April 19, 2024

Dear Fellow Stockholder:

We are holding the 2024 Annual Meeting of Stockholders of FFBW, Inc. (the "Company") at the Bank's office at 1039 West Historic Mitchell Street, Milwaukee, Wisconsin on Wednesday, May 22, 2024, at 2:00 p.m., Central Time.

The enclosed Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the annual meeting. During the Annual Meeting we will also report on the operations of the Company. Also enclosed for your review is our Annual Report for the year ended December 31, 2023, which contains information concerning our activities and operating performance.

The business to be conducted at the Annual Meeting consists of the election of directors, the ratification of the appointment of Wipfli LLP as our independent registered public accounting firm for the year ending December 31, 2024 and any other business that properly comes before the Annual Meeting. The Board of Directors has determined that the matters to be considered at the Annual Meeting are in the best interest of FFBW, Inc. and its stockholders, and the Board of Directors unanimously recommends a vote "FOR" each matter to be considered.

On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card as soon as possible, even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person but will assure that your vote is counted if you are unable to attend the Annual Meeting. Your vote is important, regardless of the number of shares that you own.

Our Proxy Statement and the 2023 Annual Report are available at: www.firstfederalwisconsin.com.

Sincerely,

Edward H. Schaefer

Edward H. Schaefer
President and Chief Executive Officer

FFBW, Inc.
1360 South Moorland Road
Brookfield, Wisconsin 53005
(262) 542-4448

NOTICE OF
ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 22, 2024

Notice is hereby given that the 2024 Annual Meeting of Stockholders of FFBW, Inc. will be held at the Bank's office at 1039 West Historic Mitchell Street, Milwaukee, Wisconsin, on Wednesday, May 22, 2024, at 2:00 p.m., Central Time.

A Proxy Card and Proxy Statement for the annual meeting are enclosed. The annual meeting is for the purpose of considering and acting upon:

1. the election of three directors;

2. the ratification of the appointment of Wipfli LLP as independent registered public accounting firm for the year ending December 31, 2024; and

such other matters as may *properly* come before the annual meeting, or any adjournments thereof. The Board of Directors is not aware of any other business to come before the annual meeting.

Any action may be taken on the foregoing proposals at the annual meeting on the date specified above, or on the date or dates to which the annual meeting may be adjourned. Stockholders of record at the close of business on April 1, 2024 are the stockholders entitled to vote at the annual meeting, and any adjournments thereof.

EACH STOCKHOLDER, WHETHER HE OR SHE PLANS TO ATTEND THE ANNUAL MEETING, IS REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY GIVEN BY THE STOCKHOLDER MAY BE REVOKED AT ANY TIME BEFORE IT IS VOTED. A PROXY MAY BE REVOKED BY FILING WITH THE CORPORATE SECRETARY OF FFBW, INC. A WRITTEN REVOCATION OR A DULY EXECUTED PROXY CARD BEARING A LATER DATE. ANY STOCKHOLDER PRESENT AT THE ANNUAL MEETING MAY REVOKE HIS OR HER PROXY AND VOTE PERSONALLY ON EACH MATTER BROUGHT BEFORE THE ANNUAL MEETING. HOWEVER, IF YOU ARE A STOCKHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM YOUR RECORD HOLDER IN ORDER TO VOTE IN PERSON AT THE ANNUAL MEETING. ATTENDANCE AT THE ANNUAL MEETING WILL NOT IN ITSELF CONSTITUTE REVOCATION OF YOUR PROXY.

By Order of the Board of Directors

DeVona Wright Cottrell
Corporate Secretary

Brookfield, Wisconsin
April 19, 2024

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE EXPENSE OF FURTHER REQUESTS FOR PROXIES. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS: THE PROXY STATEMENT, INCLUDING THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS, AND FFBW, INC.'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2023 ARE EACH AVAILABLE ON THE INTERNET AT WWW.FIRSTFEDERALWISCONSIN.COM.

PROXY STATEMENT

FFBW, Inc.
1360 South Moorland Road
Brookfield, Wisconsin 53005
(262) 542-4448

ANNUAL MEETING OF STOCKHOLDERS

May 22, 2024

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of FFBW, Inc. to be used at the Annual Meeting of Stockholders, which will be held at the Bank's office at 1039 West Historic Mitchell Street, Milwaukee, Wisconsin on Wednesday, May 22, 2024, at 2:00 p.m., Central Time, and all adjournments of the annual meeting. The accompanying Notice of Annual Meeting of Stockholders and this Proxy Statement are first being mailed to stockholders on or about April 19, 2024.

