

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2025

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 000-09341

SECURITY NATIONAL FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

UTAH
*(State or other jurisdiction of
incorporation or organization)*

87-0345941
*(I.R.S. Employer
Identification No.)*

433 Ascension Way, 6th Floor, Salt Lake City, Utah
(Address of principal executive offices)

84123
(Zip Code)

(801) 264-1060

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock	SNFCA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 10, 2025, the registrant had 22,398,332 shares of Class A Common Stock, \$2.00 par value, outstanding and 3,587,237 shares of Class C Common Stock, \$2.00 par value, outstanding.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q

QUARTER ENDED SEPTEMBER 30, 2025

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SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

Part I - Financial Information

Item 1. Financial Statements.

	September 30, 2025	December 31, 2024
Assets		
Investments:		
Fixed maturity securities, available for sale, at estimated fair value (amortized cost of \$388,640,665 and \$376,012,071 for 2025 and 2024, respectively; net of allowance for credit losses of \$532,868 and \$420,993 for 2025 and 2024, respectively)	\$ 389,193,589	\$ 366,546,129
Equity securities at estimated fair value (cost of \$12,128,914 and \$11,386,454 for 2025 and 2024, respectively)	17,691,024	15,771,681
Mortgage loans held for investment (net of allowance for credit losses of \$2,677,001 and \$1,885,390 for 2025 and 2024, respectively)	329,164,691	301,747,358
Real estate held for investment (net of accumulated depreciation of \$35,724,258 and \$31,419,539 for 2025 and 2024, respectively)	216,563,881	197,693,338
Real estate held for sale	1,619,403	1,278,033
Other investments and policy loans (net of allowance for credit losses of \$1,534,957 and \$1,536,926 for 2025 and 2024, respectively)	83,124,030	74,855,041
Accrued investment income	9,746,368	8,499,168
Total investments	1,047,102,986	966,390,748
Cash and cash equivalents	100,396,059	140,546,421
Loans held for sale at estimated fair value	159,460,525	131,181,148
Receivables (net of allowance for credit losses of \$1,542,731 and \$1,678,531 for 2025 and 2024, respectively)	15,098,066	15,858,743
Restricted assets (including \$15,016,744 and \$12,323,535 for 2025 and 2024 respectively, at estimated fair value)	31,673,039	23,806,836
Cemetery perpetual care trust investments (including \$6,154,575 and \$5,689,706 for 2025 and 2024, respectively, at estimated fair value)	9,685,678	8,836,503
Receivable from reinsurers	13,721,510	13,831,093
Cemetery land and improvements	11,160,991	10,594,632
Deferred policy and pre-need contract acquisition costs	122,311,900	122,661,298
Mortgage servicing rights, net	2,616,372	2,939,878
Property and equipment, net	18,746,096	19,047,688
Value of business acquired	6,587,339	7,491,600
Goodwill	5,253,783	5,253,783
Other	19,171,747	21,366,843
Total Assets	\$ 1,562,986,091	\$ 1,489,807,214

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

	September 30, 2025	December 31, 2024
Liabilities and Stockholders' Equity		
Liabilities		
Future policy benefits and unpaid claims	\$ 965,878,450	\$ 944,811,843
Unearned premium reserve	1,863,566	2,011,679
Bank and other loans payable	123,096,234	106,740,104
Deferred pre-need cemetery and mortuary contract revenues	22,234,892	20,168,405
Cemetery perpetual care obligation	5,838,879	5,642,693
Accounts payable	5,536,098	2,937,293
Other liabilities and accrued expenses	57,177,453	55,633,661
Income taxes	15,978,661	13,079,257
Total liabilities	1,197,604,233	1,151,024,935
Stockholders' Equity		
Preferred Stock - non-voting - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class A: common stock - \$2.00 par value; 40,000,000 shares authorized; 22,395,245 shares issued and outstanding as of September 30, 2025 and 22,321,559 (1) shares issued and outstanding as of December 31, 2024	44,790,490	42,510,012
Class B: non-voting common stock - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class C: convertible common stock - \$2.00 par value; 6,000,000 shares authorized; 3,587,237 shares issued and outstanding as of September 30, 2025 and 3,492,674 (1) shares issued and outstanding as of December 31, 2024	7,174,474	6,643,666
Additional paid-in capital	89,438,415	79,698,367
Accumulated other comprehensive gain (loss), net of taxes	826,844	(6,951,266)
Retained earnings	232,857,565	225,359,186
Treasury stock at cost - 1,180,564 Class A shares and 104,604 Class C shares as of September 30, 2025; and 1,080,243 (1) Class A shares and 104,604 (1) Class C shares as of December 31, 2024	(9,705,930)	(8,477,686)
Total stockholders' equity	365,381,858	338,782,279
Total Liabilities and Stockholders' Equity	\$ 1,562,986,091	\$ 1,489,807,214

(1) Issued and outstanding shares have been adjusted retroactively for the effect of annual stock dividends.

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues:				
Mortgage fee income	\$ 29,139,245	\$ 30,224,092	\$ 83,433,590	\$ 81,675,278
Insurance premiums and other considerations	29,880,785	30,011,081	89,846,164	89,823,732
Net investment income	20,109,600	17,799,096	59,893,212	55,790,472
Net mortuary and cemetery sales	7,140,942	6,814,331	21,698,880	21,531,769
Gains on investments and other assets	1,972,198	1,347,656	3,700,926	2,639,843
Other	1,083,393	2,077,431	3,034,263	3,792,127
Total revenues	89,326,163	88,273,687	261,607,035	255,253,221
Benefits and expenses:				
Death benefits	15,182,809	13,570,336	46,249,912	43,354,254
Surrenders and other policy benefits	1,374,289	1,194,692	3,807,498	3,453,425
Increase in future policy benefits	8,376,973	8,589,354	26,165,160	27,148,178
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	5,533,421	2,287,003	15,967,631	11,332,305
Selling, general and administrative expenses:				
Commissions	13,054,117	13,204,406	36,957,836	34,638,464
Personnel	21,519,038	21,249,554	65,872,791	61,907,265
Advertising	983,291	907,528	2,747,684	2,381,400
Rent and rent related	947,664	1,380,076	2,873,414	4,078,792
Depreciation on property and equipment	607,300	611,475	1,821,453	1,791,823
Costs related to funding mortgage loans	1,813,814	1,694,791	5,120,855	4,677,767
Other	7,600,542	6,191,624	22,956,864	19,476,918
Interest expense	1,066,528	1,060,653	3,479,494	3,161,943
Cost of goods and services sold-mortuaries and cemeteries	1,113,425	1,117,513	3,525,978	3,627,101
Total benefits and expenses	79,173,211	73,059,005	237,546,570	221,029,635
Earnings before income taxes	10,152,952	15,214,682	24,060,465	34,223,586
Income tax expense	(2,337,926)	(3,383,238)	(5,400,792)	(7,646,071)
Net earnings	\$ 7,815,026	\$ 11,831,444	\$ 18,659,673	\$ 26,577,515
Net earnings per Class A Equivalent common share (1)	<u>\$ 0.32</u>	<u>\$ 0.48</u>	<u>\$ 0.75</u>	<u>\$ 1.09</u>
Net earnings per Class A Equivalent common share-assuming dilution (1)	<u>\$ 0.31</u>	<u>\$ 0.47</u>	<u>\$ 0.73</u>	<u>\$ 1.05</u>
Weighted-average Class A equivalent common shares outstanding (1)	<u>24,709,518</u>	<u>24,418,679</u>	<u>24,725,938</u>	<u>24,465,661</u>
Weighted-average Class A equivalent common shares outstanding-assuming dilution (1)	<u>25,401,445</u>	<u>25,272,078</u>	<u>25,554,177</u>	<u>25,197,013</u>

(1) Net earnings per share have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common stock basis. Net earnings per common share represent net earnings per equivalent Class A common share.

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net earnings	\$ 7,815,026	\$ 11,831,444	\$ 18,659,673	\$ 26,577,515
Other comprehensive income:				
Unrealized gains on fixed maturity securities available for sale	\$ 3,353,280	10,443,490	\$ 9,835,254	8,661,351
Unrealized gains on restricted assets (1)	7,118	9,353	6,586	5,770
Unrealized gains on cemetery perpetual care trust investments (1)	4,056	4,263	5,720	2,438
Other comprehensive income, before income tax	3,364,454	10,457,106	9,847,560	8,669,559
Income tax expense	(707,467)	(2,201,866)	(2,069,450)	(1,826,546)
Other comprehensive income, net of income tax	2,656,987	8,255,240	7,778,110	6,843,013
Comprehensive income	<u>\$ 10,472,013</u>	<u>\$ 20,086,684</u>	<u>\$ 26,437,783</u>	<u>\$ 33,420,528</u>

(1) Fixed maturity securities available for sale

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Nine Months Ended September 30, 2025						Total
	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	
December 31, 2024	\$42,510,012	\$ 6,643,666	\$79,698,367	\$ (6,951,266)	\$ 225,359,186	\$(8,477,686)	\$ 338,782,279
Net earnings	-	-	-	-	4,338,292	-	4,338,292
Other comprehensive income	-	-	-	2,997,612	-	-	2,997,612
Stock-based compensation expense	-	-	309,260	-	-	-	309,260
Exercise of stock options	132,546	190,674	(92,965)	-	-	(149,009)	81,246
Vesting of restricted stock units	920	-	(920)	-	-	-	-
Sale of treasury stock	-	-	90,895	-	-	136,367	227,262
Purchase of treasury stock	-	-	-	-	-	(242,265)	(242,265)
March 31, 2025	<u>\$42,643,478</u>	<u>\$ 6,834,340</u>	<u>\$80,004,637</u>	<u>\$ (3,953,654)</u>	<u>\$ 229,697,478</u>	<u>\$(8,732,593)</u>	<u>\$ 346,493,686</u>
Net earnings	-	-	-	-	6,506,355	-	6,506,355
Other comprehensive income	-	-	-	2,123,511	-	-	2,123,511
Stock-based compensation expense	-	-	320,379	-	-	-	320,379
Vesting of restricted stock units	6,174	-	(6,174)	-	-	-	-
Sale of treasury stock	-	-	63,807	-	-	208,399	272,206
Purchase of treasury stock	-	-	-	-	-	(961,419)	(961,419)
Conversion Class C to Class A	790	(790)	-	-	-	-	-
Stock dividends	2,132,832	341,678	8,685,530	-	(11,160,040)	-	-
June 30, 2025	<u>\$44,783,274</u>	<u>\$ 7,175,228</u>	<u>\$89,068,179</u>	<u>\$ (1,830,143)</u>	<u>\$ 225,043,793</u>	<u>\$(9,485,613)</u>	<u>\$ 354,754,718</u>
Net earnings	-	-	-	-	7,815,026	-	7,815,026
Other comprehensive income	-	-	-	2,656,987	-	-	2,656,987
Stock-based compensation expense	-	-	320,241	-	-	-	320,241
Vesting of restricted stock units	6,184	-	(6,184)	-	-	-	-
Sale of treasury stock	-	-	55,203	-	-	180,612	235,815
Purchase of treasury stock	-	-	-	-	-	(400,929)	(400,929)
Conversion Class C to Class A	758	(758)	-	-	-	-	-
Stock dividends	274	4	976	-	(1,254)	-	-
September 30, 2025	<u>\$44,790,490</u>	<u>\$ 7,174,474</u>	<u>\$89,438,415</u>	<u>\$ 826,844</u>	<u>\$ 232,857,565</u>	<u>\$(9,705,930)</u>	<u>\$ 365,381,858</u>

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(Unaudited)

	Nine Months Ended September 30, 2024						
	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
December 31, 2023	\$40,096,004	\$ 5,943,708	\$72,424,429	\$ (6,885,558)	\$206,978,373	\$(5,661,737)	\$312,895,219
Net earnings	-	-	-	-	7,474,522	-	7,474,522
Other comprehensive loss	-	-	-	(895,098)	-	-	(895,098)
Stock-based compensation expense	-	-	199,887	-	-	-	199,887
Vesting of restricted stock units	810	-	(810)	-	-	-	-
Sale of treasury stock	-	-	103,788	-	-	366,733	470,521
Purchase of treasury stock	-	-	-	-	-	(41,077)	(41,077)
Conversion Class C to Class A	348	(348)	-	-	-	-	-
March 31, 2024	<u>\$40,097,162</u>	<u>\$ 5,943,360</u>	<u>\$72,727,294</u>	<u>\$ (7,780,656)</u>	<u>\$214,452,895</u>	<u>\$(5,336,081)</u>	<u>\$320,103,974</u>
Net earnings	-	-	-	-	7,271,549	-	7,271,549
Other comprehensive loss	-	-	-	(517,129)	-	-	(517,129)
Stock-based compensation expense	-	-	184,066	-	-	-	184,066
Exercise of stock options	64,164	-	(17,982)	-	-	-	46,182
Vesting of restricted stock units	920	-	(920)	-	-	-	-
Sale of treasury stock	-	-	13,201	-	-	252,208	265,409
Purchase of treasury stock	-	-	-	-	-	(1,588,058)	(1,588,058)
Conversion Class C to Class A	184	(184)	-	-	-	-	-
Stock dividends	2,009,442	297,156	5,847,226	-	(8,153,824)	-	-
June 30, 2024	<u>\$42,171,872</u>	<u>\$ 6,240,332</u>	<u>\$78,752,885</u>	<u>\$ (8,297,785)</u>	<u>\$213,570,620</u>	<u>\$(6,671,931)</u>	<u>\$325,765,993</u>
Net earnings	-	-	-	-	11,831,444	-	11,831,444
Other comprehensive income	-	-	-	8,255,240	-	-	8,255,240
Stock-based compensation expense	-	-	196,326	-	-	-	196,326
Exercise of stock options	62,860	-	7,550	-	-	-	70,410
Vesting of restricted stock units	920	-	(920)	-	-	-	-
Sale of treasury stock	-	-	21,281	-	-	224,469	245,750
Purchase of treasury stock	-	-	-	-	-	(43,097)	(43,097)
Stock dividends	320	-	811	-	(1,131)	-	-
September 30, 2024	<u>\$42,235,972</u>	<u>\$ 6,240,332</u>	<u>\$78,977,933</u>	<u>\$ (42,545)</u>	<u>\$225,400,933</u>	<u>\$(6,490,559)</u>	<u>\$346,322,066</u>

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net cash provided by operating activities	\$ 27,552,994	\$ 34,894,323
Cash flows from investing activities:		
Purchases of fixed maturity securities	(63,091,501)	(45,346,681)
Sales, calls and maturities of fixed maturity securities	49,800,384	89,829,379
Purchases of equity securities	(4,245,856)	(2,769,612)
Sales of equity securities	3,814,374	2,018,249
Purchases of restricted assets	(5,191,557)	(2,536,814)
Sales, calls and maturities of restricted assets	3,323,223	1,171,707
Purchases of cemetery perpetual care trust investments	(990,234)	(2,487,924)
Sales, calls and maturities of perpetual care trust investments	1,896,777	2,383,653
Mortgage loans held for investment, other investments and policy loans made	(652,228,219)	(549,027,246)
Payments received for mortgage loans held for investment, other investments and policy loans	615,698,100	540,583,700
Purchases of property and equipment	(1,591,486)	(575,648)
Sales of property and equipment	4,700	365,693
Purchases of real estate	(53,207,439)	(46,189,096)
Sales of real estate	31,493,671	28,385,283
Net cash provided by (used in) investing activities	(74,515,063)	15,804,643
Cash flows from financing activities:		
Investment contract receipts	9,217,213	10,193,442
Investment contract withdrawals	(12,494,990)	(11,520,918)
Proceeds from stock options exercised	81,246	116,592
Purchases of treasury stock	(1,604,613)	(1,672,232)
Repayment of bank loans	(49,525,258)	(1,423,826)
Proceeds from bank loans	69,000,000	-
Net change in warehouse line borrowings for loans held for sale	(3,174,878)	2,622,976
Net cash provided by (used in) financing activities	11,498,720	(1,683,966)
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	(35,463,349)	49,015,000
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	150,102,620	139,923,399
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 114,639,271	\$ 188,938,399
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 3,497,142	\$ 3,124,591
Income taxes (net of refunds)	4,548,279	6,877,342
Non Cash Operating, Investing and Financing Activities:		
Transfer from fixed maturity securities available for sale to other investments	\$ 1,185,603	\$ -
Right-of-use assets obtained in exchange for operating lease liabilities	1,157,084	1,130,610
Loans held for sale transferred into mortgage loans held for investment	828,063	-
Benefit plans funded with treasury stock	735,283	981,680
Loans held for sale foreclosed into real estate held for sale	380,000	858,977
Mortgage loans held for investment foreclosed into real estate held for sale	190,495	-
Right-of-use assets obtained in exchange for finance lease liabilities	-	176,040

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents as shown in the condensed consolidated statements of cash flows are presented in the table below:

	September 30, 2025	September 30, 2024
Cash and cash equivalents	\$ 100,396,059	\$ 170,706,542
Restricted assets	13,556,435	15,232,601
Cemetery perpetual care trust investments	686,777	2,999,256
Total cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ 114,639,271</u>	<u>\$ 188,938,399</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Articles 8 and 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto for the year ended December 31, 2024, included in the Company's Annual Report on Form 10-K (File Number 000-09341). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and nine-month periods ended September 30, 2025, are not necessarily indicative of the results that may be expected for the year ending December 31, 2025.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to adopt policies and make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In applying these policies and estimates, the Company makes judgments that frequently require assumptions about matters that are inherently uncertain. Accordingly, significant estimates used in the preparation of the Company's financial statements may be subject to significant adjustments in future periods. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes in the near term are those used in determining the value of derivative assets and liabilities; those used in determining deferred acquisition costs and the value of business acquired; those used in determining the liability for future policy benefits; those used in determining the value of loans held for sale; and those used in determining loan loss reserve. Although some variability is inherent in these estimates, management believes the amounts provided are fairly stated in all material respects.

2) Recent Accounting Pronouncements

Accounting Standards Issued But Not Yet Adopted

ASU No. 2018-12: “Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts”— Issued in August 2018, ASU 2018-12 is intended to improve the timeliness of recognizing changes in the liability for future policy benefits on traditional long-duration contracts by requiring that assumptions be updated after contract inception and by modifying the rate used to discount future cash flows. The standard is aimed at improving the accounting for certain market-based options or guarantees associated with deposit or account balance contracts, simplifying amortization of deferred acquisition costs while improving and expanding required disclosures. In November 2020, ASU No. 2020-11: “Financial Services – Insurance (Topic 944): Effective Date and Early Application,” was issued. This ASU was issued to provide additional time for the implementation of ASU No. 2018-12 by deferring the effective date by one year. For smaller reporting companies, this update is effective for annual reporting periods beginning after December 15, 2024, and interim reporting periods beginning after December 15, 2025. The Company will adopt the standard commencing with its annual reporting period ending December 31, 2025, using the modified retrospective transition method as of the transition date (“Transition Date”) of January 1, 2024. The modified retrospective transition method requires the amended guidance be applied to contracts issued after the beginning of the earliest period presented, or the Transition Date, which will result in the restatement of the 2024 consolidated financial statements.

The Company is nearing completion of its analysis and implementation of the new standard, including the identification of cohorts, system updates, and design. The Company has engaged its team of actuaries, accountants, and systems specialists and consulted external system providers as part of the implementation. The adoption of this guidance is expected to have an impact on its financial position, results of operations, and disclosures, as well as systems, processes and controls. Based upon the modified retrospective transition method, the Company estimates that the January 1, 2024, Transition Date impact from adoption will include an increase to total stockholders’ equity of approximately \$4 million to \$6 million. This expected increase includes the estimated impact to accumulated other comprehensive income (“AOCI”), which, as of the Transition Date, is expected to result in an increase of approximately \$4 million to \$6 million, net of income tax. The most significant drivers of the expected increase in AOCI are the anticipated impacts of the changes in the discount rates as of the Transition Date to be used in measuring the liability for future policy benefits for traditional and limited payment contracts. The expected increase to total stockholders’ equity also includes the estimated impact to retained earnings, which is immaterial.

After implementation, cash flow assumptions, such as mortality, lapse, and expense, will be reviewed at least annually and, if necessary, they will be updated to reflect actual experience and current expectations in the calculation of the Company’s future policy benefits. Historically, cash flow assumptions were locked in at policy issuance and remained in place for the life of the business—even when material variances emerged between assumptions and actual experience—except in the case of a premium deficiency. Under the new guidance, net premiums are capped at 100 percent of gross premiums at the cohort level. Adoption of this standard also requires changes in the future treatment of the Company’s Deferred Acquisition Cost (“DAC”) asset.

Historically, the interest rate used to calculate the Company’s future policy benefits was set at policy issuance and remained in effect for the life of the policy. The Company used an expected investment portfolio rate of return based on a conservative experience assumption. The new guidance seeks to improve reporting on the financial impact associated with interest rate sensitivity. To accomplish this, future policy benefits will be calculated using a discount rate based on an upper-medium-grade (A-rated) fixed income instrument.

