961	4,961
Loans Held-for-Sale	-	1,289	-	1,289	1,289
Net Loans	-	-	1,046,131	1,046,131	1,113,613
Accrued Interest Receivable	-	13,971	-	13,971	13,971
Financial Liabilities					
Demand Deposits	-	471,730	-	471,730	471,730
Savings and Interest-Bearing Checking Deposits	-	643,811	-	643,811	643,811
Time Deposits	-	-	242,066	242,066	244,204
Other Borrowings	-	159,057	-	159,057	167,989
Federal Home Loan Bank Debt	-	62,988	-	62,988	63,650
Accrued Interest Payable	-	2,550	-	2,550	2,550

Short-Term Instruments - The estimated fair value of cash on hand, due from banks, money market funds and federal funds sold approximates carrying value because of the short-term nature of these instruments.

Securities - The fair value of securities, except for certain state, municipal and trust preferred securities, is estimated based on bid prices received from security dealers. The fair values of certain state and municipal securities, which are not readily available through market sources, are estimated using quoted market prices for similar instruments.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

Note 11 - Fair Value of Financial Instruments

Continued

Non-Marketable Equity Securities - Fair value is estimated at book value due to restrictions that limit the sale or transfer of such securities.

Loans Held-for-Sale - The estimated fair value of these loans approximates carrying value based on the contractual values upon which the loans may be sold to a third party.

Loans - The estimated fair value of the Company's short-term loans is book value. The estimated fair value of all other loans is based on the discounted value of contractual cash flows. When using the discounting method, loans are discounted based on current rates that banks would impose for similar loans. These rates reflect a market participation assumption about risks associated with non-performance, illiquidity, structure and term of the loan including local economic and market conditions. In addition, when computing the estimated fair value for all loans, the allowance for credit losses is subtracted from the calculated fair value for consideration of credit issues.

Accrued Interest Receivable and Payable - The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits - The estimated fair value of deposits with no stated maturity, such as non-interest bearing checking, savings, interest checking deposits and money market accounts, is book value since rates are regularly adjusted to market rates and amounts are payable on demand. The estimated fair value of certificates of deposit is based on the discounted value of projected cash flows based on market rates currently offered for deposits of similar remaining maturities.

Other Borrowings and Federal Home Loan Bank Debt - The estimated fair values of other borrowings and Federal Home Loan Bank debt are based on discounting cash flows using current market rates for similar types of borrowing arrangements.

Nonrecurring Fair Value Measurements - Certain financial assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Other Real Estate Owned (OREO) is measured at fair value on a nonrecurring basis using inputs including appraisals and in-house evaluations. The fair value of a foreclosed asset upon initial recognition is estimated using Level 3 inputs based on an appraisal of the underlying collateral less estimated costs to sell using unobservable data. As of December 31, 2024 and 2023 there were no OREO assets and no losses recognized related to changes in fair value.

Certain collateral-dependent loans are recorded at the lower of the loan carrying value or fair value less estimated costs to sell, if repayment is expected solely from collateral. The fair value of the collateral is based on appraisals or discounted cash flows. Fair values may be adjusted by management to reflect current economic and market conditions; therefore, these loans are classified within Level 3 of the fair value hierarchy. Certain collateral-dependent loans are remeasured and reported at the fair value of the underlying collateral utilizing Level 3 valuation inputs. There were no collateral-dependent loans with a collateral deficiency as of December 31, 2024 and 2023.

Security National Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023
(Columnar amounts in thousands, except per share data)

Note 12 - Accumulated Other Comprehensive (Loss)

Components of accumulated other comprehensive (loss), included in shareholders' equity, as of December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Net Unrealized (Loss) on Securities Available-for-Sale	\$ (29,254)	\$ (34,792)
Income Tax Effect	<u>7,004</u>	<u>8,331</u>
Accumulated Other Comprehensive (Loss)	<u>\$ (22,250)</u>	<u>\$ (26,461)</u>

Note 13 - Earnings Per Share

Earnings Per Share as of December 31 are computed as follows:

	<u>2024</u>	<u>2023</u>
Net Income Available to Shareholders - Basic and Diluted	<u>\$ 26,209</u>	<u>\$ 27,617</u>
Average Shares Outstanding - Basic	1,631	1,638
Diluted Restricted Stock Shares	<u>27</u>	<u>26</u>
Average Shares Outstanding - Diluted	<u>1,658</u>	<u>1,664</u>
Earnings Per Share - Basic	<u>\$ 16.07</u>	<u>\$ 16.86</u>
Earnings Per Share - Diluted	<u>\$ 15.81</u>	<u>\$ 16.60</u>

Note 14 - Subsequent Events

Subsequent events have been evaluated through February 10, 2025, the date these consolidated financial statements were available to be issued. There are no material events that require adjustment to or disclosure in the financial statements.

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CORPORATE PROFILE

Security National Corporation is a multi-bank holding company with banks located in Iowa and South Dakota, which had total assets of \$1,849,404,000 as of December 31, 2024.

Security National Corporation is made up of the following: Security National Bank, Sioux City, Akron, Lawton, Mapleton, Moville, Orange City and Sheldon; Security National Bank of South Dakota, Dakota Dunes and Sioux Falls.

ANNUAL MEETING

The annual meeting of shareholders will take place at 2:30 p.m., on Tuesday, April 22, 2025, in the third floor meeting room of Security National Bank, Sixth and Pierce Streets, Sioux City, Iowa.

SECURITY NATIONAL CORPORATION OFFICERS

D. Douglas Rice
Chairman, President & CEO

Jeremy M. Craighead
Executive Vice President

Jeremy D. Uhl
Treasurer

Lisa A. Talbert
Secretary

DIRECTORS

Raquel L. Blount
Vice President of Commercial Real Estate, Lloyd Companies

Raymond H. Cole
President & COO (Ret.), Citadel Communications LLC

Jeremy M. Craighead
President, Security National Bank of Sioux City, Iowa

John W. Gleeson
CEO, Klinger Companies, Inc.

Darwin Hamann
Owner, Hamann Farms

Scott R. Kuehl
President, Artisan Press

Douglas E. Palmer
Chairman, Tegra Corporation

D. Douglas Rice
Chairman & CEO, Security National Bank of Sioux City, Iowa

Stephanie S. Samenus
Owner, Samenus Consulting LLC

Garrett K. Smith
Owner/Director, American Pop Corn Company

The Security National Bank of Sioux City, Iowa
Security National Bank of South Dakota

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