

Security National

Family of Companies



Security National Financial Corporation Reports Financial Results for the Quarter Ended September 30, 2022

November 14, 2022

SALT LAKE CITY, Nov. 14, 2022 (GLOBE NEWSWIRE) -- Security National Financial Corporation (SNFC) (NASDAQ symbol "SNFCA") announced financial results for the quarter ended September 30, 2022.

For the three months ended September 30, 2022, SNFC's after tax earnings decreased 121% from \$10,791,000 in 2021 to a loss of (\$2,353,000) in 2022. For the nine months ended September 30, 2022, after tax earnings decreased 87% to \$4,450,000 from \$34,177,000 in 2021.

Scott M. Quist, President of the Company, said:

"2022 is continuing to be a challenging year for our Company due primarily to the dramatic rise in inflation and interest rates, and the dramatic fall in equity values. In the mortgage space, purchase transactions are down roughly 40% YOY and refinance transactions are down roughly 80% YOY. Equity values, as measured by the S&P Index, are down 25% Q3 YTD. That economic backdrop has proven to be challenging.

Speaking in Year-to-Date terms, our Mortgage Segment has had an approximate \$2MM loss from operations. We just have not reduced costs quickly enough in the face of declining production. Next, in order of magnitude, we have experienced about a \$4MM loss in unrealized stock losses, \$3MM loss in mortgage accounting derivatives, \$2MM in scratch-and-dent loan market losses due to interest rate movements, and a \$1MM loss on the sale of a Kansas office building. Including the operations loss, that is \$12MM of losses proximately attributable to the economic environment. This is by no means an excuse for our performance, but rather simply pointing out that we have much less control over the environment.

By way of further explanation, regarding the mortgage derivative loss, in GAAP accounting we are required to establish a derivative value of our future loan pipeline. The biggest factor in that calculation is simply transaction volume. If volumes are increasing the derivative is positive, and if volumes decrease the derivative is negative. This year we have seen massively decreasing volumes and thus the derivative loss. Regarding the scratch-and-dent loss, scratch-and-dent loans are an ongoing predictable occurrence in mortgage banking for which we establish customary reserves. A scratch-and-dent loan is simply a loan that for any number of reasons has a defect and is given back to us to cure. There is usually about a 90-120 day lag between loan origination and our being informed of a specific loan defect. This year that lag, given the rise in interest rates, was more costly than the "scratch-and-dent" characteristic. In a nutshell, a 3.5% interest rate loan originated in January, but sent back to us in April or May, suffered a greater decrease in value due to market interest rate increases between January and April than because of the defect. We simply did not hedge sufficiently against that portion of our interest rate risk.

Lastly, I would be remiss to not mention the sale of our Mortgage Servicing Rights (MSR's) as disclosed in our 8K filing of November 2, 2022, and Press Release dated November 3, 2022. The nominal value of that sale is approximately \$90MM and our book value on the MSRs is approximately \$57MM. That gain, less transaction related costs, will be recognized in the 4th Quarter. As discussed in the Press Release, the decision to sell was driven simply by investment considerations. Given our cost to service, the MSRs only yielded about a 5% return on market value. Believing that we can generate greater than 5% returns on future investments we liquidated our MSR position. In the future, from time to time when we believe market conditions dictate, we will again establish an MSR position. That sale represents a very positive situation caused by the current economic environment - so current economic effects are not all negative. Indeed, we are very positive about our future!"

SNFC has three business segments. The following table shows the revenues and earnings before taxes for the three months ended September 30, 2022, as compared to 2021, for each of the three business segments:

	Revenues			Earnings before Taxes		
	2022	2021		2022	2021	
Life Insurance	\$ 43,118,000	\$ 42,040,000	2.6%	\$ 4,234,000	\$ 3,721,000	13.8%
Cemeteries/Mortuaries	\$ 6,692,000	\$ 6,705,000	(0.2%)	\$ 901,000	\$ 1,748,000	(48.5%)
Mortgages	\$ 33,667,000	\$ 70,764,000	(52.4%)	\$ (8,437,000)	\$ 8,674,000	(197.3%)
Total	\$ 83,477,000	\$ 119,509,000	(30.2%)	\$ (3,302,000)	\$ 14,143,000	(123.3%)

For the nine months ended September 30, 2022:

	Revenues			Earnings before Taxes		
	2022	2021		2022	2021	
Life Insurance	\$ 125,786,000	\$ 121,641,000	3.4%	\$ 8,982,000	\$ 11,110,000	(19.2%)
Cemeteries/Mortuaries	\$ 21,446,000	\$ 20,512,000	4.6%	\$ 4,407,000	\$ 6,718,000	(34.4%)

Mortgages	\$	134,238,000	\$	216,765,000	(38.1%)	\$	(7,518,000)	\$	27,348,000	(127.5%)
Total	\$	281,470,000	\$	358,918,000	(21.6%)	\$	5,871,000	\$	45,176,000	(87.0%)

Net earnings per common share was \$.20 for the nine months ended September 30, 2022, compared to net earnings of \$1.56 per share for the prior year, as adjusted for the effect of annual stock dividends. Book value per common share was \$12.82 as of September 30, 2022, compared to \$14.77 as of December 31, 2021.

The Company has two classes of common stock outstanding, Class A and Class C. There were 20,974,164 Class A equivalent shares outstanding as of September 30, 2022.

If there are any questions, please contact Mr. Garrett S. Sill or Mr. Scott Quist at:

Security National Financial Corporation
P.O. Box 57250
Salt Lake City, Utah 84157
Phone (801) 264-1060
Fax (801) 265-9882

This press release contains statements that, if not verifiable historical fact, may be viewed as forward-looking statements that could predict future events or outcomes with respect to Security National Financial Corporation and its business. The predictions in the statements will involve risk and uncertainties and, accordingly, actual results may differ significantly from the results discussed or implied in such forward-looking statements.



Source: Security National Financial Corporation