2) Recent Accounting Pronouncements (Continued)

The initial future policy benefit for each cohort is calculated using the original discount rate and then remeasured using the current discount rate curve. The original rate is used to determine interest accretion on the liability—which is included in net earnings—as well as to calculate the net premiums in both scenarios. The impact of remeasurement, from the original locked-in discount rate to the current rate, is reported as a component of the Company’s AOCI. This original discount rate is locked in at the cohort’s inception or at the Transition Date and will continue to be used in determining the impact on future net earnings associated with that contract.

DAC is used by insurance companies to defer costs related to acquiring insurance policies. Under the new guidance, amortization methods will be simplified, and DAC for all insurance contracts will be subject to straight-line amortization over the lifetime of the policy. Historically, traditional life contracts were amortized in proportion to premiums over the expected premium-paying period. Additionally, shadow DAC will no longer be reported and will be removed from AOCI, net of tax. The impact of the removal of shadow DAC is immaterial. The Company expects the impact on net earnings due to the decrease in amortization of DAC to be in the range of \$3 million to \$4 million, net of tax for 2024.

While the requirements of the new guidance represents a change from existing standard, the new guidance will not impact capital and surplus or net income under statutory accounting practices, cash flows on the Company’s policies, or the underlying economics of the Company’s business.

ASU No. 2023-09: “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”— Issued in December 2023, ASU 2023-09 requires that public business entities, on an annual basis: (i) disclose specific categories in the rate reconciliation and (ii) provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments in this update require that all entities disclose on an annual basis the following information about income taxes paid: (i) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and (ii) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). ASU 2023-09 is effective for the Company for the annual reporting periods beginning January 1, 2025. The Company will adopt the standard commencing with its annual reporting period ending December 31, 2025. The Company does not anticipate that the adoption of this standard will have a material impact on the consolidated financial statements.

ASU No. 2024-03: “Income Statement-Reporting Comprehensive Income- Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”— Issued in November 2024, ASU 2024-03 requires public business entities to disclose, in the notes to the consolidated financial statements, specified information about certain expenses at each interim and annual reporting period. ASU 2024-03 requires disclosures about specific types of expenses (i.e., (a) purchases of inventory, (b) employee compensation, (c) depreciation and (d) intangible asset amortization) included in the expense captions presented on the face of the statement of earnings as well as disclosures about selling expenses. ASU 2024-03 does not change the requirements for the presentation of expenses on the statement of earnings. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Accordingly, the Company will adopt the standard commencing with its annual reporting period ending December 31, 2027. The Company is in the process of estimating the potential impact of this new standard on the consolidated financial statements.

The Company has reviewed other recent accounting pronouncements and has determined that they will not significantly impact the Company’s results of operations or financial position.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments

The Company's investments as of September 30, 2025, are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses (1)</u>	<u>Allowance for Credit Losses</u>	<u>Estimated Fair Value</u>
<u>September 30, 2025:</u>					
Fixed maturity securities, available for sale, at estimated fair value:					
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 77,815,616	\$ 941,844	\$ (154,207)	\$ -	\$ 78,603,253
Obligations of states and political subdivisions	3,416,026	11,280	(175,233)	-	3,252,073
Corporate securities including public utilities	281,126,441	7,265,563	(3,263,456)	(378,819)	284,749,729
Mortgage-backed securities	25,532,582	110,226	(3,622,125)	(154,049)	21,866,634
Redeemable preferred stock	750,000	9,400	(37,500)	-	721,900
Total fixed maturity securities available for sale	<u>\$ 388,640,665</u>	<u>\$ 8,338,313</u>	<u>\$ (7,252,521)</u>	<u>\$ (532,868)</u>	<u>\$ 389,193,589</u>
Equity securities at estimated fair value:					
Common stock:					
Industrial, miscellaneous and all other	\$ 12,128,914	\$ 5,898,600	\$ (336,490)		\$ 17,691,024
Total equity securities at estimated fair value	<u>\$ 12,128,914</u>	<u>\$ 5,898,600</u>	<u>\$ (336,490)</u>		<u>\$ 17,691,024</u>
Mortgage loans held for investment at amortized cost:					
Residential	\$ 91,948,455				
Residential construction	165,869,176				
Commercial	76,447,701				
Less: Unamortized deferred loan fees, net	(2,159,279)				
Less: Allowance for credit losses	(2,677,001)				
Less: Net discounts	(264,361)				
Total mortgage loans held for investment	<u>\$ 329,164,691</u>				
Real estate held for investment - net of accumulated depreciation:					
Residential	\$ 93,885,033				
Commercial	122,678,848				
Total real estate held for investment	<u>\$ 216,563,881</u>				
Real estate held for sale:					
Residential	\$ 1,467,850				
Commercial	151,553				
Total real estate held for sale	<u>\$ 1,619,403</u>				
Other investments and policy loans at amortized cost:					
Policy loans	\$ 14,372,484				
Insurance assignments	42,278,320				
Federal Home Loan Bank stock (2)	1,590,400				
Other investments	26,417,783				
Less: Allowance for credit losses for insurance assignments	(1,534,957)				
Total other investments and policy loans	<u>\$ 83,124,030</u>				
Accrued investment income	<u>\$ 9,746,368</u>				

Total investments

\$ 1,047,102,986

(1) Gross unrealized losses are net of allowance for credit losses

(2) Includes \$581,600 of Membership stock and \$1,008,800 of Activity stock attributable to short-term borrowings and letters of credit.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The Company's investments as of December 31, 2024, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Allowance for Credit Losses	Estimated Fair Value
December 31, 2024:					
Fixed maturity securities, available for sale, at estimated fair value:					
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 74,680,606	\$ 327,618	\$ (486,976)	\$ -	\$ 74,521,248
Obligations of states and political subdivisions	6,416,751	1,762	(290,448)	-	6,128,065
Corporate securities including public utilities	262,954,278	2,444,842	(6,922,871)	(408,944)	258,067,305
Mortgage-backed securities	31,710,436	125,764	(4,244,640)	(12,049)	27,579,511
Redeemable preferred stock	250,000	-	-	-	250,000
Total fixed maturity securities available for sale	<u>\$ 376,012,071</u>	<u>\$ 2,899,986</u>	<u>\$ (11,944,935)</u>	<u>\$ (420,993)</u>	<u>\$ 366,546,129</u>
Equity securities at estimated fair value:					
Common stock:					
Industrial, miscellaneous and all other	\$ 11,386,454	\$ 4,976,567	\$ (591,340)		\$ 15,771,681
Total equity securities at estimated fair value	<u>\$ 11,386,454</u>	<u>\$ 4,976,567</u>	<u>\$ (591,340)</u>		<u>\$ 15,771,681</u>
Mortgage loans held for investment at amortized cost:					
Residential	\$ 92,061,787				
Residential construction	151,172,733				
Commercial	62,753,085				
Less: Unamortized deferred loan fees, net	(2,082,241)				
Less: Allowance for credit losses	(1,885,390)				
Less: Net discounts	(272,616)				
Total mortgage loans held for investment	<u>\$ 301,747,358</u>				
Real estate held for investment - net of accumulated depreciation:					
Residential	\$ 71,618,410				
Commercial	126,074,928				
Total real estate held for investment	<u>\$ 197,693,338</u>				
Real estate held for sale:					
Residential	\$ 1,126,480				
Commercial	151,553				
Total real estate held for sale	<u>\$ 1,278,033</u>				
Other investments and policy loans at amortized cost:					
Policy loans	\$ 14,019,248				
Insurance assignments	48,493,858				
Federal Home Loan Bank stock (2)	2,404,900				
Other investments	11,473,961				
Less: Allowance for credit losses for insurance assignments	(1,536,926)				
Total policy loans and other investments	<u>\$ 74,855,041</u>				
Accrued investment income	<u>\$ 8,499,168</u>				
Total investments	<u>\$ 966,390,748</u>				

(1) Gross unrealized losses are net of allowance for credit losses

(2) Includes \$553,900 of Membership stock and \$1,851,000 of Activity stock due to short-term advances and letters of credit.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

There were no investments in fixed maturity securities or equity securities, aggregated by issuer, of more than 10% of shareholders' equity (before net unrealized gains and losses on equity securities and fixed maturity securities) as of September 30, 2025, other than investments issued or guaranteed by the United States Government.

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of September 30, 2025, and December 31, 2024. The fair values of fixed maturity securities that are actively traded are based on quoted market prices. For fixed maturity securities that are not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments. The table below sets forth unrealized losses by duration with the fair value of the related fixed maturity securities.

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Combined Fair Value
September 30, 2025						
U.S. Treasury securities and obligations of U.S.						
Government agencies	\$ 5,286	\$ 2,413,864	\$ 148,921	\$ 10,950,745	\$ 154,207	\$ 13,364,609
Obligations of states and political subdivisions	322	199,678	174,911	2,107,032	175,233	2,306,710
Corporate securities	456,904	28,709,675	2,806,552	51,662,199	3,263,456	80,371,874
Mortgage-backed securities	6,859	360,565	3,615,266	18,132,086	3,622,125	18,492,651
Redeemable preferred stock	37,500	212,500	-	-	37,500	212,500
Totals	\$ 506,871	\$31,896,282	\$ 6,745,650	\$ 82,852,062	\$ 7,252,521	\$ 114,748,344

December 31, 2024

U.S. Treasury securities and obligations of U.S.						
Government agencies	\$ 8,737	\$ 986,365	\$ 478,239	\$ 22,110,495	\$ 486,976	\$ 23,096,860
Obligations of states and political subdivisions	15,003	2,167,918	275,445	3,008,385	290,448	5,176,303
Corporate securities including public utilities	1,888,022	93,562,219	5,034,849	77,975,776	6,922,871	171,537,995
Mortgage-backed securities	32,150	2,915,192	4,212,490	19,041,442	4,244,640	21,956,634
Totals	\$ 1,943,912	\$99,631,694	\$10,001,023	\$ 122,136,098	\$ 11,944,935	\$ 221,767,792

Relevant holdings were comprised of 359 securities with fair values aggregating 94.1% of the aggregate amortized cost as of September 30, 2025, compared to 706 securities with fair values aggregating 94.9% of the aggregate amortized cost as of December 31, 2024. A credit loss provision of \$45,882 and of \$20,342 have been recognized for the three-month periods ended September 30, 2025, and 2024, respectively. A credit loss provision of \$111,875 and of \$100,053 have been recognized for the nine-month periods ended September 30, 2025, and 2024, respectively. Credit losses are included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings. Other unrealized losses for which no credit loss was recognized are primarily the result of increases in interest rates.

3) Investments (Continued)

Evaluation of Allowance for Credit Losses

The Company evaluates its fixed maturity securities classified as available for sale on a quarterly basis to identify any potential credit losses. This evaluation includes a review of current ratings by the National Association of Insurance Commissioners (“NAIC”) and other industry rating agencies. Securities with NAIC rating of 1 or 2 are considered investment grade and are only reviewed for credit loss if current market data or recent company news could lead to a credit downgrade. Securities with NAIC ratings of 3 to 5 are considered non-investment grade and are evaluated for credit loss. The evaluation involves assessing all facts and circumstances surrounding each security including, but not limited to, historical values, interest payment history, projected earnings, and revenue growth rates as well as a review of the reason for a downgrade in the NAIC rating. Based on the analysis of a security that is rated 3 to 5, a determination is made whether the security will likely make payments in accordance with the terms of the financial instrument. Securities with a rating of 6 are automatically determined to be impaired, and a credit loss is recognized in earnings.

Where the decline in fair value of fixed maturity securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and the Company anticipates recovery of all contractual or expected cash flows, the Company does not consider these securities to have credit loss because the Company does not intend to sell these securities and it is not more likely than not the Company will be required to sell these securities before a recovery of amortized cost, which may be at maturity.

If the Company intends to sell a fixed maturity security or if it is more likely than not that the Company will be required to sell a security before recovery of its amortized cost basis, a credit loss has occurred and the difference between the amortized cost and the fair value that relates to the expected credit loss is recognized as a loss in earnings, included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings.

If the Company does not intend to sell a fixed maturity security and it is less likely than not that the Company will be required to sell the security but the Company also does not expect to recover the entire amortized cost basis of the security, a credit loss is recognized in earnings for the amount of the expected credit loss with a corresponding allowance for credit losses as a contra-asset account. The credit loss is included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings. The recognized credit loss is limited to the total unrealized loss on the security due to a change in credit.

Amounts due on available for sale fixed maturities that are deemed to be uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if the Company intends to sell a security or when it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost.

The Company does not calculate a credit loss allowance on accrued interest income, included in accrued investment income on the condensed consolidated balance sheets, as the Company writes off any accrued interest income to net investment income if the accrued but unpaid amount exceeds 90 days.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

Credit Quality Indicators

Based on the NAIC securities designations, the Company had 98.5% and 97.7% of its fixed maturity securities rated investment grade as of September 30, 2025, and December 31, 2024, respectively. The following table summarizes the credit quality, by NAIC designation, of the Company's fixed maturity securities available for sale, excluding redeemable preferred stock.

NAIC Designation	September 30, 2025		December 31, 2024	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
1	\$ 201,200,500	\$ 200,858,163	\$ 188,386,980	\$ 183,460,027
2	180,271,273	181,731,893	178,060,265	174,405,442
3	5,748,526	5,407,297	7,961,422	7,342,220
4	406,486	412,461	649,592	600,459
5	262,549	61,875	702,643	487,981
6	1,331	-	1,169	-
Total	\$ 387,890,665	\$ 388,471,689	\$ 375,762,071	\$ 366,296,129

The following tables present a roll forward of the Company's allowance for credit losses on fixed maturity securities available for sale for the three-month periods ended September 30, 2025, and 2024:

	Three Months Ended September 30, 2025				
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities	Total
Beginning balance - June 30, 2025	\$ -	\$ -	\$ 474,937	\$ 12,049	\$ 486,986
Additions for credit losses not previously recorded	-	-	45,882	-	45,882
Change in allowance on securities with previous allowance	-	-	-	-	-
Reductions for securities sold during the period	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - September 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,819</u>	<u>\$ 12,049</u>	<u>\$ 532,868</u>

	Three Months Ended September 30, 2024				
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities	Total
Beginning balance - June 30, 2024	\$ -	\$ -	\$ 382,211	\$ 12,049	\$ 394,260
Additions for credit losses not previously recorded	-	-	25,000	-	25,000
Change in allowance on securities with previous allowance	-	-	(4,658)	-	(4,658)
Reductions for securities sold during the period	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - September 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,553</u>	<u>\$ 12,049</u>	<u>\$ 414,602</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The following tables present a roll forward of the Company's allowance for credit losses on fixed maturity securities available for sale for the nine-month periods ended September 30, 2025, and 2024:

	Nine Months Ended September 30, 2025				
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities	Total
Beginning balance - December 31, 2024	\$ -	\$ -	\$ 408,944	\$ 12,049	\$ 420,993
Additions for credit losses not previously recorded	-	-	72,000	-	72,000
Change in allowance on securities with previous allowance	-	-	39,875	-	39,875
Reductions for securities sold during the period	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - September 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,819</u>	<u>\$ 12,049</u>	<u>\$ 532,868</u>

	Nine Months Ended September 30, 2024				
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities	Total
Beginning balance - December 31, 2023	\$ -	\$ -	\$ 308,500	\$ 6,049	\$ 314,549
Additions for credit losses not previously recorded	-	-	55,000	6,000	61,000
Change in allowance on securities with previous allowance	-	-	39,053	-	39,053
Reductions for securities sold during the period	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - September 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,553</u>	<u>\$ 12,049</u>	<u>\$ 414,602</u>

The table below presents the amortized cost and the estimated fair value of fixed maturity securities available for sale as of September 30, 2025, by contractual maturity. Actual or expected maturities may differ from contractual maturities because certain securities afford the issuer the right to call or prepay its obligations.

	Amortized Cost	Estimated Fair Value
Due in 1 year	\$ 5,431,523	\$ 5,435,051
Due in 2-5 years	138,658,507	139,348,247
Due in 5-10 years	129,622,596	133,518,158
Due in more than 10 years	88,645,457	88,303,599
Mortgage-backed securities	25,532,582	21,866,634
Redeemable preferred stock	750,000	721,900
Total	<u>\$ 388,640,665</u>	<u>\$ 389,193,589</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

Information regarding sales of fixed maturity securities available for sale is presented as follows.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Proceeds from sales	\$ 377,496	\$ 181,949	\$ 3,142,137	\$ 789,190
Gross realized gains	3,668	-	4,194	2,714
Gross realized losses	(14,777)	(20,666)	(15,318)	(1,522)

Assets on Deposit, Held in Trust, and Pledged as Collateral

Assets on deposit with life insurance regulatory authorities as required by law were as follows:

	As of	As of
	September 30, 2025	December 31, 2024
Fixed maturity securities available for sale at estimated fair value	\$ 7,756,474	\$ 6,126,589
Other investments	-	400,000
Cash and cash equivalents	1,538,320	1,444,654
Total assets on deposit	<u>\$ 9,294,794</u>	<u>\$ 7,971,243</u>

Assets held in trust related to third-party reinsurance agreements were as follows:

	As of	As of
	September 30, 2025	December 31, 2024
Fixed maturity securities available for sale at estimated fair value	\$ 26,013,241	\$ 25,309,270
Cash and cash equivalents	1,310,683	4,417,683
Total assets on deposit	<u>\$ 27,323,924</u>	<u>\$ 29,726,953</u>

The Company, through two of its life insurance subsidiaries, is a member of the Federal Home Loan Banks of Des Moines and Dallas (“FHLBs”). Assets pledged as collateral with the FHLBs are presented below. These pledged securities are used as collateral for any FHLB cash advances. As of September 30, 2025, the Company owed \$21,000,000 to the FHLBs for advances, which is included in Bank and other loans payable on the condensed consolidated balance sheets. The Company received \$69,000,000 in advances and repaid \$48,000,000 of these advances during the nine months ended September 30, 2025.

	As of	As of
	September 30, 2025	December 31, 2024
Fixed maturity securities available for sale at estimated fair value	\$ 62,730,848	\$ 63,800,454

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

Real Estate Held for Investment and Held for Sale

The Company strategically deploys resources into real estate assets to match the income and yield durations of its primary obligations. The sources for these real estate assets come through its various business units in the form of acquisition, development, and mortgage foreclosures.

Commercial Real Estate Held for Investment and Held for Sale

The Company owns, invests in and manages commercial real estate as a means of both generating investment income and providing workspace for its employees. This asset class is acquired in accordance with the Company's goals and objectives for risk-adjusted returns. Due diligence is conducted on each asset using internal and third-party resources. The geographic locations and asset sub-classes of investments are determined by senior management under the direction of the Board of Directors.

The Company employs full-time employees to manage the day-to-day operations of its commercial real estate within the greater Salt Lake area and close surrounding markets. The Company utilizes third party property managers where the geographic location does not warrant full-time staff or through strategic lease-up periods. The Company generally acquires commercial real estate in connection with company acquisitions or that are in regions expected to have high growth in employment and population and that provide operational efficiencies.

The Company currently owns and operates six commercial properties in two states. These properties include office buildings, flex office space, and the redevelopment and expansion of its corporate campus ("Center53") in Salt Lake City, Utah. The Company uses bank debt in strategic cases, primarily where it is anticipated to improve yields, or facilitate the acquisition of higher quality assets or asset class diversification.

The aggregate net book value of commercial real estate serving as collateral for bank loans was \$116,012,235 and \$119,889,846 as of September 30, 2025, and December 31, 2024, respectively. The associated bank loan carrying values totaled \$94,597,809 and \$96,007,488 as of September 30, 2025, and December 31, 2024, respectively.

During the three- and nine-month periods ended September 30, 2025, and 2024, the Company did not record any impairment losses on commercial real estate held for investment or held for sale. Impairment losses, if any, are included in gains (losses) on investment and other assets on the condensed consolidated statements of earnings.

During the three-month periods ended September 30, 2025, and 2024, the Company recorded depreciation expense on commercial real estate held for investment of \$1,432,750 and \$1,420,367, respectively, and of \$4,287,687 and \$4,366,462 during the nine-month periods ended September 30, 2025, and 2024, respectively. Commercial real estate held for investment is stated at cost and is depreciated over the estimated useful life, primarily using the straight-line method. Depreciation is included in net investment income on the condensed consolidated statements of earnings.

The Company's commercial real estate held for investment is summarized as follows as of the respective dates indicated:

	Net Book Value		Total Square Footage	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Utah (1)	\$ 122,660,759	\$ 126,056,342	546,941	546,941
Louisiana	18,089	18,586	1,622	1,622
	\$ 122,678,848	\$ 126,074,928	548,563	548,563

(1) Includes Center53

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The Company's commercial real estate held for sale is summarized as follows as of the respective dates indicated:

	Net Book Value	
	September 30, 2025	December 31, 2024
Mississippi (1)	\$ 151,553	\$ 151,553
	\$ 151,553	\$ 151,553

(1) Consists of approximately 93 acres of undeveloped land

Commercial Real Estate Owned and Occupied by the Company

The primary business units of the Company occupy a portion of the real estate owned by the Company. As of September 30, 2025, real estate owned and occupied by the Company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
433 Ascension Way, Floors 4, 5 and 6, Salt Lake City, UT - Center53 Building 2 (1)	Corporate Offices, Life Insurance, Cemetery/Mortuary Operations, and Mortgage Operations and Sales	216,865	50%
1818 Marshall Street, Shreveport, LA (2)	Life Insurance Operations	12,274	100%
812 Sheppard Street, Minden, LA (2) (3)	Life Insurance Sales	1,560	100%

(1) Included in real estate held for investment on the condensed consolidated balance sheets

(2) Included in property and equipment on the condensed consolidated balance sheets

(3) Listed for sale

Residential Real Estate Held for Investment and Held for Sale

The Company occasionally acquires residential homes through the mortgage loan foreclosure process. The Company has the option to sell these properties or to continue to hold them for expected cash flow and price appreciation. The Company also looks for opportunities to acquire land that can be developed into single family lots. Once developed, finished lots are sold to builder partners and others.