REVOCATION OF PROXIES

Stockholders who execute proxies in the form solicited hereby retain the right to revoke them in the manner described below. Unless so revoked, the shares represented by such proxies will be voted at the annual meeting and all adjournments thereof. Proxies solicited on behalf of the Board of Directors of FFBW, Inc. will be voted in accordance with the directions given thereon. **Please sign and return your proxy card in the postage-paid envelope provided. Where no instructions are indicated on the proxy card, signed proxies will be voted "FOR" the election of the nominees for director named herein and "FOR" the ratification of the appointment of Wipfli LLP as our independent registered public accounting firm for the year ending December 31, 2024.**

Proxies may be revoked by sending written notice of revocation to the Corporate Secretary of FFBW, Inc. at the address shown above, by filing a duly executed proxy bearing a later date, by following the internet or telephone instructions on the enclosed proxy card or by voting in person at the annual meeting. The presence at the annual meeting of any stockholder who had given a proxy shall not revoke such proxy unless the stockholder delivers his or her ballot in person at the annual meeting or delivers a written revocation to our Corporate Secretary prior to the voting of such proxy.

If you have any questions about giving your proxy or require assistance, please call Steven Wierschem, Chief Financial Officer, at (262) 542-4448.

If you are a stockholder whose shares are not registered in your name, you will need appropriate documentation from your record holder to vote in person at the annual meeting.

SOLICITATION OF PROXIES; EXPENSES

We will pay the cost of this proxy solicitation. Our directors, executive officers, and other employees may solicit proxies by mail, personally, by telephone, by press release, by facsimile transmission or by other electronic means. No additional compensation will be paid to our directors, executive officers or employees for such services. We will reimburse brokerage firms and other custodians, nominees, and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of our common stock.

VOTING SECURITIES AND PRINCIPAL HOLDERS

Except as otherwise noted below, holders of record of FFBW, Inc.'s shares of common stock, par value $0.01 per share, as of the close of business on April 1, 2024, are entitled to one vote for each share then held. As of April 1, 2024, there were 4,909,372 shares of common stock issued and outstanding.

In accordance with the provisions of the Company's Articles of Incorporation, record holders of common stock who beneficially own in excess of 10% of the outstanding shares of common stock (the "Limit") are not entitled to any vote with respect to the shares held in excess of the Limit. The Company's Articles of Incorporation authorize the Board of Directors (i) to make all determinations necessary to implement and apply the Limit, including determining whether persons or entities are acting in concert, and (ii) to demand that any person who is reasonably believed to beneficially own stock more than the Limit supply information to the Company to enable the Board of Directors to implement and apply the Limit.

Quorum

The presence in person or by proxy of holders of a majority of the total number of outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes will be counted for purposes of determining that a quorum is present. In the event there are not sufficient votes for a quorum, or to approve or ratify any matter being presented at the time of the annual meeting, the annual meeting may be adjourned in order to permit the further solicitation of proxies.

As to the election of directors, the proxy card being provided by the Board of Directors enables a stockholder: (i) to vote FOR ALL nominees; (ii) to WITHHOLD for ALL nominees; or (iii) to vote FOR ALL EXCEPT one or more of the nominees. Directors are elected by a plurality of votes cast, without regard to either broker non-votes or proxies as to which the authority to vote for the nominees being proposed is withheld. Plurality means that individuals who receive the highest number of votes cast are elected, up to the maximum number of directors to be elected at the annual meeting.

As to the ratification of the appointment of Wipfli LLP as our independent registered public accounting firm for the year ending December 31, 2024, by checking the appropriate box, a stockholder may: (i) vote FOR the ratification; (ii) vote AGAINST the ratification; or (iii) ABSTAIN from voting on such ratification. The ratification of this matter shall be determined by a majority of the votes represented at the annual meeting and entitled to vote on the matter. Broker non-votes will not affect the outcome of the vote, and abstentions will have the same effect as votes against.

Participants in the First Federal Bank of Wisconsin Employee Stock Ownership Plan

If you participate in the First Federal Bank of Wisconsin Employee Stock Ownership Plan (the "ESOP"), you will receive a Vote Authorization Form for the ESOP that reflects all the shares you may direct the trustees to vote on your behalf under the ESOP. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the proportionate interest of shares of our common stock allocated or deemed allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary responsibilities, will vote all unallocated shares of our common stock held by the ESOP and allocated or deemed allocated shares for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions, subject to a determination that such vote is in the best interest of ESOP participants. **The deadline for returning your ESOP Vote Authorization Form is May 15, 2024 at 11:59 p.m. Central Time. The telephone and internet voting deadline for ESOP participants is also 11:59 p.m. Central time on May 15, 2024.**

PROPOSAL I—ELECTION OF DIRECTORS

Our Board of Directors is comprised of eight members. Our Bylaws provide that directors are divided into three classes as nearly equal in number as possible, with one class of directors elected annually. Three directors have been nominated for election at the annual meeting. The Board of Directors has nominated James P. Lenahan, Kathryn Sawyer Gutenkunst and Michael J. Pjevach, each to serve as a director for a three-year term ending in 2027 and until their respective successors shall have been elected and qualified. All nominees have agreed to serve as a director if elected.

The following sets forth certain information regarding the nominees, the other continuing members of our Board of Directors, and our executive officer who is not a director, including the terms of office of board members. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to any nominee) will be voted at the annual meeting for the election of the proposed nominees. If a nominee is unable to serve, the shares represented by all such proxies will be voted for the election of such substitute as the Board of Directors may determine. At this time, the Board of Directors knows of no reason why any of the nominees might be unable to serve, if elected. Each of the nominees is a current member of the Company's Board of Directors. There are no arrangements or understandings between any nominee or continuing director and any other person pursuant to which such nominee or continuing director was selected. Age information is as of April 1, 2024, and an individual's service as a director includes service with First Federal Bank of Wisconsin.

With respect to directors and nominees, the biographies contain information regarding the person's business experience and the experiences, qualifications, attributes or skills that caused the Board of Directors to determine that the person should serve as a director.

Nominees

The nominees for director are:

For a three-year term ending in 2027

James P. Lenahan, age 66, is a corporate executive with more than 25 years of experience building and running successful companies. He is currently President and Chief Executive Officer of the following businesses: Ludman Industries LLC, a manufacturer and provider of heavy equipment to the mining, food, wastewater, chemical, and pharmaceutical industries, headquartered in Milwaukee, a position he has held since 2011; Northern Engineering and Manufacturing, a provider of machining for customers in the Midwest, headquartered in Milwaukee, a position he has held since 2012; Keystone Riverview LLC, a land development and building construction company, headquartered in Milwaukee, a position he has held since 2015; and partial owner of Keystone Stack Equipment LLC, the largest provider and rebuilder of aftermarket lifts for the construction industry, headquartered in Milwaukee, a position he has held since 2017. He received the Vatican John Paul II Award from the Archdiocese of Milwaukee in 2017, and is a Former Navigator, President, and Grand Knight of the Knights of Columbus, among many other board positions for various organizations in the Milwaukee area. Mr. Lenahan's extensive experience as a business owner provides the board with an important perspective on managerial oversight and business development.

Kathryn Sawyer Gutenkunst, age 62, is an attorney and equity partner at Axley Brynelson. Ms. Gutenkunst concentrates her practice on civil litigation, family law, municipal law, and law related to land use and development, real estate and eminent domain. Ms. Gutenkunst's knowledge of real estate law and local land use regulations provides the board with valuable business acumen and knowledge of the real estate market in our market area. Ms. Gutenkunst is past president of Waukesha County Bar and past secretary of Ausblick ski hill.

Michael J. Pjevach, age 61, is retired and resides in Pewaukee, Wisconsin. Mr. Pjevach spent 34 years in the passenger transportation business, holding the Senior Vice President-West Region position at Coach USA, Inc. when he retired. Mr. Pjevach holds a B.B.A. from University of Wisconsin – Madison with a major in accounting. He is a certified public accountant and started his career at Arthur Andersen & Company. Mr. Pjevach has over 37 years of general business administration and corporate and financial experience. Mr. Pjevach has served on many community boards. Mr. Pjevach previously served on the City of Pewaukee Public Works Committee, Waukesha County Business Alliance board, Potawatomi Area Boy Scout Council golf committee, Waukesha County Chamber of Commerce board, Waukesha, Education Foundation board, Waukesha County Action Network board, Waukesha County Economic Development Corporation board, Healthy Families of Waukesha County board, and United Cerebral Palsy of Southeastern Wisconsin board. Mr. Pjevach is past chairman of the board of directors of the Waukesha County Chamber of Commerce and Waukesha Education Foundation. Mr. Pjevach is a member of the American Institute of Certified Public Accountants and the Wisconsin Institute of Certified Public Accountants. This experience provides the board with financial sophistication and general business acumen.