During the three- and nine-month periods ended September 30, 2025, and 2024 the Company did not record any impairment losses on residential real estate held for investment. Impairment losses, if any, are included in gains (losses) on investment and other assets on the condensed consolidated statements of earnings.

During the three-month periods ended September 30, 2025, and 2024, the Company recorded depreciation expense on residential real estate held for investment of \$2,732 and \$2,653, respectively, and \$8,139 and \$7,958 during the nine-month periods ended September 30, 2025, and 2024, respectively. Residential real estate held for investment is stated at cost and is depreciated over the estimated useful life, primarily using the straight-line method. Depreciation is included in net investment income on the condensed consolidated statements of earnings.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The Company's residential real estate held for investment is summarized as follows as of the respective dates indicated:

	Net Book Value	
	September 30, 2025	December 31, 2024
Utah (1)	\$ 93,885,033	\$ 71,618,410
	\$ 93,885,033	\$ 71,618,410

(1) Includes multiple residential subdivision development projects, refer to the following tables.

The Company also invests in residential subdivision developments. The following table presents additional information regarding the Company's residential subdivision development projects in Utah:

	September 30,	
	2025	December 31, 2024
Lots developed	184	231
Lots to be developed	1,238	1,046
Book Value	\$ 93,718,118	\$ 71,443,356

The Company's residential real estate held for sale is summarized as follows as of the respective dates indicated:

	Net Book Value	
	September 30, 2025	December 31, 2024
Utah	\$ 455,000	\$ 849,900
Florida	442,355	276,580
Georgia	380,000	-
Colorado	190,495	-
	\$ 1,467,850	\$ 1,126,480

The net book value of foreclosed residential real estate included in residential real estate held for sale was \$1,467,850 and \$1,126,480 as of September 30, 2025, and December 31, 2024, respectively.

Mortgage Loans Held for Investment

Mortgage loans held for investment consist of first and second mortgages and are generally classified into three distinct groups: Commercial, Residential and Residential Construction. These mortgage loans bear interest at rates ranging from 2.0% to 10.5%; maturity dates range from nine months to 30 years and have amortization periods of 0 to 30 years.

Concentrations of credit risk arise when several mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of the relevant debtors' ability to honor obligations is dependent upon the economic stability of the geographic region in which the debtors do business or are employed. As of September 30, 2025, the Company had 59%, 8%, 6%, 6%, and 4%, of its mortgage loans from borrowers located in the states of Utah, Florida, Arizona, California, and Texas, respectively. As of December 31, 2024, the Company had 56%, 8%, 9%, and 6% of its mortgage loans from borrowers located in the states of Utah, Florida, Arizona, and Texas, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

Mortgage loans held for investment are carried at their unpaid principal balances adjusted for net deferred fees, charge-offs, premiums, discounts, and the related allowance for credit losses. Interest income is included in net investment income on the condensed consolidated statements of earnings and is recognized when earned. The Company defers related material loan origination fees, net of related direct loan origination costs, and amortizes the net fees over the terms of the loans. Origination fees are included in net investment income on the condensed consolidated statements of earnings.

Mortgage loans are secured by the underlying property and require an appraisal at the time of underwriting and funding. Generally, the Company requires that loans not exceed 80% of the fair market value of the respective loan collateral. For loans of more than 80% of the fair market value of the respective loan collateral, additional collateral or mortgage insurance by an approved third-party insurer is generally required.

Evaluation of Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the Company's mortgage loans held for investment to present the net amount expected to be collected. The Company reports in net earnings, as a credit loss expense, the amount necessary to adjust the allowance for credit losses for the Company's current estimate of expected credit losses on mortgage loans held for investment. This credit loss expense is included in other expenses on the condensed consolidated statements of earnings.

Once a mortgage loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and reverse any interest income that had been accrued. Given this policy, the Company does not measure a credit loss allowance on accrued interest receivable. Accrued interest receivable is included in accrued investment income on the condensed consolidated balance sheets. Payments received for mortgage loans on a non-accrual status are recognized when received. The interest income recognized from payments received for mortgage loans on a non-accrual status was immaterial. Accrual of interest resumes if a mortgage loan is brought current. Interest not accrued on these loans totaled approximately \$1,043,517 and \$244,000 as of September 30, 2025, and December 31, 2024, respectively.

The Company measures expected credit losses based on the fair value of the collateral when the Company determines that foreclosure is probable. When a mortgage loan becomes delinquent, the Company proceeds to foreclose. Once foreclosed, the property is classified as real estate held for investment or held for sale.

To determine the allowance for credit losses, the Company has segmented its mortgage loans held for investment by loan type. The Company's loan types are commercial, residential, and residential construction. The inherent risks within the portfolio vary depending upon the loan type as follows:

Commercial - Underwritten in accordance with the Company's policies to determine the borrower's ability to repay the obligation as agreed. Commercial loans are made primarily based on the underlying collateral supporting the loan. Accordingly, the repayment of a commercial loan depends primarily on the collateral and its ability to generate income and secondarily on the borrower's (or guarantor's) ability to repay.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

Commercial loans are evaluated for credit loss by analyzing common metrics that are predictors for future credit losses such as debt service coverage ratio (“DSCR”), loan to value (“LTV”), local market conditions, borrower quality, and underlying collateral. The fair value of the underlying collateral is based on a third-party appraisal of the property at origination of the loan. The fair value is assessed if the loan becomes 90 days delinquent. The Company uses these metrics to pool similar loans. The allowance for credit losses is based on estimates, historical experience, probability of loss, value of the underlying collateral, and other factors that affect the collectability of the loan. The Company applies a future loss factor to the outstanding balance of each group to arrive at the allowance for credit losses.

Residential — These loans are secured by first and second mortgages on single-family dwellings. The borrower’s ability to repay is sensitive to the life events and the general economic condition of the region. Where LTV exceeds 80%, the loan is generally guaranteed by private mortgage insurance, the FHA, or VA.

Residential loans are evaluated for credit loss by using relevant available information from both internal and external sources. Among other things, the Company uses its historical delinquency information and considers current and forecasted economic conditions. External sources include a monthly analysis of its residential portfolio by a third party. The third party uses the Company’s current loan data and runs it through various models to project cash flows and provide a projected life of loan loss. The models consider loan features such as loan type, LTV, payment status, age, and current property values. Analyzing the information from various sources allows the Company to arrive at an allowance for credit losses.

Residential construction (including land acquisition and development loans) – These loans are underwritten in accordance with the Company’s underwriting policies, which include a financial analysis of the builders, borrowers (guarantors), construction cost estimates, and independent appraisal valuations, and factor in estimates of the value of construction projects upon completion. Construction loans generally involve the disbursement of substantial funds over a short period of time with repayment substantially dependent upon the success of the completed project and the ability of the borrower to secure long-term financing.

Additionally, land acquisition and development loans are underwritten in accordance with the Company’s underwriting policies, which include independent appraisal valuations as well as the estimated value associated with the land upon completion of development into finished lots. These loans are of a higher risk than other mortgage loans due to their ultimate repayment being sensitive to general economic conditions, availability of long-term or construction financing, and interest rate sensitivity.

The Company advances funds in accordance with the loan agreements once the work has been completed, and an independent inspection is made. The maximum loan commitment ranges between 50% and 85% of the appraised value. The Company receives fees and interest for these loans, and the interest rate is generally fixed at 5.25% to 8.50% per annum. Maturities range between six and eighteen months. The Company has commitments to fund existing construction and land development loans pursuant to the various loan agreements. As of September 30, 2025, the Company’s commitments were approximately \$221,215,527 for these loans, of which \$168,880,381 had been drawn.

Residential construction mortgage loans are evaluated for credit loss by considering historical activity and current housing market trends to arrive at a per loan basis point allowance that is recognized at loan origination and subsequent draws. The per loan basis point is reviewed at least annually or as loan losses or market trends require.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The following table presents a roll forward of the allowance for credit losses as of the dates indicated:

	Three Months Ended			
	Commercial	Residential	Residential Construction	Total
Beginning balance - June 30, 2025	\$ 1,179,267	\$ 1,129,892	\$ 331,585	\$ 2,640,744
Change in provision for credit losses (1)	375,839	(340,049)	467	36,257
Charge-offs	-	-	-	-
Ending balance - September 30, 2025	<u>\$ 1,555,106</u>	<u>\$ 789,843</u>	<u>\$ 332,052</u>	<u>\$ 2,677,001</u>
Beginning balance - June 30, 2024	\$ 849,323	\$ 1,779,386	\$ 225,143	\$ 2,853,852
Change in provision for credit losses (1)	(87,611)	(127,239)	36,229	(178,621)
Charge-offs	-	(1,095,485)	-	(1,095,485)
Ending balance - September 30, 2024	<u>\$ 761,712</u>	<u>\$ 556,662</u>	<u>\$ 261,372</u>	<u>\$ 1,579,746</u>
	Nine Months Ended			
	Commercial	Residential	Residential Construction	Total
Beginning balance - December 31, 2024	\$ 732,494	\$ 850,550	\$ 302,346	\$ 1,885,390
Change in provision for credit losses (1)	822,612	(60,707)	29,706	791,611
Charge-offs	-	-	-	-
Ending balance - September 30, 2025	<u>\$ 1,555,106</u>	<u>\$ 789,843</u>	<u>\$ 332,052</u>	<u>\$ 2,677,001</u>
Beginning balance - December 31, 2023	\$ 1,219,653	\$ 2,390,894	\$ 208,106	\$ 3,818,653
Change in provision for credit losses (1)	(457,941)	(738,747)	53,266	(1,143,422)
Charge-offs	-	(1,095,485)	-	(1,095,485)
Ending balance - September 30, 2024	<u>\$ 761,712</u>	<u>\$ 556,662</u>	<u>\$ 261,372</u>	<u>\$ 1,579,746</u>

(1) Included in other expenses on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The following table presents the aging of mortgage loans held for investment by loan type as of the dates indicated:

	Commercial	Residential	Residential Construction	Total
<u>September 30, 2025</u>				
30-59 days past due	\$ 132,237	\$ 6,057,452	\$ -	\$ 6,189,689
60-89 days past due	-	1,687,873	-	1,687,873
Over 90 days past due (1)	3,196,505	3,014,258	-	6,210,763
In process of foreclosure (1)	191,508	2,427,736	-	2,619,244
Total past due	3,520,250	13,187,319	-	16,707,569
Current	72,927,451	78,761,136	165,869,176	317,557,763
Total mortgage loans	76,447,701	91,948,455	165,869,176	334,265,332
Allowance for credit losses	(1,555,106)	(789,843)	(332,052)	(2,677,001)
Unamortized deferred loan fees, net	(319,736)	(1,321,211)	(518,332)	(2,159,279)
Unamortized discounts, net	(145,419)	(118,942)	-	(264,361)
Net mortgage loans held for investment	<u>\$ 74,427,440</u>	<u>\$ 89,718,459</u>	<u>\$ 165,018,792</u>	<u>\$ 329,164,691</u>
<u>December 31, 2024</u>				
30-59 days past due	\$ 2,100,000	\$ 5,818,334	\$ -	\$ 7,918,334
60-89 days past due	-	845,980	-	845,980
Over 90 days past due (1)	4,205,000	3,061,450	-	7,266,450
In process of foreclosure (1)	191,508	3,942,392	-	4,133,900
Total past due	6,496,508	13,668,156	-	20,164,664
Current	56,256,577	78,393,631	151,172,733	285,822,941
Total mortgage loans	62,753,085	92,061,787	151,172,733	305,987,605
Allowance for credit losses	(732,494)	(850,550)	(302,346)	(1,885,390)
Unamortized deferred loan fees, net	(115,555)	(1,307,539)	(659,147)	(2,082,241)
Unamortized discounts, net	(149,268)	(123,348)	-	(272,616)
Net mortgage loans held for investment	<u>\$ 61,755,768</u>	<u>\$ 89,780,350</u>	<u>\$ 150,211,240</u>	<u>\$ 301,747,358</u>

(1) Interest income is not recognized on loans which are more than 90 days past due or in foreclosure.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

Credit Quality Indicators

The Company evaluates and monitors the credit quality of its commercial loans by analyzing LTV and DSCR. Monitoring a commercial mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of commercial mortgage loans by credit quality indicator and origination year was as follows as of September 30, 2025:

Credit Quality Indicator	2025	2024	2023	2022	2021	Prior	Total	% of Total
<u>LTV:</u>								
Less than 65%	\$ 19,847,653	\$ 3,892,248	\$ 15,600,000	\$ 462,761	\$ 824,305	\$ 8,475,563	\$ 49,102,530	64.23%
65% to 80%	14,381,076	10,432,942	1,840,776	293,872	-	-	26,948,666	35.25%
Greater than 80%	-	-	-	-	396,505	-	396,505	0.52%
Total	\$ 34,228,729	\$ 14,325,190	\$ 17,440,776	\$ 756,633	\$ 1,220,810	\$ 8,475,563	\$ 76,447,701	100.00%
<u>DSCR</u>								
>1.20x	\$ 8,542,000	\$ 13,892,248	\$ 13,640,000	\$ -	\$ -	\$ 5,322,035	\$ 41,396,283	54.15%
1.00x - 1.20x	20,161,729	432,942	3,800,776	756,633	1,220,810	3,153,528	29,526,418	38.62%
<1.00x	5,525,000	-	-	-	-	-	5,525,000	7.23%
Total	\$ 34,228,729	\$ 14,325,190	\$ 17,440,776	\$ 756,633	\$ 1,220,810	\$ 8,475,563	\$ 76,447,701	100.00%

The aggregate unpaid principal balance of commercial mortgage loans by credit quality indicator and origination year was as follows as of December 31, 2024:

Credit Quality Indicator	2024	2023	2022	2021	2020	Prior	Total	% of Total
<u>LTV:</u>								
Less than 65%	\$ 7,653,600	\$ 24,600,000	\$ 2,352,150	\$ 864,128	\$ -	\$ 8,867,779	\$ 44,337,657	70.65%
65% to 80%	10,432,942	1,840,776	823,397	-	4,913,313	-	18,010,428	28.70%
Greater than 80%	-	-	-	405,000	-	-	405,000	0.65%
Total	\$ 18,086,542	\$ 26,440,776	\$ 3,175,547	\$ 1,269,128	\$ 4,913,313	\$ 8,867,779	\$ 62,753,085	100.00%
<u>DSCR</u>								
>1.20x	\$ 16,300,000	\$ 20,990,000	\$ 1,000,000	\$ -	\$ 4,913,313	\$ 5,414,274	\$ 48,617,587	77.47%
1.00x - 1.20x	432,942	5,450,776	2,175,547	1,269,128	-	3,453,505	12,781,898	20.37%
<1.00x	1,353,600	-	-	-	-	-	1,353,600	2.16%
Total	\$ 18,086,542	\$ 26,440,776	\$ 3,175,547	\$ 1,269,128	\$ 4,913,313	\$ 8,867,779	\$ 62,753,085	100.00%

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The Company evaluates and monitors the credit quality of its residential mortgage loans by analyzing LTV and loan performance. The Company defines non-performing mortgage loans as loans more than 90 days past due and on a non-accrual status. Monitoring a residential mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of residential mortgage loans by credit quality indicator and origination year was as follows as of September 30, 2025:

Credit Quality Indicator	2025	2024	2023	2022	2021	Prior	Total	% of Total
<u>Performance Indicators:</u>								
Performing	\$ 9,761,488	\$ 11,925,652	\$ 8,846,498	\$ 39,491,126	\$ 2,894,338	\$ 13,587,359	\$ 86,506,461	94.08%
Non-performing (1)	546,602	-	3,013,370	943,125	-	938,897	5,441,994	5.92%
Total	\$ 10,308,090	\$ 11,925,652	\$ 11,859,868	\$ 40,434,251	\$ 2,894,338	\$ 14,526,256	\$ 91,948,455	100.00%

(1) Includes residential mortgage loans in the process of foreclosure of \$2,427,736

LTV:

Less than 65%	\$ 3,581,292	\$ 5,723,881	\$ 4,547,440	\$ 6,670,677	\$ 1,337,492	\$ 7,570,352	\$ 29,431,134	32.01%
65% to 80%	5,742,730	6,046,634	6,638,395	32,174,154	1,556,846	6,416,327	58,575,086	63.70%
Greater than 80%	984,068	155,137	674,033	1,589,420	-	539,577	3,942,235	4.29%
Total	\$ 10,308,090	\$ 11,925,652	\$ 11,859,868	\$ 40,434,251	\$ 2,894,338	\$ 14,526,256	\$ 91,948,455	100.00%

The aggregate unpaid principal balance of residential mortgage loans by credit quality indicator and origination year was as follows as of December 31, 2024:

Credit Quality Indicator	2024	2023	2022	2021	2020	Prior	Total	% of Total
<u>Performance Indicators:</u>								
Performing	\$ 14,861,098	\$ 10,030,848	\$ 42,634,670	\$ 3,076,901	\$ 5,513,462	\$ 8,940,966	\$ 85,057,945	92.39%
Non-performing (1)	-	3,442,992	1,451,039	291,359	311,116	1,507,336	7,003,842	7.61%
Total	\$ 14,861,098	\$ 13,473,840	\$ 44,085,709	\$ 3,368,260	\$ 5,824,578	\$ 10,448,302	\$ 92,061,787	100.00%

(1) Includes residential mortgage loans in the process of foreclosure of \$3,942,392

LTV:

Less than 65%	\$ 6,241,730	\$ 4,931,376	\$ 5,488,954	\$ 1,790,036	\$ 2,440,002	\$ 5,273,672	\$ 26,165,770	28.42%
65% to 80%	7,802,984	7,662,200	37,509,634	1,578,224	2,701,008	5,107,289	62,361,339	67.74%
Greater than 80%	816,384	880,264	1,087,121	-	683,568	67,341	3,534,678	3.84%
Total	\$ 14,861,098	\$ 13,473,840	\$ 44,085,709	\$ 3,368,260	\$ 5,824,578	\$ 10,448,302	\$ 92,061,787	100.00%

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The Company evaluates and monitors the credit quality of its residential construction loans (including land acquisition and development loans) by analyzing LTV and loan performance. Monitoring a residential construction mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of residential construction mortgage loans by credit quality indicator and origination year was as follows as of September 30, 2025:

Credit Quality Indicator	2025	2024	2023	2022	2021	Total	% of Total
<u>Performance Indicators:</u>							
Performing	\$97,416,837	\$55,925,032	\$7,751,304	\$ -	\$4,776,003	\$165,869,176	100.00%
Non-performing	-	-	-	-	-	-	0.00%
Total	<u>\$97,416,837</u>	<u>\$55,925,032</u>	<u>\$7,751,304</u>	<u>\$ -</u>	<u>\$4,776,003</u>	<u>\$165,869,176</u>	<u>100.00%</u>
<u>LTV:</u>							
Less than 65%	\$27,347,365	\$30,938,061	\$7,751,304	\$ -	\$4,776,003	\$70,812,733	42.69%
65% to 80%	65,953,712	24,986,971	-	-	-	90,940,683	54.83%
Greater than 80%	4,115,760	-	-	-	-	4,115,760	2.48%
Total	<u>\$97,416,837</u>	<u>\$55,925,032</u>	<u>\$7,751,304</u>	<u>\$ -</u>	<u>\$4,776,003</u>	<u>\$165,869,176</u>	<u>100.00%</u>

The aggregate unpaid principal balance of residential construction mortgage loans by credit quality indicator and origination year was as follows as of December 31, 2024:

Credit Quality Indicator	2024	2023	2022	2021	Total	% of Total
<u>Performance Indicators:</u>						
Performing	\$118,863,944	\$21,375,552	\$972,468	\$9,960,769	\$151,172,733	100.00%
Non-performing	-	-	-	-	-	0.00%
Total	<u>\$118,863,944</u>	<u>\$21,375,552</u>	<u>\$972,468</u>	<u>\$9,960,769</u>	<u>\$151,172,733</u>	<u>100.00%</u>
<u>LTV:</u>						
Less than 65%	\$48,065,177	\$21,375,552	\$518,590	\$9,960,769	\$79,920,088	52.87%
65% to 80%	70,798,767	-	453,878	-	71,252,645	47.13%
Greater than 80%	-	-	-	-	-	0.00%
Total	<u>\$118,863,944</u>	<u>\$21,375,552</u>	<u>\$972,468</u>	<u>\$9,960,769</u>	<u>\$151,172,733</u>	<u>100.00%</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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3) Investments (Continued)

Insurance Assignments

The following table presents the aging of insurance assignments, included in other investments and policy loans on the condensed consolidated balance sheets:

	As of September 30, 2025	As of December 31, 2024
30-59 days past due	\$ 7,982,177	\$ 8,785,184
60-89 days past due	2,834,811	4,046,731
Over 90 days past due	4,883,289	5,320,216
Total past due	15,700,277	18,152,131
Current	26,578,043	30,341,727
Total insurance assignments	42,278,320	48,493,858
Allowance for credit losses	(1,534,957)	(1,536,926)
Net insurance assignments	\$ 40,743,363	\$ 46,956,932

The Company records an allowance for credit losses when the insurance assignment is funded. Once an insurance assignment is 90 days past due or is in legal proceedings, it is monitored for write-off and collectability, and any adjustments to the allowance are recorded at that time.

The following table presents a roll forward of the allowance for credit losses for insurance assignments as of the dates indicated:

	Three Months Ended
Beginning balance - June 30, 2025	\$ 1,481,032
Change in provision for credit losses (1)	248,408
Charge-offs	(194,483)
Ending balance - September 30, 2025	\$ 1,534,957
Beginning balance - June 30, 2024	\$ 1,535,324
Change in provision for credit losses (1)	259,643
Charge-offs	(254,132)
Ending balance - September 30, 2024	\$ 1,540,835
	Nine Months Ended
Beginning balance - December 31, 2024	\$ 1,536,926
Change in provision for credit losses (1)	799,460
Charge-offs	(801,429)
Ending balance - September 30, 2025	\$ 1,534,957
Beginning balance - December 31, 2023	\$ 1,553,836
Change in provision for credit losses (1)	752,256
Charge-offs	(765,257)
Ending balance - September 30, 2024	\$ 1,540,835

(1) Included in other expenses on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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3) Investments (Continued)

Variable Interest Entities (“VIE”)

The Company has a 50% ownership interest in three VIEs; HHH Real Estate LLC (“HHH”), SN Oquirrh LLC (“Oquirrh”), and SN Towns LLC (“Towns”). These entities hold and develop single family lots for residential construction. In accordance with the operating agreements for these entities, net profits or losses are allocated to the members in accordance with their ownership interests. The investments in HHH, Oquirrh and Towns are accounted for under the equity method of accounting. The carrying value of the equity investment in HHH was \$11,163,125 and nil at September 30, 2025, and December 31, 2024, respectively, which is included in other investments and policy loans on the condensed consolidated balance sheets. The carrying value of the equity investment in Oquirrh was \$870,063 and \$1,500,000 at September 30, 2025, and December 31, 2024, respectively, which is included in other investments and policy loans on the condensed consolidated balance sheets. The carrying value of the equity investment in Towns was \$2,614,037 and \$4,063,537 at September 30, 2025, and December 31, 2024, respectively. \$1,445,769 and \$1,939,269 of which at September 30, 2025, and December 31, 2024, respectively, is included in restricted assets and \$1,168,268 and \$2,124,268 of which at September 30, 2025, and December 31, 2024, respectively, is included in cemetery perpetual care trust investments on the condensed consolidated balance sheets.

The Company has determined that HHH, Oquirrh and Towns are VIEs for which the Company is not the primary beneficiary for the following reasons: (1) the at-risk equity holders, as a group, lack the characteristics of a controlling financial interest, (2) the General Manager directs the activities and legal operations that most significantly affect the entity’s economic performance and (3) the Company does not have majority voting rights and no power to unilaterally direct the activities of the entity, and therefore, is not the primary beneficiary. The Company’s exposure to loss because of its involvement with the equity method investees is limited to the carrying value of the Company’s investments.

Investment Related Earnings

The following table presents the realized gains and losses from sales, calls, and maturities, and unrealized gains and losses on equity securities from investments and other assets:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Fixed maturity securities:				
Gross realized gains	\$ 3,904	\$ 7,929	\$ 5,425	\$ 13,120
Gross realized losses	(24,168)	(43,184)	(36,426)	(61,539)
Net credit loss provision	(45,882)	(20,342)	(111,875)	(100,053)
Equity securities:				
Gains (losses) on securities sold	(990,140)	708	(860,032)	(16,662)
Unrealized gains on securities held at the end of the period	2,477,603	2,415,881	3,544,484	3,534,285
Mortgage loans held for investment:				
Gross realized gains	-	-	-	-
Gross realized losses	-	(1,161,364)	-	(1,161,364)
Real estate held for investment and sale:				
Gross realized gains	644,370	71,622	1,241,285	360,474
Gross realized losses	(12,099)	-	(12,099)	-
Other assets:				
Gross realized gains	448	95,690	11,252	92,095
Gross realized losses	(81,838)	(19,284)	(81,088)	(20,513)
Total	<u>\$ 1,972,198</u>	<u>\$ 1,347,656</u>	<u>\$ 3,700,926</u>	<u>\$ 2,639,843</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

3) Investments (Continued)

The realized gains and losses on the sale of securities are recorded on the trade date, and the cost of the securities sold is determined using the specific identification method.

Net realized gains and losses includes gains and losses from cemetery perpetual care trust investments and the restricted assets of cemeteries and mortuaries and totaled \$711,436 and \$1,140,136 in net gains for the three-month periods ended September 30, 2025 and 2024, respectively, and of \$1,196,591 and \$1,519,487 in net gains for the nine-month periods ended September 30, 2025 and 2024, respectively.

Major categories of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Fixed maturity securities available for sale	\$ 4,818,558	\$ 4,301,241	\$ 14,233,356	\$ 13,050,503
Equity securities	210,342	171,767	650,605	516,363
Mortgage loans held for investment	10,149,577	7,032,201	30,571,474	22,867,797
Real estate held for investment and sale	2,885,847	3,093,459	8,718,124	9,893,539
Policy loans	256,796	225,393	737,159	715,791
Insurance assignments	4,948,025	5,009,043	15,818,390	14,971,607
Other investments	236,288	272,062	480,123	672,363
Cash and cash equivalents	747,758	1,700,898	3,104,010	5,107,765
Gross investment income	24,253,191	21,806,064	74,313,241	67,795,728
Investment expenses	(4,143,591)	(4,006,968)	(14,420,029)	(12,005,256)
Net investment income	<u>\$ 20,109,600</u>	<u>\$ 17,799,096</u>	<u>\$ 59,893,212</u>	<u>\$ 55,790,472</u>

Net investment income includes income earned from cemetery perpetual care trust investments and the restricted assets of cemeteries and mortuaries and totaled \$319,480 and \$393,811 for the three-month periods ended September 30, 2025, and 2024, respectively, and \$686,952 and \$1,798,170 for the nine-month periods ended September 30, 2025, and 2024, respectively.

Net investment income on real estate consists primarily of rental revenue. Investment expenses consist primarily of depreciation, property taxes, operating expenses of real estate, and an estimated portion of administrative expenses relating to investment activities.

Accrued Investment Income

Accrued investment income consists of the following:

	As of September 30, 2025	As of December 31, 2024
Fixed maturity securities available for sale	\$ 4,530,512	\$ 3,795,581
Equity securities	14,147	11,049
Mortgage loans held for investment	981,754	1,049,489
Real estate held for investment	4,181,528	3,559,463
Other investments	4,667	-
Cash and cash equivalents	33,760	83,586
Total accrued investment income	<u>\$ 9,746,368</u>	<u>\$ 8,499,168</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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4) Loans Held for Sale

The Company's loans held for sale portfolio is valued using the fair value option. Changes in the fair value of the loans are included in mortgage fee income. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on recognition of mortgage loan interest income and is included in mortgage fee income on the condensed consolidated statement of earnings. See Note 8 to the condensed consolidated financial statements for additional disclosures regarding loans held for sale.

The following table presents the aggregate fair value and the aggregate unpaid principal balance of loans held for sale:

	As of September 30, 2025	As of December 31, 2024
Aggregate fair value	\$ 159,460,525	\$ 131,181,148
Unpaid principal balance	156,916,889	128,948,072
Unrealized gain	2,543,636	2,233,076

Mortgage Fee Income

Mortgage fee income consists of origination fees, processing fees, interest income, and other income related to the origination and sale of mortgage loans held for sale.

Major categories of mortgage fee income for loans held for sale are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Loan fees	\$ 6,670,934	\$ 7,358,830	\$ 18,634,088	\$ 20,245,527
Interest income	2,500,007	2,357,379	6,533,686	6,104,113
Secondary gains	20,378,078	17,982,124	57,518,242	51,387,693
Change in fair value of loan commitments	(202,896)	(179,836)	404,048	811,765
Change in fair value of loans held for sale	10,709	2,959,729	960,050	3,855,914
Provision for loan loss reserve	(217,587)	(254,134)	(616,524)	(729,734)
Mortgage fee income	<u>\$ 29,139,245</u>	<u>\$ 30,224,092</u>	<u>\$ 83,433,590</u>	<u>\$ 81,675,278</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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September 30, 2025 (Unaudited)

4) Loans Held for Sale (Continued)

Loan Loss Reserve

Repurchase demands (“demand(s)”) from third party investors for mortgage loans previously held for sale and sold are reviewed, and relevant data is captured so that an estimated future loss can be calculated. The key factors that are used in the estimated future loss calculation are as follows: (i) lien position, (ii) payment status, (iii) claim type, (iv) unpaid principal balance, (v) interest rate, and (vi) validity of the demand. Other data is captured and is useful for management purposes; the actual estimated loss is generally based on these key factors. The Company conducts its own review upon the receipt of a demand. In many instances, the Company can resolve the issues relating to the demand by the third-party investor without having to make any payments to the investor.

The loan loss reserve, which is included in other liabilities and accrued expenses, is summarized as follows:

	As of September 30, 2025	As of December 31, 2024
Balance, beginning of period	\$ 696,626	\$ 547,233
Provision on current loan originations (1)	616,524	932,154
Additional provision (2)	40,000	-
Charge-offs, net of recaptured amounts	(764,281)	(782,761)
Balance, end of period	<u>\$ 588,869</u>	<u>\$ 696,626</u>

(1) Included in mortgage fee income

(2) Included in other expenses

The Company maintains reserves for estimated losses on current production volumes. For the nine-month period ended September 30, 2025, \$616,524 in reserves were added at a rate of 3.5 basis points per loan, the equivalent of \$350 per \$1,000,000 in loans originated. For the nine-month period ended September 30, 2024, \$729,734 in reserves were added at a rate of 4.2 basis points per loan, the equivalent of \$420 per \$1,000,000 in loans originated. The Company monitors market data and trends, and economic conditions (including forecasts) and uses its own experience to determine adequate loss reserves on current production.

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5) Stock Compensation Plans

The Company has three active equity incentive plans (the “2013 Plan”, the “2014 Director Plan” and the “2022 Plan” or “the Plans”).

Stock Options

Stock based compensation expense for stock options issued of \$310,165 and \$195,431 has been recognized for these Plans for the three-month periods ended September 30, 2025, and 2024, respectively, and \$919,868 and \$577,613 has been recognized for these Plans for the nine-month periods ended September 30, 2025, and 2024, respectively, and is included in personnel expenses on the condensed consolidated statements of earnings. As of September 30, 2025, the total unrecognized compensation expense related to the options issued was \$238,128 which is expected to be recognized over the remaining vesting period.

The fair value of each option granted is estimated on the date of grant using the Black Scholes Option Pricing Model. The Company estimates the expected life of the options using the simplified method. Future volatility is estimated based upon the weighted historical volatility of the Company’s Class A common stock over a period equal to the expected life of the options. The risk-free interest rate for the expected life of the options is based upon the Federal Reserve Board’s daily interest rates in effect at the time of the grant.

The activity of the Plans during the nine-month period ended September 30, 2025, is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price (2)
Outstanding at December 31, 2024	646,594	\$ 5.63	1,724,400	\$ 6.87
Adjustment for the effect of stock dividends	27,898		80,571	
Granted	24,000		-	
Exercised	(112,735)		(113,023)	
Cancelled	(18,462)		-	
Outstanding at September 30, 2025	<u>567,295</u>	\$ 5.77	<u>1,691,948</u>	\$ 7.13
As of September 30, 2025:				
Options exercisable	<u>548,470</u>	\$ 5.55	<u>1,609,452</u>	\$ 9.05
As of September 30, 2025:				
Available options for future grant	<u>2,164,542</u>		<u>678,550</u>	
Weighted average contractual term of options outstanding at September 30, 2025	4.92 years		6.14 years	
Weighted average contractual term of options exercisable at September 30, 2025	4.77 years		6.00 years	
Aggregated intrinsic value of options outstanding at September 30, 2025 (1)	<u>\$ 1,647,183</u>		<u>\$ 2,607,971</u>	
Aggregated intrinsic value of options exercisable at September 30, 2025 (1)	<u>\$ 1,710,565</u>		<u>\$ 2,926,771</u>	

(1) The Company used a stock price of \$8.67 as of September 30, 2025 to derive intrinsic value.

(2) Adjusted for the effect of annual stock dividends.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

5) Stock Compensation Plans (Continued)

The activity of the Plans during the nine-month period ended September 30, 2024, is summarized as follows:

	<u>Number of Class A Shares</u>	<u>Weighted Average Exercise Price (2)</u>	<u>Number of Class C Shares</u>	<u>Weighted Average Exercise Price (2)</u>
Outstanding at December 31, 2023	833,570	\$ 4.91	1,520,062	\$ 5.57
Adjustment for the effect of stock dividends	38,724		76,005	
Granted	16,500		-	
Exercised	(88,714)		-	
Cancelled	(17,333)		-	
Outstanding at September 30, 2024	<u>782,747</u>	\$ 5.16	<u>1,596,067</u>	\$ 5.57
As of September 30, 2024:				
Options exercisable	<u>751,872</u>	\$ 5.05	<u>1,519,817</u>	\$ 5.46
As of September 30, 2024:				
Available options for future grant	<u>39,006</u>		<u>556,238</u>	
Weighted average contractual term of options				
outstanding at September 30, 2024	4.91 years		5.74 years	
Weighted average contractual term of options				
exercisable at September 30, 2024	4.73 years		5.63 years	
Aggregated intrinsic value of options				
outstanding at September 30, 2024 (1)	<u>\$ 3,165,305</u>		<u>\$ 5,793,310</u>	
Aggregated intrinsic value of options				
exercisable at September 30, 2024 (1)	<u>\$ 3,119,776</u>		<u>\$ 5,676,723</u>	

(1) The Company used a stock price of \$9.20 as of September 30, 2024 to derive intrinsic value.

(2) Adjusted for the effect of annual stock dividends.

The total intrinsic value (which is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date) of stock options exercised during the nine-month periods ended September 30, 2025, and 2024 was \$1,357,776 and \$290,159, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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5) Stock Compensation Plans (Continued)

Restricted Stock Units (“RSUs”)

Stock based compensation expense for RSUs issued of \$10,076 and \$895 has been recognized under these plans for the three-month periods ended September 30, 2025, and 2024, respectively, and \$30,012 and \$2,666 has been recognized under these plans for the nine-month periods ended September 30, 2025, and 2024, and is included in personnel expenses on the condensed consolidated statements of earnings. The fair value of each RSU granted is determined by the Company’s stock price on the date of the grant. As of September 30, 2025, the total unrecognized compensation expense related to the RSUs issued was \$7,286, which is expected to be recognized over the remaining vesting period.

Activity of the RSUs during the nine-month period ended September 30, 2025, is summarized as follows:

	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2024	12,813	\$ 12.90
Granted	-	
Vested	(6,639)	
Non-vested at September 30, 2025	<u>6,174</u>	<u>\$ 13.08</u>
Available RSUs for future grant	<u>504,187</u>	

Activity of the RSUs during the nine-month period ended September 30, 2024, is summarized as follows:

	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2023	2,245	\$ 7.72
Granted	-	
Vested	(1,325)	
Non-vested at September 30, 2024	<u>920</u>	<u>\$ 7.99</u>
Available RSUs for future grant	<u>16,540</u>	

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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6) Earnings Per Share

Earnings per share have been retroactively adjusted for the effect of annual stock dividends. In accordance with GAAP, the basic and diluted earnings per share were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net earnings	\$ 7,815,026	\$ 11,831,444	\$ 18,659,673	\$ 26,577,515
Denominator:				
Basic weighted-average shares outstanding	24,709,518	24,418,679	24,725,938	24,465,661
Effect of dilutive securities:				
Employee stock options	691,927	853,399	828,239	731,352
Diluted weighted-average shares outstanding	25,401,445	25,272,078	25,554,177	25,197,013
Basic net earnings per share	\$ 0.32	\$ 0.48	\$ 0.75	\$ 1.09
Diluted net earnings per share	\$ 0.31	\$ 0.47	\$ 0.73	\$ 1.05

For the nine-month periods ended September 30, 2025, and 2024, there were 403,514 and nil anti-dilutive stock option shares, respectively, that were not included in the computation of diluted net earnings per common share as their effect would be anti-dilutive. Basic and diluted earnings per share are the same for each class of common stock.

The following table summarizes the activity in shares of capital stock.

	Class A	Class C
Outstanding shares at December 31, 2024 (1)	22,321,559	3,492,674
Exercise of stock options	66,273	95,337
Vesting of restricted stock units	6,639	-
Conversion of Class C to Class A	774	(774)
Outstanding shares at September 30, 2025 (1)	22,395,245	3,587,237
Outstanding shares at December 31, 2023 (1)	22,119,436	3,291,271
Exercise of stock options	63,512	-
Vesting of restricted stock units	1,325	-
Conversion of Class C to Class A	266	(266)
Outstanding shares at September 30, 2024 (1)	22,184,539	3,291,005

(1) Adjusted retroactively for the effect of annual stock dividends

7) Business Segment Information

Description of Products and Services by Segment

The Company has identified three operating and reportable business segments: life insurance, cemetery and mortuary, and mortgage. The Company's life insurance segment revenue consists of life insurance premiums; fees earned on factored life insurance policies and net investment income derived from investing policyholder and surplus funds. Its expenses include operating expenses to collect insurance premiums and insurance policy receivables, and administer claims, and commissions payable related to the sale of insurance products sold by the Company's independent agency force. The Company's cemetery and mortuary segment revenue consists of fees from the sale of at-need cemetery and mortuary merchandise, services at its mortuaries and cemeteries, pre-need sales of cemetery spaces and the net investment income from investing surplus cash. Its expenses include operating expenses to maintain mortuary and cemetery operations and commissions related to the sale of insurance products sold by the Company's agents. The Company's mortgage segment revenue consists of residential mortgage origination fee income and mortgage interest income. Its expenses include normal operating expenses related to the origination and sale of residential mortgage loans, loan servicing, and warehouse interest and fee expenses.

Services and Cost Sharing Policies

The accounting policies of the Company's operating and reportable segments are the same as those described in Part II, Item 8, Note 1 - Significant Accounting Policies of the Company's Annual Report on Form 10-K for the year ended December 31, 2024. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit and are eliminated upon consolidation. In addition to revenues, the reportable segments share in business services and costs including personnel expenses, rent, information technology, software, interest expense, and other similar operating costs. These shared services and costs are allocated between the segments using prevailing market rates and other agreed upon allocation methods.

Factors Management Used to Identify the Company's Operating and Reportable Segments

The Company's operating and reportable segments are business units that are managed separately due to the different products provided and the need to report separately to the various regulatory jurisdictions.

Chief Operating Decision Maker ("CODM")

The Company's CODM is the Chief Executive Officer. The following table summarizes significant segment expenses. The significant expenses are based on the information that the CODM is regularly provided to assess segment performance. The CODM reviews the regularly provided information for each segment monthly and gives added emphasis on month-over-month and year-over-year comparative results. The CODM considers these comparative results when making decisions about the allocation of the Company's resources to each segment. The measure of segment profit or loss for the Company's three operating and reportable business segments is net earnings.

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7) Business Segment Information (Continued)

	For the Three Months Ended September 30, 2025			
	Life Insurance	Cemetery/ Mortuary	Mortgage	Total
Revenues:				
From external sources:				
Revenue from external customers	\$ 29,880,785	\$ 7,140,942	\$ 29,139,245	\$ 66,160,972
Net investment income	19,278,861	641,814	188,925	20,109,600
Gains on investments and other assets	1,258,854	711,884	1,460	1,972,198
Other revenues	371,667	432,894	278,832	1,083,393
Intersegment revenues	2,044,534	85,699	75,882	2,206,115
Total segment revenues	52,834,701	9,013,233	29,684,344	91,532,278
Elimination of intersegment revenues				(2,206,115)
Total consolidated revenues				89,326,163
Less:				
Death benefits	15,182,809	-	-	
Surrenders and other policy benefits	1,374,289	-	-	
Increase in future policy benefits	8,376,973	-	-	
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	5,329,768	203,653	-	
Selling, general and administrative expenses:				
Commissions	1,327,707	53,382	11,673,028	
Personnel	8,679,182	2,689,765	10,150,091	
Advertising	172,623	174,285	636,383	
Rent and rent related	86,781	38,902	821,981	
Depreciation on property and equipment	217,990	233,853	155,457	
Cost related to funding mortgage loans	-	-	1,813,814	
Data processing and IT related (1)	334,212	78,005	913,247	
Premium taxes on insurance premiums and other considerations (1)	751,520	-	-	
Other segment items (1)(2)	2,884,733	1,299,434	1,339,391	
Intersegment expenses (3)	161,581	83,359	1,961,175	
Interest expense	912,232	136	154,160	
Costs of goods and services sold-mortuaries and cemeteries	-	1,113,425	-	
Income tax expense	1,534,528	757,700	45,698	
Segment net earnings	5,507,773	2,287,334	19,919	7,815,026
Net earnings				\$ 7,815,026

(1) Included in other expenses on the condensed consolidated statements of earnings. Data processing and IT related expenses includes various software subscriptions, maintenance, consulting, support and storage fees.