The following directors of FFBW, Inc. have terms ending in 2025:

José A. Olivieri, age 67, is a Senior Partner of the Milwaukee office of the full-service law firm Michael Best & Friedrich LLP. He is a past Managing Partner of the Milwaukee office. Mr. Olivieri's practice includes representing management in employment-related matters and business immigration law. He is also the leader of the firm's Higher Education Practice and served as Chair of Michael Best's Labor and Employment Relations Practice Group from 2007 to 2015. Outside of his legal practice, Mr. Olivieri has served in a variety of leadership positions for local organizations. Mr. Olivieri received his J.D. from Marquette University Law School in 1981. Mr. Olivieri's legal experience and his business contacts in our market area provide the board with legal expertise and business acumen as well as business development opportunities.

Christine A. Specht, age 50, is the Chief Executive Officer of Cousins Subs, a sub sandwich chain headquartered in Menomonee Falls, Wisconsin, a role she has held since January 2019. Prior to this, from 2015 until 2019, in addition to Chief Executive Officer, she also held the role of President of Cousins Subs. Ms. Specht first began her career at Cousins Subs in 2001 as the Human

Resources Manager. In 2008, she became the President and Chief Operating Officer, and in 2015 assumed the role of President and Chief Executive Officer. In her current role as Chief Executive Officer, she remains the visionary for the brand focused on continuing a strong culture throughout Cousins' system and leading growth and business strategy. Ms. Specht serves in leadership positions for a variety of local organizations. In 2021, Specht received the *CHART* (Council of Hotel and Restaurant Trainers) Commitment to People Award and in 2022, was honored as one of Wisconsin's Most Influential Business Leaders by *BizTimes*. Ms. Specht's experience as a business owner brings vision and business growth strategy to the board.

The following directors of FFBW, Inc. have terms ending in 2026:

Edward H. Schaefer, age 62, is President and Chief Executive Officer of FFBW, Inc. and First Federal Bank of Wisconsin, positions he has held since July 2016. Prior to these appointments, from 2010 until 2016, Mr. Schaefer served as President and Chief Executive Officer of Citizens Community Federal NA, a national bank headquartered in Eau Claire, Wisconsin, and its publicly traded holding company, Citizens Community Bancorp, Mr. Schaefer has over 30 years of banking experience, including managerial as well as all aspects of credit administration and underwriting. In addition to his extensive banking experience, during his career, Mr. Schaefer served for seven years as President and Chief Executive Officer of Huntsinger Farms, Inc., and its subsidiary Silver Spring Foods, Inc., Eau Claire, Wisconsin, one the world's largest grower and processors of horseradish and horseradish related products. Mr. Schaefer's broad business, banking, and managerial experience, including his knowledge of commercial and consumer banking, provides the board with a perspective on the day-to-day operations of First Federal Bank of Wisconsin and assists the board in assessing the trends and developments in the financial institutions industry on a local and national basis.

JoAnne Anton, age 54, is President and Chief Executive Officer of Herb Kohl Philanthropies where she works to honor the life and legacy of former U.S. Senator and businessman Herb Kohl. She guides the direction and strategies for the foundation's philanthropic goals, investments, and community involvement. Prior to her current position, she spent over two decades working in various roles for federal, state, and local elected leaders while also assisting her husband in the operations of several local businesses. Her leadership was tapped to serve as Director of the Transition team for Governor Tony Evers and in the Milwaukee Bucks' efforts toward a new downtown arena and sale of the team. Ms. Anton serves on the boards of the Greater Milwaukee Committee, Harbor District Inc., UW-Madison LaFollette School of Public Affairs, Wisconsin State Fair Park Foundation, Milwaukee World Festival Inc, and is a past president of the Rotary Club of Milwaukee and member of Professional Dimensions. Ms. Anton's position, business and philanthropic experience, her knowledge of the region, and her contacts with community leaders provides the board with insight to the many growth efforts being made in our market area.