(2) For each reportable segment, other segment items includes:

Life Insurance - bad debt, insurance expenses, professional service expenses, state insurance department fees, amortization of intangible assets, and certain overhead expenses.

Cemetery/Mortuary - bad debt, insurance expenses, professional service expenses, maintenance and utility expenses, property taxes, amortization of intangible assets, and certain overhead expenses.

Mortgage - bad debt, insurance expenses, professional service expenses, business license and registration fees, dues and subscriptions, amortization expense of mortgage servicing rights, and certain overhead expenses.

(3) For each reportable segment, intersegment expenses includes:

Life Insurance - mortgage servicing fees and interest expense.

Cemetery/Mortuary - rent expense, data processing and IT related expenses, and interest expense.

Mortgage - rent expense and interest expense.

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7) Business Segment Information (Continued)

	For the Three Months Ended September 30, 2024			
	Life Insurance	Mortuary	Cemetery/ Mortgage	Total
Revenues:				
From external sources:				
Revenue from external customers	\$ 30,011,081	\$ 6,814,331	\$ 30,224,092	\$ 67,049,504
Net investment income	17,105,712	477,833	215,551	17,799,096
Gains (losses) on investments and other assets	1,316,673	1,124,513	(1,093,530)	1,347,656
Other revenues	419,890	126,000	1,531,541	2,077,431
Intersegment revenues	2,066,052	85,699	137,946	2,289,697
Total segment revenues	50,919,408	8,628,376	31,015,600	90,563,384
Elimination of intersegment revenues				(2,289,697)
Total consolidated revenues				88,273,687
Less:				
Death benefits	13,570,336	-	-	
Surrenders and other policy benefits	1,194,692	-	-	
Increase in future policy benefits	8,589,354	-	-	
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	2,093,892	193,111	-	
Selling, general and administrative expenses:				
Commissions	953,987	268,499	11,981,920	
Personnel	7,462,332	2,483,960	11,303,262	
Advertising	177,329	159,117	571,082	
Rent and rent related	103,137	39,324	1,237,615	
Depreciation on property and equipment	248,914	205,529	157,032	
Cost related to funding mortgage loans	-	-	1,694,791	
Data processing and IT related (1)	210,002	62,314	813,729	
Premium taxes on insurance premiums and other considerations (1)	739,809	-	-	
Other segment items (1)(2)	2,061,764	1,167,856	1,136,150	
Intersegment expenses (3)	223,434	90,613	1,975,650	
Interest expense	932,239	194	128,220	
Costs of goods and services sold-mortuaries and cemeteries	-	1,117,513	-	
Income tax expense	2,651,944	716,898	14,396	
Segment net earnings	9,706,243	2,123,448	1,753	11,831,444
Net earnings				\$ 11,831,444

(1) Included in other expenses on the condensed consolidated statements of earnings. Data processing and IT related expenses includes various software subscriptions, maintenance, consulting, support and storage fees.

(2) For each reportable segment, other segment items includes:

Life Insurance - bad debt, insurance expenses, professional service expenses, state insurance department fees, amortization of intangible assets, and certain overhead expenses.

Cemetery/Mortuary - bad debt, insurance expenses, professional service expenses, maintenance and utility expenses, property taxes, amortization of intangible assets, and certain overhead expenses.

Mortgage - bad debt, insurance expenses, professional service expenses, business license and registration fees, dues and subscriptions, amortization expense of mortgage servicing rights, and certain overhead expenses.

(3) For each reportable segment, intersegment expenses includes:

Life Insurance - mortgage servicing fees and interest expense.

Cemetery/Mortuary - rent expense, data processing and IT related expenses, and interest expense.

Mortgage - rent expense and interest expense.

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7) Business Segment Information (Continued)

	For the Nine Months Ended September 30, 2025			
	Life Insurance	Cemetery/ Mortuary	Mortgage	Total
Revenues:				
From external sources:				
Revenue from external customers	\$ 89,846,164	\$ 21,698,880	\$ 83,433,590	\$ 194,978,634
Net investment income	57,909,679	1,528,492	455,041	59,893,212
Gains on investments and other assets	2,422,649	1,193,030	85,247	3,700,926
Other revenues	1,422,933	766,987	844,343	3,034,263
Intersegment revenues	5,192,800	254,302	272,307	5,719,409
Total segment revenues	156,794,225	25,441,691	85,090,528	267,326,444
Elimination of intersegment revenues				(5,719,409)
Total consolidated revenues				261,607,035
Less:				
Death benefits	46,249,912	-	-	
Surrenders and other policy benefits	3,807,498	-	-	
Increase in future policy benefits	26,165,160	-	-	
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	15,436,601	531,030	-	
Selling, general and administrative expenses:				
Commissions	3,266,908	841,828	32,849,100	
Personnel	25,602,668	7,901,569	32,368,554	
Advertising	398,893	468,503	1,880,288	
Rent and rent related	265,531	112,896	2,494,987	
Depreciation on property and equipment	680,675	669,398	471,380	
Cost related to funding mortgage loans	-	-	5,120,855	
Data processing and IT related (1)	882,143	222,937	2,690,366	
Premium taxes on insurance premiums and other considerations (1)	2,203,794	-	-	
Other segment items (1)(2)	7,911,917	3,834,468	5,211,239	
Intersegment expenses (3)	526,395	255,285	4,937,729	
Interest expense	2,812,509	446	666,539	
Costs of goods and services sold-mortuaries and cemeteries	-	3,525,978	-	
Income tax expense (benefit)	4,526,820	1,722,410	(848,438)	
Segment net earnings (loss)	16,056,801	5,354,943	(2,752,071)	18,659,673
Net earnings				\$ 18,659,673
Segment assets	\$ 1,403,748,846	\$ 105,083,649	\$ 89,648,621	\$ 1,598,481,116
Elimination of intersegment assets				(35,495,025)
Total consolidated assets				\$ 1,562,986,091
Expenditures for long-lived assets	\$ 53,325,905	\$ 1,176,244	\$ 296,776	\$ 54,798,925

(1) Included in other expenses on the condensed consolidated statements of earnings. Data processing and IT related expenses includes various software subscriptions, maintenance, consulting, support and storage fees.

(2) For each reportable segment, other segment items includes:

Life Insurance - bad debt, insurance expenses, professional service expenses, state insurance department fees, amortization of intangible assets, and certain overhead expenses.

Cemetery/Mortuary - bad debt, insurance expenses, professional service expenses, maintenance and utility expenses, property taxes, amortization of intangible assets, and certain overhead expenses.

Mortgage - bad debt, insurance expenses, professional service expenses, business license and registration fees dues and subscriptions, amortization expense of mortgage servicing rights, and certain overhead expenses.

(3) For each reportable segment, intersegment expenses includes:

Life Insurance - mortgage servicing fees and interest expense.

Cemetery/Mortuary - rent expense, data processing and IT related expenses, and interest expense.

Mortgage - rent expense and interest expense.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2025 (Unaudited)

7) Business Segment Information (Continued)

	For the Nine Months Ended September 30, 2024			
	Life Insurance	Cemetery/ Mortuary	Mortgage	Total
Revenues:				
From external sources:				
Revenue from external customers	\$ 89,823,732	\$ 21,531,769	\$ 81,675,278	\$ 193,030,779
Net investment income	52,902,146	2,136,982	751,344	55,790,472
Gains on investments and other assets	2,194,572	1,503,865	(1,058,594)	2,639,843
Other revenues	1,140,856	435,507	2,215,764	3,792,127
Intersegment revenues	5,351,600	255,234	429,541	6,036,375
Total segment revenues	<u>151,412,906</u>	<u>25,863,357</u>	<u>84,013,333</u>	<u>261,289,596</u>
Elimination of intersegment revenues				(6,036,375)
Total consolidated revenues				<u>255,253,221</u>
Less:				
Death benefits	43,354,254	-	-	
Surrenders and other policy benefits	3,453,425	-	-	
Increase in future policy benefits	27,148,178	-	-	
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	10,708,888	623,417	-	
Selling, general and administrative expenses:				
Commissions	2,817,716	1,047,105	30,773,643	
Personnel	21,979,252	7,346,938	32,581,075	
Advertising	400,206	437,731	1,543,463	
Rent and rent related	332,764	118,753	3,627,275	
Depreciation on property and equipment	698,173	620,861	472,789	
Cost related to funding mortgage loans	-	-	4,677,767	
Data processing and IT related (1)	633,130	183,300	2,618,662	
Premium taxes on insurance premiums and other considerations (1)	2,260,033	-	-	
Other segment items (1)(2)	6,100,295	3,596,281	4,085,217	
Intersegment expenses (3)	683,672	276,933	5,075,770	
Interest expense	2,790,510	650	370,783	
Costs of goods and services sold-mortuaries and cemeteries	-	3,627,101	-	
Income tax expense (benefit)	6,017,032	2,025,774	(396,735)	
Segment net earnings (loss)	<u>22,035,378</u>	<u>5,958,513</u>	<u>(1,416,376)</u>	<u>26,577,515</u>
Net earnings				<u>\$ 26,577,515</u>
Segment assets	<u>\$ 1,329,401,728</u>	<u>\$ 94,063,898</u>	<u>\$ 99,663,509</u>	<u>\$ 1,523,129,135</u>
Elimination of intersegment assets				(28,304,940)
Total consolidated assets				<u>\$ 1,494,824,195</u>
Expenditures for long-lived assets	<u>\$ 46,317,358</u>	<u>\$ 300,393</u>	<u>\$ 146,993</u>	<u>\$ 46,764,744</u>

(1) Included in other expenses on the condensed consolidated statements of earnings. Data processing and IT related expenses includes various software subscriptions, maintenance, consulting, support and storage fees.

(2) For each reportable segment, other segment items includes:

Life Insurance - bad debt, insurance expenses, professional service expenses, state insurance department fees, amortization of intangible assets, and certain overhead expenses.

Cemetery/Mortuary - bad debt, insurance expenses, professional service expenses, maintenance and utility expenses, property taxes, amortization of intangible assets, and certain overhead expenses.

Mortgage - bad debt, insurance expenses, professional service expenses, business license and registration fees, dues and subscriptions, amortization expense of mortgage servicing rights, and certain overhead expenses.

(3) For each reportable segment, intersegment expenses includes:

Life Insurance - mortgage servicing fees and interest expense.

Cemetery/Mortuary - rent expense, data processing and IT related expenses, and interest expense.

Mortgage - rent expense and interest expense.

8) Fair Value of Financial Instruments

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. GAAP also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

Level 1: Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Financial assets and financial liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in non-active markets; or
- c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing financial assets and financial liabilities.

The Company utilizes a combination of third-party valuation service providers, brokers, and internal valuation models to determine fair value.

The following methods and assumptions were used by the Company in estimating the fair value presented in its disclosures related to significant financial instruments.

The items shown under Level 1 and Level 2 are valued as follows:

Fixed Maturity Securities Available for Sale: The fair values of fixed maturity securities are based on quoted market prices (when available). For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements (considered Level 3 financial assets), are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments.

Equity Securities: The fair values for equity securities are based on quoted market prices.

Restricted Assets: A portion of these assets include equity securities and fixed maturity securities that have quoted market prices that are used to determine fair value. Also included are cash and cash equivalents and participations in mortgage loans. The carrying amounts reported in the accompanying condensed consolidated balance sheets for these financial instruments approximate their fair values due to their short-term nature.

Cemetery Perpetual Care Trust Investments: A portion of these assets include equity securities and fixed maturity securities that have quoted market prices that are used to determine fair value. Also included are cash and cash equivalents. The carrying amounts reported in the accompanying condensed consolidated balance sheets for these financial instruments approximate their fair values due to their short-term nature.

Additionally, there were no transfers between Level 1 and Level 2 in the fair value hierarchy.

8) Fair Value of Financial Instruments (Continued)

The items shown under Level 3 are valued as follows:

Loans Held for Sale: The Company elected the fair value option for loans held for sale. The fair value is based on quoted market prices (when available). When a quoted market price is not readily available, the Company uses the market price from its last sale of similar assets. Fair value is often difficult to determine in volatile markets and may contain significant unobservable inputs.

Loan Commitments and Forward Sale Commitments: The Company's mortgage segment enters loan commitments with potential borrowers and forward sale commitments to sell loans with third-party investors. The Company also uses a hedging strategy for these transactions. A loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period, generally up to 30 days after issuance of the loan commitment. Loan commitments are defined to be derivatives under GAAP and are recognized at fair value on the consolidated balance sheets with changes in their fair values recorded in current earnings.

The Company estimates the fair value of a loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted MBS prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment. The change in fair value of the underlying mortgage loan is measured from the date the loan commitment is issued. Following issuance, the value of a mortgage loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates and other factors from the Company's recent historical data are used to estimate the quantity and value of mortgage loans that will be funded within the terms of the commitments.

Impaired Mortgage Loans Held for Investment: The Company believes that the fair value of these nonperforming loans will approximate the unpaid principal balance expected to be recovered based on the fair value of the underlying collateral. For residential and commercial properties, the collateral value is estimated by obtaining an independent appraisal. The appraisal typically considers comparable sales in the area, property condition, and potential rental income that could be generated (particularly for commercial properties). For residential construction loans, the collateral is typically incomplete, so the fair value is estimated as the replacement cost using data from a provider of building cost information to the real estate construction.

Impaired Real Estate Held for Investment: Fair value is generally determined by obtaining an independent appraisal, which typically considers area comparable properties and property conditions. The Company believes that in an orderly market, fair value approximates the replacement cost of a home and will list for sale any foreclosed properties. In a disorderly market, the Company believes the highest and best use of the properties is as income producing assets and will hold the properties as rental properties, matching the income from the investment in rental properties with the funds required for estimated future policy benefits. Accordingly, in addition to an appraisal, the determination of fair value will generally be weighed more heavily toward the rental analysis.

It should be noted that for replacement cost, when determining the fair value of real estate held for investment, the Company uses a provider of building cost information to the real estate construction industry. For the investment analysis, the Company uses market data based upon its real estate operation experience and projected the present value of net rental income over seven years. The Company also considers comparable properties in the area and property conditions when determining fair value.

In addition to this analysis performed by the Company, the Company depreciates Real Estate Held for Investment. This depreciation reduces the book value of these properties and lessens the exposure to the Company from further deterioration in real estate values.

Mortgage Servicing Rights: The Company initially recognizes Mortgage Servicing Rights ("MSRs") at their estimated fair values derived from the net cash flows associated with the servicing contracts, where the Company assumes the obligation to service the loan in the sale transaction.

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8) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet as of September 30, 2025:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	\$ 389,193,589	\$ -	\$ 388,618,720	\$ 574,869
Equity securities	17,691,024	17,691,024	-	-
Loans held for sale	159,460,525	-	-	159,460,525
Restricted assets (1)	2,010,076	-	2,010,076	-
Restricted assets (2)	13,006,668	13,006,668	-	-
Cemetery perpetual care trust investments (1)	271,285	-	271,285	-
Cemetery perpetual care trust investments (2)	5,883,290	5,883,290	-	-
Derivatives - loan commitments (3)	2,799,643	-	-	2,799,643
Total assets accounted for at fair value on a recurring basis	<u>\$ 590,316,100</u>	<u>\$ 36,580,982</u>	<u>\$ 390,900,081</u>	<u>\$ 162,835,037</u>
Liabilities accounted for at fair value on a recurring basis				
Derivatives - loan commitments (4)	(82,385)	-	-	(82,385)
Total liabilities accounted for at fair value on a recurring basis	<u>\$ (82,385)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,385)</u>

(1) Fixed maturity securities available for sale

(2) Equity securities

(3) Included in other assets on the condensed consolidated balance sheets

(4) Included in other liabilities and accrued expenses on the condensed consolidated balance sheets

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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8) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet as of December 31, 2024:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	\$ 366,546,129	\$ -	\$ 365,396,203	\$ 1,149,926
Equity securities	15,771,681	15,771,681	-	-
Loans held for sale	131,181,148	-	-	131,181,148
Restricted assets ⁽¹⁾	2,351,369	-	2,351,369	-
Restricted assets ⁽²⁾	9,972,166	9,972,166	-	-
Cemetery perpetual care trust investments ⁽¹⁾	769,662	-	769,662	-
Cemetery perpetual care trust investments ⁽²⁾	4,920,044	4,920,044	-	-
Derivatives - loan commitments ⁽³⁾	5,348,089	-	-	5,348,089
Total assets accounted for at fair value on a recurring basis	\$ 536,860,288	\$ 30,663,891	\$ 368,517,234	\$ 137,679,163
Liabilities accounted for at fair value on a recurring basis				
Derivatives - loan commitments ⁽⁴⁾	\$ (3,034,879)	\$ -	\$ -	\$ (3,034,879)
Total liabilities accounted for at fair value on a recurring basis	\$ (3,034,879)	\$ -	\$ -	\$ (3,034,879)

(1) Fixed maturity securities available for sale

(2) Equity securities

(3) Included in other assets on the condensed consolidated balance sheets

(4) Included in other liabilities and accrued expenses on the condensed consolidated balance sheets

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8) Fair Value of Financial Instruments (Continued)

For Level 3 assets and liabilities measured at fair value on a recurring basis as of September 30, 2025, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at September 30, 2025	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs		Weighted Average
				Minimum Value	Maximum Value	
Loans held for sale	\$ 159,460,525	Market approach	Investor contract pricing as a percentage of unpaid principal balance	87.0%	108.0%	102.0%
Derivatives - loan commitments (net)	2,717,258	Market approach	Pull-through rate	68.0%	100.0%	93.0%
			Initial-Value	N/A	N/A	N/A
			Servicing	0 bps	251 bps	57 bps
Fixed maturity securities available for sale	574,869	Broker quotes	Pricing quotes	\$ 100.00	\$ 101.07	\$ 100.54

For Level 3 assets and liabilities measured at fair value on a recurring basis as of December 31, 2024, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at December 31, 2024	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs		Weighted Average
				Minimum Value	Maximum Value	
Loans held for sale	\$ 131,181,148	Market approach	Investor contract pricing as a percentage of unpaid principal balance	84.0%	109.0%	102.0%
Derivatives - loan commitments (net)	2,313,210	Market approach	Pull-through rate	63.0%	100.0%	83.0%
			Initial-Value	N/A	N/A	N/A
			Servicing	0 bps	242 bps	47 bps
Fixed maturity securities available for sale	1,149,926	Broker quotes	Pricing quotes	\$ 100.00	\$ 101.20	\$ 100.16

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8) Fair Value of Financial Instruments (Continued)

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the three-month period ended September 30, 2025:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - June 30, 2025	\$ 2,920,154	\$ 165,876,119	\$ 1,149,738
Originations and purchases	-	621,506,268	-
Sales, maturities and paydowns	-	(642,485,858)	(574,074)
Total gains (losses):			
Included in earnings	(202,896)(1)	14,563,996(1)	-(2)
Included in other comprehensive income	-	-	(795)
Balance - September 30, 2025	<u>\$ 2,717,258</u>	<u>\$ 159,460,525</u>	<u>\$ 574,869</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

(2) As a component of Net investment income on the condensed consolidated statements of earnings

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the three-month period ended September 30, 2024:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - June 30, 2024	\$ 2,574,863	\$ 150,196,416	\$ 1,237,469
Originations and purchases	-	633,213,359	-
Sales, maturities and paydowns	-	(655,088,969)	-
Total gains (losses):			
Included in earnings	(179,836)(1)	14,576,935(1)	-(2)
Included in other comprehensive income	-	-	(5,915)
Balance - September 30, 2024	<u>\$ 2,395,027</u>	<u>\$ 142,897,741</u>	<u>\$ 1,231,554</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

(2) As a component of Net investment income on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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8) Fair Value of Financial Instruments (Continued)

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the nine-month period ended September 30, 2025:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2024	\$ 2,313,210	\$ 131,181,148	\$ 1,149,926
Originations and purchases	-	1,756,289,354	-
Sales, maturities and paydowns	-	(1,767,464,031)	(574,074)
Transfer to mortgage loans held for investment	-	(828,063)	-
Loans held for sale foreclosed into real estate held for sale	-	(380,000)	-
Total gains (losses):			
Included in earnings	404,048(1)	40,662,117(1)	-(2)
Included in other comprehensive income	-	-	(983)
Balance - September 30, 2025	<u>\$ 2,717,258</u>	<u>\$ 159,460,525</u>	<u>\$ 574,869</u>

- (1) As a component of Mortgage fee income on the condensed consolidated statements of earnings
(2) As a component of Net investment income on the condensed consolidated statements of earnings

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the nine-month period ended September 30, 2024:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2023	\$ 1,583,262	\$ 126,549,190	\$ 1,238,656
Originations and purchases	-	1,723,036,874	-
Sales, maturities and paydowns	-	(1,742,693,113)	-
Foreclosed into real estate held for sale	-	(858,977)	-
Total gains (losses):			
Included in earnings	811,765(1)	36,863,767(1)	-(2)
Included in other comprehensive income	-	-	(7,102)
Balance - September 30, 2024	<u>\$ 2,395,027</u>	<u>\$ 142,897,741</u>	<u>\$ 1,231,554</u>