DeVona Wright Cottrell, age 50, is Chief Legal Officer and General Counsel of GMR Marketing overseeing the agency's and broader network Omnicom Experiential Group's legal, compliance and risk management teams, positions she has held since August 2020. Prior to these appointments, from 2015 until August 2020, Ms. Wright Cottrell served as Director and Associate General Counsel of Robert W. Baird & Co. Incorporated. She joined Baird in 2007 and has broad exposure to Baird's businesses and primary legal responsibility for Baird's Fixed Income Capital Markets business unit and provided legal support to several of the firm's corporate resource groups, including Risk Management, Compliance and Facilities regarding information security, privacy, regulatory, and commercial real estate related matters. Ms. Wright Cottrell is a diligent volunteer and mentor in the greater Milwaukee-area community and serves on numerous local boards and committees throughout the city, including board member of Tempo Milwaukee, Dr. Howard Fuller Collegiate Academy, the United Way of Greater Milwaukee and Waukesha County (UWGMWC) and 2024 Capital Campaign Co-Chair of UWGMWC, Marquette University High School, and Milwaukee Women, Inc (MWi) steering committee. Ms. Wright Cottrell has received numerous awards and recognitions, including most recently, *The 2024 Wisconsin Titan 100 Award*, The 2023 *Consero General Counsel Diversity*, Equity & Inclusion Champion Award, The *Milwaukee Business Journal* 2021 Women of Influence Award, TEMPO Milwaukee 2020 Mentor Award and many others. Ms. Wright Cottrell is also recognized by The *Milwaukee Business Journal as a 2023 and 2024 Power Broker*. Ms. Wright Cottrell's legal experience and her contacts in our market area provide the board with legal and compliance expertise and business acumen as well as business development opportunities.

Executive Officer who is Not a Director

Steven L. Wierschem, age 44, is Chief Financial Officer of FFBW, Inc. and First Federal Bank of Wisconsin, positions he has held since August 2020. Prior to these appointments, since January 2007, Mr. Wierschem had been employed with PricewaterhouseCoopers LLP (PwC) in positions of increasing responsibility in the audit practice, most recently, having served as a Director in PwC's Milwaukee, Wisconsin office and previously in PwC's London and Washington D.C. offices. Mr. Wierschem holds a B.B.A. and M.B.A. from the University of Wisconsin – Madison and is a certified public accountant, licensed in Wisconsin.

References to our Website Address

References to our website address throughout this proxy statement and the accompanying materials are for informational purposes only. These references are not intended to, and do not, incorporate the contents of our website by reference into this proxy statement or the accompanying materials.

Communications with the Board of Directors

Any stockholder who wishes to contact our Board of Directors or an individual director may do so by writing to: FFBW, Inc., 1360 South Moorland Road, Brookfield, Wisconsin 53005, Attention: Board of Directors. The letter should indicate that the sender is a stockholder and, if shares are not held of record, should include appropriate evidence of stock ownership. Communications are reviewed by the Corporate Secretary and are then distributed to the Board of Directors or the individual director, as appropriate, depending on the facts and circumstances outlined in the communications received. The Corporate Secretary may attempt to handle an inquiry directly (for example, where it is a request for information about FFBW, Inc. or it is a stock-related matter). The Corporate Secretary has the authority not to forward a communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate. At each Board of Directors meeting, the Corporate Secretary shall present a summary of all communications received since the last meeting that were not forwarded and make those communications available to the Directors on request.

Meetings and Committees of the Board of Directors

The business of FFBW, Inc. is conducted at regular and special meetings of the Board of Directors and its committees. The standing committees of the Board of Directors of FFBW, Inc. are the Audit Committee, the Nominating and Corporate Governance Committee, and the Compensation Committee.

During 2023, the board of directors of FFBW, Inc. and First Federal Bank of Wisconsin held seven regular meetings.

Audit Committee. The Audit Committee is comprised of Directors Pjevach, Cottrell, and Anton. Our Board of Directors has adopted a written charter for the Audit Committee, which is available upon request. As more fully described in the Audit Committee Charter, the Audit Committee reviews the financial records and affairs of FFBW, Inc. and monitors adherence in accounting and financial reporting to accounting principles generally accepted in the United States of America. The Audit Committee met five times during the year ended December 31, 2023.

Compensation Committee. The Compensation Committee is comprised of Directors Pjevach, Lenahan and Specht. The Compensation Committee met three times during the year ended December 31, 2023.

With regard to compensation matters, the Compensation Committee's primary purposes are to discharge the Board's responsibilities relating to the compensation of the Chief Executive Officer and other executive officers, to oversee FFBW, Inc.'s compensation and incentive plans, policies and programs, and to oversee FFBW, Inc.'s management development and succession plans for executive officers. FFBW, Inc.'s Chief Executive Officer will not be present during any committee deliberations or voting with respect to his or her compensation. The Compensation Committee may form and delegate authority and duties to subcommittees as it deems appropriate.