- (1) As a component of Mortgage fee income on the condensed consolidated statements of earnings
(2) As a component of Net investment income on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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8) Fair Value of Financial Instruments (Continued)

The Company did not have any financial assets and financial liabilities measured at fair value on a nonrecurring basis as of September 30, 2025, or as of December 31, 2024.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The Company uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction as of September 30, 2025, and December 31, 2024.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of September 30, 2025:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans held for investment					
Residential	\$ 89,718,459	\$ -	\$ -	\$ 89,993,926	\$ 89,993,926
Residential construction	165,018,792	-	-	165,018,792	165,018,792
Commercial	74,427,440	-	-	75,580,341	75,580,341
Mortgage loans held for investment, net	\$ 329,164,691	\$ -	\$ -	\$ 330,593,059	\$ 330,593,059
Policy loans	14,372,484	-	-	14,372,484	14,372,484
Insurance assignments, net (1)	40,743,363	-	-	40,743,363	40,743,363
Restricted assets (2)	1,176,532	-	-	1,176,532	1,176,532
Cemetery perpetual care trust investments (2)	1,671,956	-	-	1,671,956	1,671,956
Mortgage servicing rights, net	2,616,372	-	-	4,035,635	4,035,635
Liabilities					
Bank and other loans payable	\$ (123,096,234)	\$ -	\$ -	\$ (110,888,695)	\$ (110,888,695)
Policyholder account balances (3)	(35,957,897)	-	-	(35,998,992)	(35,998,992)
Future policy benefits - annuities (3)	(105,401,640)	-	-	(104,481,604)	(104,481,604)

(1) Included in other investments and policy loans on the condensed consolidated balance sheets

(2) Mortgage loans held for investment

(3) Included in future policy benefits and unpaid claims on the condensed consolidated balance sheets

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8) Fair Value of Financial Instruments (Continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of December 31, 2024:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans held for investment					
Residential	\$ 89,780,350	\$ -	\$ -	\$ 90,168,328	\$ 90,168,328
Residential construction	150,211,240	-	-	150,211,240	150,211,240
Commercial	61,755,768	-	-	60,864,775	60,864,775
Mortgage loans held for investment, net	\$ 301,747,358	\$ -	\$ -	\$ 301,244,343	\$ 301,244,343
Policy loans	14,019,248	-	-	14,019,248	14,019,248
Insurance assignments, net (1)	46,956,932	-	-	46,956,932	46,956,932
Restricted assets (2)	983,834	-	-	983,834	983,834
Cemetery perpetual care trust investments (2)	2,141,464	-	-	2,141,464	2,141,464
Mortgage servicing rights, net	2,939,878	-	-	4,552,316	4,552,316
Liabilities					
Bank and other loans payable	\$ (106,740,104)	\$ -	\$ -	\$ (90,455,678)	\$ (90,455,678)
Policyholder account balances (3)	(37,066,043)	-	-	(37,626,593)	(37,626,593)
Future policy benefits - annuities (3)	(105,716,087)	-	-	(104,611,544)	(104,611,544)

- (1) Included in other investments and policy loans on the consolidated balance sheets
(2) Mortgage loans held for investment
(3) Included in future policy benefits and unpaid claims on the consolidated balance sheets

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of these financial instruments are summarized as follows:

Mortgage Loans Held for Investment: The estimated fair value of the Company's mortgage loans held for investment is determined using various methods. The Company's mortgage loans are grouped into three categories: Residential, Residential Construction, and Commercial. When estimating the expected future cash flows, it is assumed that all loans will be held to maturity, and any loans that are non-performing are evaluated individually for impairment.

Residential – The estimated fair value is determined through a combination of discounted cash flows (estimating expected future cash flows of payments and discounting them using current interest rates from single-family mortgages) and considering pricing of similar loans that were sold recently.

Residential Construction – These loans primarily have short term maturities. Accordingly, the estimated fair value is determined to be the carrying value.

Commercial – The estimated fair value is determined by estimating expected future cash flows of payments and discounting them using current interest rates for commercial mortgages.

Policy Loans: These loans are fully collateralized by the cash surrender value of the underlying policy. Accordingly, the carrying amounts reported in the accompanying condensed consolidated balance sheet approximates their fair values.

Insurance Assignments, Net: These investments primarily have short term maturities. Accordingly, the carrying amounts reported in the accompanying condensed consolidated balance sheet approximates their fair values.

8) Fair Value of Financial Instruments (Continued)

Bank and Other Loans Payable: The carrying amounts reported in the accompanying condensed consolidated balance sheet for warehouse lines of credit approximate their fair values due to their relatively short-term maturities and variable interest rates. The estimated fair value for bank loans collateralized by real estate is determined by estimating future cash flows of payments and discounting them using current market rates.

Policyholder Account Balances and Future Policy Benefits-Annuities: Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period of more than related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 1.5% to 6.5%. The fair values for these investment-type insurance contracts are estimated based on the present value of liability cash flows. The fair values for the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, such that the Company's exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under insurance contracts.

9) Derivative Instruments

Mortgage Banking Derivatives

Loan Commitments

The Company is exposed to price risk due to the potential impact of changes in interest rates on the values of loan commitments from the time a loan commitment is made to an applicant to the time the loan that would result from the exercise of that loan commitment is funded. Managing price risk is complicated by the fact that the ultimate percentage of loan commitments that will be exercised (i.e., the number of loans that will be funded) fluctuates. The probability that a loan will not be funded, or the loan application is denied or withdrawn within the terms of the commitment is driven by several factors, particularly the change, if any, in mortgage rates following the issuance of the loan commitment.

In general, the probability of funding increases if mortgage rates rise and decreases if mortgage rates fall. This is due primarily to the relative attractiveness of current mortgage rates compared to the applicant's committed rate. The probability that a loan will not be funded within the terms of the mortgage loan commitment also is influenced by the source of the applications (retail, broker or correspondent channels), proximity to rate lock expiration, purpose for the loan (purchase or refinance), product type and the application approval status. The Company has developed fallout estimates using historical data that consider all the variables, as well as renegotiations of rate and point commitments that tend to occur when mortgage rates fall. These fallout estimates are used to estimate the number of loans that the Company expects to be funded within the terms of the loan commitments and are updated periodically to reflect the most current data.

The Company estimates the fair value of a loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted mortgage-backed securities ("MBS") prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment net of estimated commission expense. The change in fair value of the underlying mortgage loan is measured from the date the loan commitment is issued and is shown net of related expenses. Following issuance, the value of a loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates and other factors from the Company's recent historical data are used to estimate the quantity and value of mortgage loans that will be funded within the terms of the commitments.

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9) Derivative Instruments (Continued)

Forward Sale Commitments

The Company utilizes forward commitments to economically hedge the price risk associated with its outstanding mortgage loan commitments. A forward commitment protects the Company from losses on sales of the loans arising from the exercise of the loan commitments. Management expects these types of commitments will experience changes in fair value opposite to changes in fair value of the loan commitments, thereby reducing earnings volatility related to the recognition in earnings of changes in the values of the commitments.

The net changes in fair value of loan commitments and forward sale commitments are shown in current earnings as a component of mortgage fee income on the consolidated statements of earnings. Mortgage banking derivatives are shown in other assets and other liabilities and accrued expenses on the condensed consolidated balance sheets.

The following table shows the fair value and notional amounts of derivative instruments:

	Balance Sheet Location	September 30, 2025			December 31, 2024		
		Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives not designated as hedging instruments:							
Loan commitments	Other assets and Other liabilities	\$ 185,579,856	\$ 2,799,643	\$ 82,385	\$ 210,597,657	\$ 5,348,089	\$ 3,034,879
Total		<u>\$ 185,579,856</u>	<u>\$ 2,799,643</u>	<u>\$ 82,385</u>	<u>\$ 210,597,657</u>	<u>\$ 5,348,089</u>	<u>\$ 3,034,879</u>

The table below presents the gains (losses) on derivatives. There were no gains or losses reclassified from accumulated other comprehensive income into income or gains or losses recognized in income on derivatives ineffective portion, or any amounts excluded from effective testing.

Derivative	Classification	Net Amount loss		Net Amount Gain	
		Three Months Ended September 30, 2025	2024	Nine Months Ended September 30, 2025	2024
Loan commitments	Mortgage fee income	\$ (202,896)	\$ (179,836)	\$ 404,049	\$ 811,765

10) Reinsurance, Commitments and Contingencies

Reinsurance

The Company follows the procedure of reinsuring risks of more than a specified limit, which ranges from \$25,000 to \$100,000 on newly issued policies. The Company has also assumed various reinsurance agreements through acquisition of life companies. The Company is ultimately liable for these reinsured amounts in the event such reinsurers are unable to pay their portion of the claims. The Company evaluates the financial condition of reinsurers and monitors the concentration of credit risk. The Company is also a reinsurer of insurance with other companies.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, the Company believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate its potential losses on loans sold. See Note 4 to the condensed consolidated financial statements for additional information about the Company's loan loss reserve.

Debt Covenants for Mortgage Warehouse Lines of Credit

The Company, through its subsidiary SecurityNational Mortgage, has three lines of credit for the purpose of funding mortgage loans—one through U.S. Bank, a second through Western Alliance Bank and a third through JPMorgan Chase Bank.

The U.S. Bank warehouse line of credit agreement allows SecurityNational Mortgage to borrow up to \$15,000,000. The relevant agreement contemplates interest at 2.10% plus the greater of (i) 0%, and (ii) the one-month forward-looking term rate based on SOFR on drawn amounts and matures on July 17, 2026. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and a minimum net income of \$1 for the quarter.

The Western Alliance Bank warehouse line of credit agreement allows SecurityNational Mortgage to borrow up to \$25,000,000. The relevant agreement contemplates interest at the 1-Month SOFR rate plus 2.0% on drawn amounts and matures on August 15, 2026. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and a minimum pre-tax income of \$1 for the year.

The JPMorgan Chase Bank warehouse line of credit agreement allows SecurityNational Mortgage to borrow up to \$35,000,000. The relevant agreement contemplates interest at the 1-Month SOFR rate plus 1.95% on drawn amounts and matures on August 15, 2026. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and a minimum pre-tax income of \$1 for the year.

The agreements for US Bank and JP Morgan Chase Bank warehouse lines of credit include a cross-default provision where certain events of default under other of SecurityNational Mortgage's obligations constitute events of default under the warehouse lines of credit. As of September 30, 2025, SecurityNational Mortgage was not in compliance with the adjusted tangible net worth covenant of Western Alliance Bank's warehouse line of credit. SecurityNational Mortgage is in the process of receiving waivers. In the unlikely event the Company is required to repay the outstanding advances of approximately \$7,412,571 on the warehouse lines of credit, the Company has sufficient cash to do so. The Company has also performed an analysis of its funding capacities of both internal and external sources and has determined that there are sufficient funds to continue its current business model. The Company continues to negotiate other warehouse lines of credit with other lenders.

Debt Covenants for Revolving Lines of Credit and Bank Loans

The Company's revolving line of credit agreements contain debt covenants requiring the Company to maintain minimum operating cash flow ratios and minimum net worth requirements for each of its business segments. The Company is also subject to debt covenants under one of its real estate loans which require maintenance of a minimum consolidated operating cash flow ratio, minimum liquidity amounts, and minimum consolidated net worth value. In addition to these financial debt covenants, the Company is required to provide segment specific financial statements and building specific financial statements under the agreements for each of its bank loans. As of September 30, 2025, the Company was in compliance with all of those debt covenants.

Other Contingencies and Commitments

The Company belongs to a captive insurance group ("the captive group") for certain casualty insurance, worker compensation and general liability programs. The captive group maintains insurance reserves relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the insurance liabilities and related reserves, the captive group considers several factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required from the Company and its subsidiaries. The estimation process contains uncertainty since captive insurance management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date.

The Company is a defendant in various legal actions arising from the normal conduct of business. The Company believes that none of the actions, if adversely determined, will have a material effect on the Company's financial position or results of operations. Based on management's assessment and legal counsel's analysis concerning the likelihood of unfavorable outcomes, no amounts have been accrued for the above claims in the consolidated financial statements. The Company is not a party to any other material legal proceedings outside the ordinary course of business or to any other legal proceedings, which, if adversely determined, would have a material adverse effect on its financial condition or results of operations.

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11) Mortgage Servicing Rights

The Company initially records its MSR's at fair value as discussed in Note 8.

After being initially recorded at fair value, MSR's backed by mortgage loans are accounted for using the amortization method. Amortization expense is included in other expenses on the condensed consolidated statements of earnings. MSR amortization is determined by amortizing the MSR balance in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

The Company periodically assesses MSR's for impairment. Impairment occurs when the current fair value of the MSR falls below the carrying value (carrying value is the amortized cost reduced by any related valuation allowance). If MSR's are impaired, the impairment is recognized in current-period earnings and the carrying value of the MSR's is adjusted through a valuation allowance.

The Company periodically reviews the various loan strata to determine whether the value of the MSR's in each stratum is impaired and likely to recover. If the Company deems recovery of the value to be unlikely in the foreseeable future, a write-down of the cost of the MSR's for that stratum to its estimated recoverable value is charged to the valuation allowance.

The following table presents the MSR activity:

	As of September 30, 2025	As of December 31, 2024
Amortized cost:		
Balance before valuation allowance at beginning of year	\$ 2,939,878	\$ 3,461,146
MSR additions resulting from loan sales (1)	90,026	90,370
Amortization (2)	(413,532)	(611,638)
Sale of MSR's	-	-
Application of valuation allowance to write down MSR's with other than temporary impairment	-	-
Balance before valuation allowance at end of period	<u>\$ 2,616,372</u>	<u>\$ 2,939,878</u>
Valuation allowance for impairment of MSR's:		
Balance at beginning of year	\$ -	\$ -
Additions	-	-
Application of valuation allowance to write down MSR's with other than temporary impairment	-	-
Balance at end of period	<u>\$ -</u>	<u>\$ -</u>
Mortgage servicing rights, net	<u>\$ 2,616,372</u>	<u>\$ 2,939,878</u>
Estimated fair value of MSR's at end of period	<u>\$ 4,035,635</u>	<u>\$ 4,552,316</u>

(1) Included in mortgage fee income on the condensed consolidated statements of earnings

(2) Included in other expenses on the condensed consolidated statements of earnings

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11) Mortgage Servicing Rights (Continued)

The table below summarizes the Company's estimate of future amortization of its existing MSR's carried at amortized cost. This projection was developed using the Company's assumptions in its September 30, 2025, valuation of MSR's. The assumptions used in the following table are likely to change as market conditions, portfolio composition and borrower behavior change, causing both actual and projected amortization levels to change over time.

	Estimated MSR Amortization
2025	279,041
2026	253,744
2027	230,321
2028	205,263
2029	183,829
Thereafter	1,464,174
Total	\$ 2,616,372

The Company collected the following contractual servicing fee income and late fee income as reported in other revenues on the condensed consolidated statement of earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Contractual servicing fees	\$ 235,892	\$ 237,531	\$ 690,893	\$ 736,137
Late fees	16,603	17,349	48,451	56,637
Total	\$ 252,495	\$ 254,880	\$ 739,344	\$ 792,774

The following is a summary of the unpaid principal balances ("UPB") of the servicing portfolio.

	As of September 30, 2025	As of December 31, 2024
Servicing UPB	\$ 366,929,184	\$ 385,134,774

The following key assumptions were used in determining MSR value:

	Prepayment Speeds	Average Life (Years)	Discount Rate
September 30, 2025	11.68	7.55	11.93
December 31, 2024	8.79	8.28	12.14

12) Income Taxes

The Company's overall effective tax rate for the three month periods ended September 30, 2025 and 2024 was 23.0% and 22.2%, respectively, which resulted in a provision for income taxes of \$2,337,926 and \$3,383,238, respectively, and for the nine month periods ended September 30, 2025 and 2024 was 22.4% and 22.3%, respectively, which resulted in a provision for income taxes of \$5,400,792 and \$7,646,071, respectively. The Company's effective tax rate is higher than the U.S. federal statutory rate of 21% due to, among other factors, state taxes as offset by certain state income tax benefits, along with certain permanent tax adjustments such as meals and entertainment and stock-based compensation. The increase in the effective tax rate when compared to the prior year was primarily due to certain permanent tax adjustments that, as a ratio of lower pre-tax book income, are higher than when compared to the prior year.

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. Although the Company believes its tax estimates are reasonable, the Company can make no assurance that the final tax outcome of these matters will not be different from that which it has reflected in its historical income tax provisions and accruals.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes provisions that allow for the immediate expensing of domestic research and development expenses, immediate expensing of certain capital expenditures, and other changes to the U.S. taxation of profits derived from foreign operations. The Company continues to evaluate the impact the new legislation will have on its estimated annual effective tax rate and cash tax position; however, the Company does not expect a material impact to its estimated effective tax rate in 2025.

13) Revenues from Contracts with Customers

The Company reports revenues from contracts with customers pursuant to ASC No. 606, *Revenue from Contracts with Customers*.

Information about Performance Obligations and Contract Balances

The Company's cemetery and mortuary segment sells a variety of goods and services to customers in both at-need and pre-need situations. Due to the timing of the fulfillment of the obligation, revenue is deferred until that obligation is fulfilled.

The Company's two types of future obligations are as follows:

Pre-need Merchandise and Service Revenue: All pre-need merchandise and service revenue are deferred, and the funds are placed in trust until the need arises; the merchandise is received, or the service is performed. The trust is then relieved, and the revenue and commissions are recognized. Pre-need contracts are required to be paid in full prior to a customer using a good or service from a pre-need contract. Goods and services from pre-need contracts can be transferred when paid in full from one owner to another. In such cases, the Company will act as an agent in transferring the requested goods and services. The transfer of goods and services does not fulfill the contract and revenue remains deferred.

At-need Specialty Merchandise Revenue: At-need specialty merchandise revenue consists of customizable merchandise ordered from manufacturers such as markers and bases. When specialty merchandise is ordered, it can take time to manufacture and deliver the product. Revenue is deferred until the at-need merchandise is received.

Complete payment does not constitute fulfillment of the contract. Goods or services are deferred until such a time the service is performed, or merchandise is received.

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13) Revenues from Contracts with Customers (Continued)

The opening and closing balances of the Company's receivables, contract assets and contract liabilities are as follows:

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (December 31, 2024)	\$ 7,095,589	\$ -	\$ 20,168,405
Closing (September 30, 2025)	6,797,943	-	22,234,892
Increase/(decrease)	(297,646)	-	2,066,487

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (December 31, 2023)	\$ 6,321,573	\$ -	\$ 18,237,246
Closing (December 31, 2024)	7,095,589	-	20,168,405
Increase/(decrease)	774,016	-	1,931,159

(1) Included in Receivables, net on the condensed consolidated balance sheets

The amount of revenue recognized and included in the opening contract liability balance for the three-month periods ended September 30, 2025, and 2024 was \$1,326,702 and \$1,320,688, respectively, and for the nine-month periods ended September 30, 2025, and 2024 was \$3,650,091 and \$4,256,184, respectively.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment.

Disaggregation of Revenue

The following table disaggregates revenue for the Company's cemetery and mortuary contracts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<u>Major goods/service lines</u>				
At-need	\$ 5,441,670	\$ 5,024,330	\$ 16,241,736	\$ 15,299,010
Pre-need	1,699,272	1,790,001	5,457,144	6,232,759
	\$ 7,140,942	\$ 6,814,331	\$ 21,698,880	\$ 21,531,769
<u>Timing of Revenue Recognition</u>				
Goods transferred at a point in time	\$ 4,384,201	\$ 4,064,864	\$ 13,381,830	\$ 13,287,515
Services transferred at a point in time	2,756,741	2,749,467	8,317,050	8,244,254
	\$ 7,140,942	\$ 6,814,331	\$ 21,698,880	\$ 21,531,769

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14) Receivables

Receivables consist of the following:

	As of September 30, 2025	As of December 31, 2024
Contracts with customers	\$ 6,797,943	\$ 7,095,589
Receivables from sales agents	4,180,222	4,028,881
Other	5,662,632	6,412,804
Total receivables	16,640,797	17,537,274
Allowance for credit losses	(1,542,731)	(1,678,531)
Net receivables	<u>\$ 15,098,066</u>	<u>\$ 15,858,743</u>

The Company records an allowance for credit losses for its receivables in accordance with GAAP.

The following table presents a roll forward of the allowance for credit losses as of the dates indicated:

	Three Months Ended
Beginning balance - June 30, 2025	\$ 1,491,043
Change in provision for credit losses (1)	84,603
Charge-offs	(32,915)
Ending balance - September 30, 2025	<u>\$ 1,542,731</u>
Beginning balance - June 30, 2024	\$ 1,770,911
Change in provision for credit losses (1)	(167,300)
Charge-offs	(37,461)
Ending balance - September 30, 2024	<u>\$ 1,566,150</u>

(1) Included in other expenses on the condensed consolidated statements of earnings

	Nine Months Ended
Beginning balance - December 31, 2024	\$ 1,678,531
Change in provision for credit losses (1)	153,034
Charge-offs	(288,834)
Ending balance - September 30, 2025	<u>\$ 1,542,731</u>
Beginning balance - December 31, 2023	\$ 1,897,887
Change in provision for credit losses (1)	(254,306)
Charge-offs	(77,431)
Ending balance - September 30, 2024	<u>\$ 1,566,150</u>

(1) Included in other expenses on the condensed consolidated statements of earnings

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15) Cemetery Perpetual Care Trust Investments and Obligation and Restricted Assets

Cemetery Perpetual Care Trust Investments and Obligation

State law requires the Company to pay into endowment care trusts a portion of the proceeds from the sale of certain cemetery property interment rights for cemeteries that have established an endowment care trust. These endowment care trusts are defined as Variable Interest Entities pursuant to GAAP. The Company is the primary beneficiary of these trusts, as it absorbs both the losses and any expenses associated with the trusts. The Company has consolidated cemetery endowment care trust investments with a corresponding amount recorded as Cemetery Perpetual Care Obligation in the accompanying consolidated balance sheets.

The components of cemetery perpetual care investments and obligation as of September 30, 2025, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>September 30, 2025:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 150,482	\$ 1,806	\$ -	\$ 152,288
Obligations of states and political subdivisions	122,043	-	(3,046)	118,997
Total fixed maturity securities available for sale	<u>\$ 272,525</u>	<u>\$ 1,806</u>	<u>\$ (3,046)</u>	<u>\$ 271,285</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 4,439,406	\$ 1,579,249	\$ (135,365)	\$ 5,883,290
Total equity securities at estimated fair value	<u>\$ 4,439,406</u>	<u>\$ 1,579,249</u>	<u>\$ (135,365)</u>	<u>\$ 5,883,290</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	\$ 1,675,307			
Less: Allowance for credit losses	(3,351)			
Total mortgage loans held for investment	<u>\$ 1,671,956</u>			
Other investments	<u>\$ 1,168,269</u>			
Cash and cash equivalents	<u>\$ 686,777</u>			
Accrued investment income	<u>\$ 4,101</u>			
Total cemetery perpetual care trust investments	<u>\$ 9,685,678</u>			
Cemetery perpetual care obligation	<u>\$ (5,838,879)</u>			
Trust investments in excess of trust obligations	<u>\$ 3,846,799</u>			

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

The components of cemetery perpetual care investments and obligation as of December 31, 2024, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>December 31, 2024:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies				
	\$ 651,428	\$ -	\$ (2,010)	\$ 649,418
Obligations of states and political subdivisions				
	125,194	-	(4,950)	120,244
Total fixed maturity securities available for sale				
	<u>\$ 776,622</u>	<u>\$ -</u>	<u>\$ (6,960)</u>	<u>\$ 769,662</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other				
	\$ 3,874,522	\$ 1,271,529	\$ (226,007)	\$ 4,920,044
Total equity securities at estimated fair value				
	<u>\$ 3,874,522</u>	<u>\$ 1,271,529</u>	<u>\$ (226,007)</u>	<u>\$ 4,920,044</u>
Mortgage loans held for investment at amortized cost:				
Residential construction				
	\$ 202,600			
Less: Allowance for credit losses				
	(405)			
Commercial				
	1,939,269			
Less: Allowance for credit losses				
	-			
Total mortgage loans held for investment				
	<u>\$ 2,141,464</u>			
Cash and cash equivalents				
	<u>\$ 1,002,396</u>			
Accrued investment income				
	<u>\$ 2,937</u>			
Total cemetery perpetual care trust investments				
	<u>\$ 8,836,503</u>			
Cemetery perpetual care obligation				
	<u>\$ (5,642,693)</u>			
Trust investments in excess of trust obligations				
	<u>\$ 3,193,810</u>			

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of September 30, 2025, and December 31, 2024. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
<u>September 30, 2025</u>						
Obligations of states and political subdivisions	\$ -	\$ -	\$ 3,046	\$ 118,998	\$ 3,046	\$ 118,998
Totals	\$ -	\$ -	\$ 3,046	\$ 118,998	\$ 3,046	\$ 118,998
<u>December 31, 2024</u>						
U.S. Treasury securities and obligations of U.S. Government agencies						
	\$ 2,010	\$ 649,419	\$ -	\$ -	\$ 2,010	\$ 649,419
Obligations of states and political subdivisions	4,950	120,243	-	-	4,950	120,243
Totals	\$ 6,960	\$ 769,662	\$ -	\$ -	\$ 6,960	\$ 769,662

Relevant holdings were comprised of two securities with fair values aggregating 97.5% of the aggregate amortized cost as of September 30, 2025. Relevant holdings were comprised of four securities with fair values aggregating 99.1% of aggregate amortized cost as of December 31, 2024. No credit losses have been recognized for the three- and nine-month periods ended September 30, 2025, and 2024, since the unrealized losses are primarily the result of increases in interest rates. See Note 3 for additional information regarding the Company's evaluation of the allowance for credit losses for fixed maturity securities available for sale.

The table below presents the amortized cost and estimated fair value of fixed maturity securities available for sale as of September 30, 2025, by contractual maturity. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in 1 year	\$ -	\$ -
Due in 2-5 years	220,652	220,389
Due in 5-10 years	51,873	50,896
Due in more than 10 years	-	-
Total	\$ 272,525	\$ 271,285

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Restricted Assets

The Company has also established certain restricted assets to provide for future merchandise and service obligations incurred in connection with its pre-need sales for its cemetery and mortuary segment.

Additionally, restricted cash represents escrows held for borrowers and investors under servicing and appraisal agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for certain real estate construction development projects. Additionally, the Company elected to maintain its medical benefit fund without change from the prior year and has included this amount as a component of restricted cash. These restricted cash items are for the Company's life insurance and mortgage segments.

Restricted assets as of September 30, 2025, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2025:				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S.				
Government agencies	\$ 1,625,998	\$ 4,147	\$ -	\$ 1,630,145
Obligations of states and political subdivisions	330,955	120	(2,158)	328,917
Corporate securities including public utilities	52,030	-	(1,016)	51,014
Total fixed maturity securities available for sale	<u>\$ 2,008,983</u>	<u>\$ 4,267</u>	<u>\$ (3,174)</u>	<u>\$ 2,010,076</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 10,790,554	\$ 2,553,913	\$ (337,799)	\$ 13,006,668
Total equity securities at estimated fair value	<u>\$ 10,790,554</u>	<u>\$ 2,553,913</u>	<u>\$ (337,799)</u>	<u>\$ 13,006,668</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	\$ 1,178,890			
Less: Allowance for credit losses	(2,358)			
Total mortgage loans held for investment	<u>\$ 1,176,532</u>			
Other investments	<u>\$ 1,912,436</u>			
Cash and cash equivalents (1)	<u>\$ 13,556,435</u>			
Accrued investment income	<u>\$ 10,892</u>			
Total restricted assets	<u>\$ 31,673,039</u>			

(1) Including cash and cash equivalents of \$12,375,579 for the life insurance and mortgage segments.

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Restricted assets as of December 31, 2024, are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>December 31, 2024:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,741,029	\$ 2,256	\$ (1,511)	\$ 1,741,774
Obligations of states and political subdivisions	471,217	180	(4,223)	467,174
Corporate securities including public utilities	144,616	32	(2,227)	142,421
Total fixed maturity securities available for sale	<u>\$ 2,356,862</u>	<u>\$ 2,468</u>	<u>\$ (7,961)</u>	<u>\$ 2,351,369</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 8,547,709	\$ 1,914,309	\$ (489,852)	\$ 9,972,166
Total equity securities at estimated fair value	<u>\$ 8,547,709</u>	<u>\$ 1,914,309</u>	<u>\$ (489,852)</u>	<u>\$ 9,972,166</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	\$ 985,806			
Less: Allowance for credit losses	(1,972)			
Total mortgage loans held for investment	<u>\$ 983,834</u>			
Other investments	<u>\$ 1,939,269</u>			
Cash and cash equivalents (1)	<u>\$ 8,553,803</u>			
Accrued investment income	<u>\$ 6,395</u>			
Total restricted assets	<u>\$ 23,806,836</u>			

(1) Including cash and cash equivalents of \$7,657,958 for the life insurance and mortgage segments.

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of September 30, 2025, and December 31, 2024. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities.

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
<u>At September 30, 2025</u>						
Obligations of states and political subdivisions	\$ 994	\$ 100,305	\$ 1,164	\$ 103,492	\$ 2,158	\$ 203,797
Corporate securities including public utilities	-	-	1,016	51,014	1,016	51,014
Total unrealized losses	<u>\$ 994</u>	<u>\$ 100,305</u>	<u>\$ 2,180</u>	<u>\$ 154,506</u>	<u>\$ 3,174</u>	<u>\$ 254,811</u>
<u>At December 31, 2024</u>						
U.S. Treasury securities and obligations of U.S.						
Government agencies	\$ 1,511	\$ 558,707	\$ -	\$ -	\$ 1,511	\$ 558,707
Obligations of states and political subdivisions	2,004	237,636	2,219	129,358	4,223	366,994
Corporate securities including public utilities	1,316	51,685	911	65,704	2,227	117,389
Total unrealized losses	<u>\$ 4,831</u>	<u>\$ 848,028</u>	<u>\$ 3,130</u>	<u>\$ 195,062</u>	<u>\$ 7,961</u>	<u>\$ 1,043,090</u>

Relevant holdings were comprised of four securities with fair values aggregating 98.8% of the aggregate amortized cost as of September 30, 2025. Relevant holdings were comprised of 15 securities with fair values aggregating 99.2% of the aggregate amortized cost as of December 31, 2024. No credit losses have been recognized for the three- and nine-month periods ended September 30, 2025, and 2024, since the unrealized losses are primarily the result of increases in interest rates. See Note 3 for additional information regarding the Company's evaluation of the allowance for credit losses for fixed maturity securities available for sale.

The table below presents the amortized cost and estimated fair value of fixed maturity securities available for sale as of September 30, 2025, by contractual maturity. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in 1 year	\$ 810,104	\$ 810,295
Due in 2-5 years	941,887	945,094
Due in 5-10 years	100,307	100,181
Due in more than 10 years	156,685	154,506
Total	<u>\$ 2,008,983</u>	<u>\$ 2,010,076</u>

See Notes 3 and 8 for additional information regarding restricted assets and cemetery perpetual care trust investments.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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16) Accumulated Other Comprehensive Income (loss)

The following table summarizes the changes in accumulated other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Unrealized gains on fixed maturity securities available for sale	\$ 3,546,952	\$ 10,595,637	\$ 9,978,130	\$ 8,809,823
Amounts reclassified into net earnings	(193,672)	(152,147)	(142,876)	(148,472)
Net unrealized gains before taxes	3,353,280	10,443,490	9,835,254	8,661,351
Tax (expense)	(704,684)	(2,198,474)	(2,066,384)	(1,824,502)
Net	2,648,596	8,245,016	7,768,870	6,836,849
Unrealized gains on restricted assets (1)	7,118	9,353	6,586	5,770
Tax (expense)	(1,773)	(2,330)	(1,641)	(1,437)
Net	5,345	7,023	4,945	4,333
Unrealized gains on cemetery perpetual care trust investments (1)	4,056	4,263	5,720	2,438
Tax (expense)	(1,010)	(1,062)	(1,425)	(607)
Net	3,046	3,201	4,295	1,831
Other comprehensive income changes	<u>\$ 2,656,987</u>	<u>\$ 8,255,240</u>	<u>\$ 7,778,110</u>	<u>\$ 6,843,013</u>

(1) Fixed maturity securities available for sale

The following table presents the accumulated balances of other comprehensive income (loss) as of September 30, 2025:

	Beginning Balance December 31, 2024	Change for the period	Ending Balance September 30, 2025
Unrealized gains (losses) on fixed maturity securities available for sale	\$ (6,941,915)	\$ 7,768,870	\$ 826,955
Unrealized gains (losses) on restricted assets (1)	(4,126)	4,945	819
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	(5,225)	4,295	(930)
Other comprehensive income (loss)	<u>\$ (6,951,266)</u>	<u>\$ 7,778,110</u>	<u>\$ 826,844</u>

(1) Fixed maturity securities available for sale

The following table presents the accumulated balances of other comprehensive income (loss) as of December 31, 2024:

	Beginning Balance December 31, 2023	Change for the period	Ending Balance December 31, 2024
Unrealized losses on fixed maturity securities available for sale	\$ (6,876,629)	\$ (65,286)	\$ (6,941,915)
Unrealized gains (losses) on restricted assets (1)	(4,757)	631	(4,126)
Unrealized losses on cemetery perpetual care trust investments (1)	(4,172)	(1,053)	(5,225)
Other comprehensive loss	<u>\$ (6,885,558)</u>	<u>\$ (65,708)</u>	<u>\$ (6,951,266)</u>

(1) Fixed maturity securities available for sale

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company’s operations over the last several years generally reflect three strategies which the Company expects to continue: (i) increased attention to “niche” insurance products, such as the Company’s funeral plan policies and traditional whole life products; (ii) increased emphasis on the cemetery and mortuary business; and (iii) capitalizing on an improving housing market by originating mortgage loans.

Insurance Operations

The Company’s life insurance business includes funeral plans and interest-sensitive life insurance, as well as other traditional life, accident and health insurance products. The Company places specific marketing emphasis on funeral plans through pre-need planning.

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$30,000. The Company believes that funeral plans represent a marketing niche that is less competitive because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person’s death. On a per thousand-dollar cost of insurance basis, these policies can be more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

The following table shows the condensed financial results of the insurance operations for the three- and nine-month periods ended September 30, 2025, and 2024. See Note 7 to the condensed consolidated financial statements.

	Three months ended September 30, (in thousands of dollars)			Nine months ended September 30, (in thousands of dollars)		
	2025	2024	% Increase (Decrease)	2025	2024	% Increase (Decrease)
Revenues from external customers:						
Insurance premiums	\$ 29,881	\$ 30,011	0%	\$ 89,846	\$ 89,824	0%
Net investment income	19,279	17,106	13%	57,910	52,902	9%
Gains on investments and other assets	1,259	1,317	(4%)	2,423	2,195	10%
Other revenues	372	420	(11%)	1,423	1,141	25%
Intersegment revenues	2,044	2,066	(1%)	5,193	5,352	(3%)
Total segment revenues	<u>\$ 52,835</u>	<u>\$ 50,920</u>	<u>4%</u>	<u>\$ 156,795</u>	<u>\$ 151,414</u>	<u>4%</u>
Segment net earnings	<u>\$ 5,508</u>	<u>\$ 9,706</u>	<u>(43%)</u>	<u>\$ 16,057</u>	<u>\$ 22,035</u>	<u>(27%)</u>

Profitability for the nine month period ended September 30, 2025 decreased due to (a) a \$5,991,000 increase in selling, general and administrative expenses, primarily attributable to a \$3,623,000 increase in personnel expenses due to an annual increase in salaries and key new hires as a part of the Company’s growth strategy, (b) a \$4,728,000 increase in amortization of deferred policy acquisition costs, (c) a \$2,896,000 increase in death benefits, (d) a \$354,000 increase in surrenders and other policy benefits (e) a \$159,000 decrease in intersegment revenue, and (f) a \$22,000 increase in interest expense, which were partially offset by (i) a \$5,008,000 increase in net investment income, (ii) a \$1,490,000 decrease in income tax expense, (iii) a \$983,000 decrease in future policy benefits, (iv) a \$282,000 increase in other revenues, (v) a \$228,000 increase in gains on investments and other assets, (vi) a \$157,000 decrease in intersegment expenses, and (vii) a \$22,000 increase in insurance premiums and other considerations.

Cemetery and Mortuary Operations

The Company sells mortuary services and products through its eleven mortuaries in Utah and four mortuaries in New Mexico. The Company also sells cemetery services, products and land (burial plots) through its five cemeteries in Utah, one cemetery in San Diego County, California, and one cemetery in Santa Fe, New Mexico. At-need mortuary and cemetery product sales and services are recognized as revenue when the services are performed or when the products are delivered. Pre-need mortuary and cemetery product sales and services are deferred until the merchandise is delivered, or services are performed. Revenue for pre-need cemetery land sales is recognized at the time of sale, and land is removed from inventory.

The following table shows the condensed financial results of the cemetery and mortuary operations for the three- and nine-month periods ended September 30, 2025, and 2024. See Note 7 to the condensed consolidated financial statements.

	Three months ended September 30, (in thousands of dollars)			Nine months ended September 30, (in thousands of dollars)		
	2025	2024	% Increase (Decrease)	2025	2024	% Increase (Decrease)
Revenues from external customers:						
Cemetery revenues	\$ 3,624	\$ 3,598	1%	\$ 11,428	\$ 11,776	(3%)
Mortuary revenues	3,517	3,216	9%	10,271	9,755	5%
Net investment income	642	478	34%	1,529	2,137	(28%)
Gains on investments and other assets	712	1,125	(37%)	1,193	1,504	(21%)
Other revenues	433	126	244%	767	436	76%
Intersegment revenues	86	86	0%	254	255	0%
Total segment revenues	\$ 9,014	\$ 8,629	4%	\$ 25,442	\$ 25,863	(2%)
Segment net earnings	\$ 2,287	\$ 2,123	8%	\$ 5,355	\$ 5,959	(10%)

Profitability in the nine month period ended September 30, 2025 decreased due to (a) a \$701,000 increase in selling, general and administrative expenses, primarily attributable to a \$555,000 increase in personnel expenses, (b) a \$608,000 decrease in net investment income, (c) a \$311,000 decrease in gains on investments and other assets, (d) a \$240,000 decrease in cemetery pre-need sales, (e) a \$108,000 decrease in cemetery at-need sales, and (f) a \$1,000 decrease in intersegment revenues, which were partially offset by (i) a \$516,000 increase in mortuary at-need sales, (ii) a \$331,000 increase in other revenues, (iii) a \$303,000 decrease in income tax expense, (iv) a \$101,000 decrease in cost of goods and services sold, (v) a \$92,000 decrease in amortization of deferred policy acquisition costs, and (vi) a \$22,000 decrease in intersegment expenses.

Mortgage Operations

The Company's wholly owned subsidiary, SecurityNational Mortgage Company ("SecurityNational Mortgage"), is a mortgage lender incorporated under the laws of the State of Utah and approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), which originates mortgage loans that qualify for government insurance in the event of default by the borrower, in addition to various conventional mortgage loan products. SecurityNational Mortgage originates and refinances mortgage loans on a retail basis. Mortgage loans originated or refinanced by the SecurityNational Mortgage are funded through loan purchase agreements with Security National Life, Kilpatrick Life and unaffiliated financial institutions.

SecurityNational Mortgage receives fees from borrowers that are involved in mortgage loan originations and refinancings, and secondary fees earned from third party investors that purchase the mortgage loans. Mortgage loans are generally sold with mortgage servicing rights ("MSRs") released to third-party investors or retained by SecurityNational Mortgage. SecurityNational Mortgage currently retains the mortgage servicing rights on approximately 0.43% of its loan origination volume. These mortgage loans are serviced by either SecurityNational Mortgage or an approved third-party sub-servicer.

Mortgage rates have followed the US Treasury yields in response to inflation and slowing new home sales. As expected, the lack of mortgage rate reductions has resulted in a decrease in loan originations classified as 'refinance.' Higher than anticipated mortgage rates have also had a negative effect on loan originations classified as 'purchases' although not as significant as those in the refinance classification.

For the nine-month periods ended September 30, 2025, and 2024, SecurityNational Mortgage originated 5,216 loans (\$1,756,289,000 total volume) and 5,505 loans (\$1,723,036,000 total volume), respectively.

The following table shows the condensed financial results of the mortgage operations for the three- and nine-month periods ended September 30, 2025, and 2024. See Note 7 to the condensed consolidated financial statements.

	Three months ended September 30, (in thousands of dollars)			Nine months ended September 30, (in thousands of dollars)		
	2025	2024	% Increase (Decrease)	2025	2024	% Increase (Decrease)
Revenues from external customers						
Secondary gains from investors	\$ 20,378	\$ 17,982	13%	\$ 57,518	\$ 51,388	12%
Income from loan originations	8,953	9,462	(5%)	24,551	25,619	(4%)
Change in fair value of loans held for sale	(203)	2,960	(107%)	404	3,856	(90%)
Change in fair value of loan commitments	11	(180)	(106%)	960	812	18%
Net investment income	189	216	(13%)	455	751	(39%)
Gains (losses) on investments and other assets	1	(1,094)	100%	85	(1,059)	108%
Other revenues	279	1,532	(82%)	844	2,216	(62%)
Intersegment revenues	76	138	(45%)	272	430	(37%)
Total segment revenues	\$ 29,684	\$ 31,016	(4%)	\$ 85,089	\$ 84,013	1%
Segment net earnings (loss)	\$ 20	\$ 2	900%	\$ (2,752)	\$ (1,416)	94%

Losses for the nine month period ended September 30, 2025 increased due to (a) a \$3,452,000 decrease in the fair value of loans held for sale, (b) a \$2,075,000 increase in commissions, (c) a \$1,371,000 decrease in other revenues, (d) a \$1,197,000 increase in other expenses, (e) a \$1,068,000 decrease in income from loan originations, (f) a \$443,000 increase in costs related to funding mortgage loans, (g) a \$337,000 increase in advertising expenses, (h) a \$296,000 increase in interest expense, (i) a \$296,000 decrease in net investment income, and (j) a \$157,000 decrease in intersegment revenues, which were partially offset by (i) a \$6,130,000 increase in secondary gains from investors, (ii) a \$1,144,000 increase in gains on investments and other assets, (iii) a \$1,132,000 decrease in rent and rent related expenses, (iv) a \$452,000 increase in income tax benefit, (v) a \$213,000 decrease in personnel expenses, (vi) a \$148,000 increase in the fair value of loan commitments, and (vii) a \$138,000 decrease in intersegment expenses.

Consolidated Results of Operations

Three-month period ended September 30, 2025, Compared to Three-month period ended September 30, 2024

Total revenues increased by \$1,052,000, or 1.2%, to \$89,326,000 for the three-month period ended September 30, 2025, from \$88,274,000 for the comparable period in 2024. Contributing to this increase in total revenues was a \$2,310,000 increase in net investment income, a \$624,000 increase in gains on investments and other assets, and a \$327,000 increase in net mortuary and cemetery sales, which were partially offset by a \$1,085,000 decrease in mortgage fee income, a \$994,000 decrease in other revenues, and a \$130,000 decrease in insurance premiums and other considerations.

Mortgage fee income decreased by \$1,085,000, or 3.6%, to \$29,139,000, for the three-month period ended September 30, 2025, from \$30,224,000 for the comparable period in 2024. This decrease was primarily due to a \$3,163,000 decrease in the fair value of loans held for sale and a \$509,000 decrease in income from loan originations, which were partially offset by a \$2,396,000 increase in secondary gains from mortgage loans sold to third-party investors into the secondary market and a \$191,000 increase in the fair value of loan commitments.

Insurance premiums and other considerations decreased by \$130,000, or 0.4%, to \$29,881,000 for the three-month period ended September 30, 2025, from \$30,011,000 for the comparable period in 2024. This decrease was primarily due to an increase of \$557,000 in renewal premiums, which was partially offset by a decrease of \$687,000 in first year premiums.

Net investment income increased by \$2,310,000, or 13.0%, to \$20,109,000 for the three-month period ended September 30, 2025, from \$17,799,000 for the comparable period in 2024. This increase was primarily attributable to a \$3,117,000 increase in mortgage loan interest, a \$517,000 increase in fixed maturity securities income, a \$39,000 increase in equity securities income, and a \$32,000 increase in policy loan interest, which were partially offset by a \$953,000 decrease in interest on cash and cash equivalents, a \$208,000 decrease in real estate income, a \$137,000 increase in investment expenses, a \$61,000 decrease in insurance assignment income, and a \$36,000 decrease in other investment income.

Net mortuary and cemetery sales increased by \$327,000, or 4.8%, to \$7,141,000 for the three-month period ended September 30, 2025, from \$6,814,000 for the comparable period in 2024. This increase was primarily due to a \$301,000 increase in mortuary at-need sales, a \$23,000 increase in cemetery at-need sales, and a \$3,000 increase in cemetery pre-need sales.

Gains (losses) on investments and other assets increased by \$624,000 to \$1,972,000 in net gains for the three-month period ended September 30, 2025, from \$1,348,000 in net gains for the comparable period in 2024. This increase in gains on investments and other assets was primarily due to a \$1,161,000 increase in gains on mortgage loans held for investment and a \$561,000 increase in gains on real estate, which were partially offset by a \$929,000 decrease in gains on equity securities primarily attributable to decreases in the fair value of these equity securities, a \$158,000 decrease in gains on other assets, and a \$11,000 decrease in gains on fixed maturity securities.

Other revenues decreased by \$994,000, or 47.8%, to \$1,083,000 for the three-month period ended September 30, 2025, from \$2,077,000 for the comparable period in 2024. This decrease was primarily due to a decrease of \$994,000 in other miscellaneous revenues.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of \$1,580,000 or 6.8%, to \$24,934,000 for the three-month period ended September 30, 2025, from \$23,354,000 for the comparable period in 2024. This increase was primarily the result of a \$1,612,000 increase in death benefits and a \$180,000 increase in surrender and other policy benefits, which were partially offset by a \$212,000 decrease in future policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$3,246,000, or 142.0%, to \$5,533,000 for the three-month period ended September 30, 2025, from \$2,287,000 for the comparable period in 2024. This increase was primarily due to an increase in the termination rate for deaths, lapses, policies moving to a reduced paid up status, and a shift in product mix.

Selling, general and administrative expenses increased by \$1,286,000, or 2.8%, to \$46,525,000 for the three-month period ended September 30, 2025, from \$45,239,000 for the comparable period in 2024. This increase was primarily the result of a \$1,409,000 increase in other expenses, a \$269,000 increase in personnel expenses, a \$119,000 increase in costs related to funding mortgage loans, and a \$76,000 increase in advertising expense, which were partially offset by a \$432,000 decrease in rent and rent related expenses, a \$150,000 decrease in commissions, and a \$5,000 decrease in depreciation on property and equipment.

Interest expense increased by \$6,000, or 0.6%, to \$1,067,000 for the three-month period ended September 30, 2025, from \$1,061,000 for the comparable period in 2024. This increase was primarily due to an increase of \$26,000 in interest expense on mortgage warehouse lines of credit for loans held for sale, which was partially offset by a decrease of \$20,000 in interest expense on bank loans.

Cost of goods and services sold in mortuaries and cemeteries decreased by \$4,000, or 0.4%, to \$1,113,000 for the three-month period ended September 30, 2025, from \$1,117,000 for the comparable period in 2024. This decrease was primarily due to a decrease of \$20,000 in pre-need sales, which was partially offset by an increase of \$16,000 in at-need sales.

In summary, total benefits and expenses were \$79,173,000, or 88.6% of total revenues, for the three-month period ended September 30, 2025, as compared to \$73,059,000, or 82.8% of total revenues, for the comparable period in 2024.

Nine-month period ended September 30, 2025, Compared to Nine-month period ended September 30, 2024

Total revenues increased by \$6,354,000, or 2.5%, to \$261,607,000 for the nine-month period ended September 30, 2025, from \$255,253,000 for the comparable period in 2024. Contributing to this increase in total revenues was a \$4,103,000 increase in net investment income, a \$1,758,000 increase in mortgage fee income, a \$1,061,000 increase in gains on investments and other assets, a \$167,000 increase in net mortuary and cemetery sales, and a \$22,000 increase in insurance premiums and other considerations, which were partially offset by a \$758,000 decrease in other revenues.

Mortgage fee income increased by \$1,758,000, or 2.2%, to \$83,433,000, for the nine-month period ended September 30, 2025, from \$81,675,000 for the comparable period in 2024. This increase was primarily due to a \$6,130,000 increase in secondary gains from mortgage loans sold to third-party investors into the secondary market and a \$148,000 increase in the fair value of loan commitments, which were partially offset by a \$3,452,000 decrease in the fair value of loans held for sale, and a \$1,068,000 decrease in income from loan originations.

Insurance premiums and other considerations increased by \$22,000, less than a percentage point, to \$89,846,000 for the nine-month period ended September 30, 2025, from \$89,824,000 for the comparable period in 2024. This increase was primarily due to an increase of \$1,432,000 in renewal premiums, which was partially offset by a decrease of \$1,410,000 in first year premiums.

Net investment income increased by \$4,103,000, or 7.4%, to \$59,893,000 for the nine-month period ended September 30, 2025, from \$55,790,000 for the comparable period in 2024. This increase was primarily attributable to a \$7,704,000 increase in mortgage loan interest, a \$1,183,000 increase in fixed maturity securities income, a \$847,000 increase in insurance assignment income, a \$134,000 increase in equity securities income, and a \$21,000 increase in policy loan interest which were partially offset by a \$2,415,000 increase in investment expenses, a \$2,004,000 decrease in interest on cash and cash equivalents, a \$1,175,000 decrease in real estate income, and a \$192,000 decrease in other investment income.

Net mortuary and cemetery sales increased by \$167,000, or 0.8%, to \$21,699,000 for the nine-month period ended September 30, 2025, from \$21,532,000 for the comparable period in 2024. This increase was primarily due to a \$516,000 increase in mortuary at-need sales, which were partially offset by a \$240,000 decrease in cemetery pre-need sales and a \$109,000 decrease in cemetery at-need sales.

Gains (losses) on investments and other assets increased by \$1,061,000, or 40.2% to \$3,701,000 for the nine-month period ended September 30, 2025, from \$2,640,000 for the comparable period in 2024. This increase in gains on investments and other assets was primarily due to a \$1,161,000 increase in gains on mortgage loans held for investment, a \$869,000 increase in gains on real estate, and a \$6,000 increase in gains on fixed maturity securities, which were partially offset by a \$833,000 decrease in gains on equity securities primarily attributable to decreases in the fair value of these equity securities and a \$142,000 decrease in gains on other assets.

Other revenues decreased by \$758,000, or 20.00%, to \$3,034,000 for the nine-month period ended September 30, 2025, from \$3,792,000 for the comparable period in 2024. This decrease was primarily due to a decrease of \$713,000 in other miscellaneous revenues and a decrease of \$45,000 in servicing fee revenue due to a decrease in the retention of mortgage servicing rights.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of \$2,267,000 or 3.1%, to \$76,223,000 for the nine-month period ended September 30, 2025, from \$73,956,000 for the comparable period in 2024. This increase was primarily the result of a \$2,896,000 increase in death benefits and a \$354,000 increase in surrender and other policy benefits, which were partially offset by \$983,000 decrease in future policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$4,635,000, or 40.9%, to \$15,968,000 for the nine-month period ended September 30, 2025, from \$11,332,000 for the comparable period in 2024. This increase was primarily due to an increase in the termination rate for deaths, lapses, policies moving to a reduced paid up status, and a shift in product mix.

Selling, general and administrative expenses increased by \$9,399,000, or 7.3%, to \$138,351,000 for the nine-month period ended September 30, 2025, from \$128,952,000 for the comparable period in 2024. This increase was primarily the result of a \$3,966,000 increase in personnel expenses due to an annual increase in salaries and key new hires as a part of the Company's growth strategy, a \$3,480,000 increase in other expenses, a \$2,319,000 increase in commissions, a \$443,000 increase in costs related to funding mortgage loans, a \$366,000 increase in advertising expense, and a \$30,000 increase in depreciation on property and equipment, which were partially offset by a \$1,205,000 decrease in rent and rent related expenses.

Interest expense increased by \$317,000, or 10.0%, to \$3,479,000 for the nine-month period ended September 30, 2025, from \$3,162,000 for the comparable period in 2024. This increase was primarily due to an increase of \$296,000 in interest expense on mortgage warehouse lines of credit for loans held for sale and an increase of \$21,000 in interest expense on bank loans.

Cost of goods and services sold in mortuaries and cemeteries decreased by \$101,000, or 2.8%, to \$3,526,000 for the nine-month period ended September 30, 2025, from \$3,627,000 for the comparable period in 2024. This decrease was primarily due to a decrease of \$87,000 in at-need sales and a decrease of \$14,000 in pre-need sales.

In summary, total benefits and expenses were \$237,547,000, or 90.8% of total revenues, for the nine-month period ended September 30, 2025, as compared to \$221,030,000, or 86.6% of total revenues, for the comparable period in 2024.

Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the sale or maturity of investments. The mortgage subsidiaries realize cash flow from fees generated by originating and refinancing mortgage loans and fees from mortgage loans held for sale that are sold to investors into the secondary market. It should be noted that current conditions in the financial markets and economy may affect the realization of these expected cash flows. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses related to the issuance of new policies, the maintenance of existing policies, debt service, and to meet current operating expenses.

As of September 30, 2025, SecurityNational Mortgage was not in compliance with the adjusted tangible net worth covenant of Western Alliance Bank's warehouse line of credit. SecurityNational Mortgage is in the process of receiving waivers. In the unlikely event the Company is required to repay the outstanding advances of approximately \$7,412,571 on the warehouse lines of credit, the Company has sufficient cash to do so. The Company has also performed an analysis of its funding capacities of both internal and external sources and has determined that there are sufficient funds to continue its current business model. The Company continues to negotiate other warehouse lines of credit with other lenders.

During the nine-month periods ended September 30, 2025, and 2024, the Company's operations provided cash of approximately \$27,553,000 and of approximately \$34,894,000, respectively. The decrease in cash provided by operations was due primarily to the decrease in net earnings.

The Company expects to pay out liabilities under its funeral plans over the long term given the nature of those plans. Funeral plans are small face value life insurance policies that payout upon a person's death to cover funeral burial costs; policyholders generally keep these policies in force until, and do not surrender prior to, death. Because of the long-term nature of these liabilities, the Company can hold to maturity or for the targeted investment period its corresponding bond, real estate, and mortgage loan investments, thus reducing the risk of liquidating these long-term investments because of any sudden changes in their fair values.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held to maturity in the portfolio to help in this timing matching. The Company purchases short-term investments on a temporary basis to meet the expected short-term requirements of the Company's insurance products. The Company's investment philosophy is intended to provide a rate of return for the expected duration of its cemetery and mortuary policies that will exceed the accruing of liabilities under those policies regardless of future interest rate movements.

The Company's investment policy is also to invest predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans. The warehoused mortgage loans are typically held for sale on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the Company's life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to \$370,953,000 (at estimated fair value) and \$348,774,000 (at estimated fair value) as of September 30, 2025, and December 31, 2024, respectively. This represented 35.4% and 38.0% of the total investments of the Company as of September 30, 2025, and December 31, 2024, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for the rating of bonds. As of September 30, 2025, 1.6% (or \$5,882,000) and as of December 31, 2024, 2.4% (or \$8,431,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

The Company's life insurance subsidiaries are subject to risk-based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. As of September 30, 2025, and December 31, 2024, the life insurance subsidiaries were in compliance with the regulatory criteria.

The Company's total capitalization of stockholders' equity, bank and other loans payable was \$488,478,000 as of September 30, 2025, as compared to \$445,522,000 as of December 31, 2024. This increase was primarily due to an increase of \$26,600,000 in stockholders' equity and an increase of \$16,356,000 in bank loans and other loans payable. Stockholders' equity as a percent of total capitalization was 74.8% and 76.1% as of September 30, 2025, and December 31, 2024, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2024 was 7.0% as compared to a lapse rate of 4.4% for 2023. The 2025 lapse rate to date has been approximately the same as 2024.

The combined statutory capital and surplus of the Company's life insurance subsidiaries was approximately \$133,949,000 and \$120,216,000 as of September 30, 2025, and December 31, 2024, respectively. The life insurance subsidiaries cannot pay a dividend to their parent company without the approval of state insurance regulatory authorities.

The One Big Beautiful Bill Act ("OBBBA"), which was signed into law on July 4, 2025, significantly affected U.S. income tax law. The Company is currently assessing its impact; however, the Company does not expect a material impact to its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of September 30, 2025, the Company carried out an evaluation under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission (SEC) reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The executive officers have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2025, and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented in conformity with United States Generally Accepted Accounting Principles (GAAP).

Changes in Internal Control over Financial Reporting

There have not been any significant changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings.

The Company is not a party to any material legal proceedings outside the ordinary course of business or to any other legal proceedings, which if adversely determined, would be expected to have a material adverse effect on its financial condition or results of operation.

Item 1A. Risk Factors.

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Recent Sales of Unregistered Securities and Use of Proceeds from Registered Securities**

None.

Issuer Purchases of Equity Securities

On April 22, 2025, the Company executed a 10b5-1 agreement with a broker to repurchase shares of the Company's Class A Common Stock. Under the terms of the agreement, the broker is permitted to repurchase up to \$1,000,000 of the Company's Class A Common Stock. Purchases commenced April 23, 2025. The agreement is subject to the daily time, price, and volume conditions of Rule 10b-18. The agreement will expire on December 31, 2025.

The following table shows the Company's repurchase activity during the three-month period ended September 30, 2025, under the 10b5-1 agreement.

Period	(a) Total Number of Class A Shares Purchased	(b) Average Price Paid per Class A Share (1)	(c) Total Number of Class A Shares Purchased as Part of Publicly Announced Plan or Program	(d) Maximum Number (or Approximate Dollar Value) of Class A Shares that May Yet Be Purchased Under the Plan or Program (2)
7/1/2025-7/31/2025	4,463	\$ 10.22	-	94,565
8/1/2025-8/31/2025	-	-	-	94,565
9/1/2025-9/30/2025	-	-	-	94,565
Total	4,463	\$ 10.22	-	94,565

(1) Includes fees and commissions paid on stock repurchases.

(2) In September 2018, the Board of Directors of the Company approved a Stock Repurchase Plan that authorized the repurchase of 300,000 shares of the Company's Class A Common Stock in the open market. The Company amended the Stock Repurchase Plan on December 4, 2020. The amendment authorized the repurchase of a total of 1,000,000 shares of the Company's Class A Common Stock in the open market. Any repurchased shares of Class A common stock are to be held as treasury shares to be used as the Company's employer matching contribution to the Employee 401(k) Retirement Savings Plan and for shares held in the Deferred Compensation Plan.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes provisions that allow for the immediate expensing of domestic research and development expenses, immediate expensing of certain capital expenditures, and other changes to the U.S. taxation of profits derived from foreign operations. The Company continues to evaluate the impact the new legislation will have on its estimated annual effective tax rate and cash tax position; however, the Company does not expect a material impact to its estimated effective tax rate in 2025.

Item 6. Exhibits, Financial Statements Schedules, and Reports on Form 8-K.

(a)(1) Financial Statements

See “Table of Contents – Part I – Financial Information” under page 2 above.

(a)(2) Financial Statement Schedules

None

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-K or are incorporated by reference to previous filings.

- 3.1 [Amended and Restated Articles of Incorporation \(1\)](#)
- 3.2 [Amended and Restated Bylaws \(2\)](#)
- 21 [Subsidiaries of the Registrant](#)
- 31.1 [Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Incorporated by reference from Report on Form 10-K, as filed on March 31, 2017

(2) Incorporated by reference from Report on Form 10-Q, as filed on May 15, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGISTRANT

SECURITY NATIONAL FINANCIAL CORPORATION

Registrant

Dated: November 13, 2025

/s/ Scott M. Quist

Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 13, 2025

/s/ Garrett S. Sill

Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

SUBSIDIARIES OF THE REGISTRANT
AS OF SEPTEMBER 30, 2025**Life Insurance Segment**

Security National Life Insurance Company
Reppond Holding Corporation
First Guaranty Insurance Company
Kilpatrick Life Insurance Company
Southern Security Life Insurance Company, Inc.
Trans-Western Life Insurance Company
Security National Funding Company
New York Land Holdings, Inc.
5300 Development LLC
434 Holdings LLC
Ascension 433 LLC
Ascension 5204 LLC
SN Farmington LLC
SNA Venture LLC
SNA-CM LLC
SNA-MV LLC
SNA-PE LLC
SNA-RVP LLC
SNA-RVP2 LLC
SNA-SW LLC
SNA-TR2 LLC
SNA-WL2 LLC
SNA-MC LLC
SNA-PG LLC
SNCH Venture LLC
SNH Investments LLC
SNHH LLC
SNMA Properties LLC
SNMA-AR LLC
SNMA-AR2 LLC
SNMA-PF LLC
SNMA-SC LLC
SNW-HAFB LLC
SNHH-SH LLC
SNHH-OW LLC
C & J Financial, LLC
Beneficiary Advance LLC
SNFC Subsidiary, LLC
American Funeral Financial, LLC
Mortician's Choice, LLC
FFC Acquisition Co., LLC dba Funeral Funding Center
Canadian Funeral Financial, LLC
Beta Capital Corp.
MFF Capital LLC
Marketing Source Center, Inc. dba Security National Travel Services
Security National Real Estate Services, Inc. dba Security National Commercial Capital
SN Marketing LLC

Mortgage Segment

SecurityNational Mortgage Company
EverLEND Mortgage Company
SN Sunset LLC

Cemetery/Mortuary Segment

Memorial Estates, Inc.
Memorial Estates Endowment Care
Memorial Estates Trusts
Memorial Mortuary, Inc.
SN Probst LLC
SN-Holbrook LLC
SN-Rivera LLC
SNR-SF Cemetery LLC
SNR-SF Mortuary LLC
SNR-Taos LLC
SNR-Espanola LLC
SNR-LA LLC
Affordable Funerals and Cremations of America, Inc.
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Holladay Memorial Park, Inc.
Holladay Memorial Park Foundation Trust
Holladay-Cottonwood Memorial Foundation
Holladay-Cottonwood Memorial Foundation Trust
California Memorial Estates, Inc. dba Singing Hills Memorial Park
MEM-JK LLC
SN Oquirrh LLC
SN Towns LLC

CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott M. Quist, certify that:

1. I have reviewed this report on Form 10-Q of Security National Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 13, 2025

/s/ Scott M. Quist

Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Garrett S. Sill, certify that:

1. I have reviewed this report on Form 10-Q of Security National Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 13, 2025

/s/ Garrett S. Sill

Garrett S. Sill

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Quist, Chairman of the Board, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 13, 2025

/s/ Scott M. Quist

Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Garrett S. Sill, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 13, 2025

/s/ Garrett S. Sill

Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)