The Compensation Committee operates under a written charter which is available upon request. This charter sets forth the responsibilities of the Compensation Committee and reflects the Compensation Committee's commitment to creating a compensation structure that encourages the achievement of long-range objectives and builds long-term value for our stockholders.

The Compensation Committee considers several factors in its decisions regarding executive compensation, including, but not limited to, the level of responsibility and performance of the individual executive officers, the overall performance of FFBW, Inc., and a peer group analysis of compensation paid at institutions of comparable size and complexity. The Compensation Committee also considers the recommendations of the President and Chief Executive Officer with respect to the compensation of executive officers other than the President and Chief Executive Officer.

The Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee consists of directors Gutenkunst, Anton and Cottrell. The Board of Directors has adopted a written charter for the Committee. The Corporate Governance and Nominating Committee charter is available upon request. The Corporate Governance and Nominating Committee met twice during the year ended December 31, 2023.

The functions of the Corporate Governance and Nominating Committee include the following:

- to lead the search for individuals qualified to become members of the Board and to select director nominees to be presented for shareholder approval;
- to review and monitor compliance with the requirements for board independence;
- to review the committee structure and make recommendations to the Board regarding committee membership; and
- to develop and recommend corporate governance guidelines to the Board of Directors for its approval.

The Corporate Governance and Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are first considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service, or if the Committee or the Board decides not to re-nominate a member for re-election, or if the size of the Board is increased, the Committee would solicit suggestions for director candidates from all Board members. In addition, the Committee is authorized by its charter to engage a third party to assist in the identification of director nominees. The Corporate Governance and Nominating Committee would seek to identify a candidate who at a minimum, satisfies the following criteria:

- has personal and professional ethics and integrity;
- has had experiences and achievements that have given him or her the ability to exercise and develop good business judgment;
- is willing to devote the necessary time to the work of the Board and its committees, which includes being available for Board and committee meetings;
- is familiar with the communities in which the Company operates and/or is actively engaged in community activities;
- satisfies the director qualifications set forth in the Company's bylaws;
- is involved in other activities or interests that do not create a conflict with his or her responsibilities to us and the Company's shareholders; and
- has the capacity and desire to represent the balanced, best interests of the Company's shareholders as a group, and not primarily a special interest group or constituency.

The Board of Directors does not have a formal policy or specific guidelines regarding diversity among board members. However, the Board of Directors seeks members who represent a mix of backgrounds that will reflect the diversity of our stockholders, employees, and customers, and experiences that will enhance the quality of the Board of Directors' deliberations and decisions. As the holding company for a community bank, the Board of Directors also seeks directors who can continue to strengthen First Federal Bank of Wisconsin's position in its community and can assist First Federal Bank of Wisconsin with business development through business and other community contacts.

Procedures for the Recommendation of Director Nominees by Stockholders

The Board of Directors has adopted a procedure by which stockholders may recommend nominees to the Board of Directors. Stockholders who wish to recommend a nominee must write to FFBW, Inc.'s Corporate Secretary at 1360 South Moorland Road, Brookfield, Wisconsin 53005 and such communication must include the following information:

- A statement that the writer is a stockholder and is proposing a candidate for consideration by the Board of Directors.
- The name and address of the stockholder as they appear on FFBW, Inc.'s books, and of the beneficial owner, if any, on whose behalf the nomination is made.
- The class or series and number of shares of FFBW, Inc.'s capital stock that are owned beneficially or of record by such stockholder and such beneficial owner.

- A description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder.

- A representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the nominee named in the stockholder's notice.

- The name, age, personal and business address of the candidate and the principal occupation or employment of the candidate.

- The candidate's written consent to serve as a director.

- A statement of the candidate's business and educational experience and all other information relating to such person that would indicate such person's qualification to serve on FFBW, Inc.'s Board of Directors.

- Such other information regarding the candidate or the stockholder as would be required to be included in FFBW, Inc.'s proxy statement pursuant to Securities and Exchange Commission Regulation 14A.

A nomination submitted by a stockholder for presentation by the stockholder at an annual meeting of stockholders must comply with the procedural and informational requirements described in "Advance Notice of Business to be Conducted at Annual Meeting."

PROPOSAL II—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of FFBW, Inc. has approved the engagement of Wipfli LLP to be our independent registered public accounting firm for the year ending December 31, 2024, subject to the ratification of the engagement by our stockholders. At the annual meeting, stockholders will consider and vote on the ratification of the Audit Committee's engagement of Wipfli LLP for the year ending December 31, 2024.

Even if the engagement of Wipfli LLP is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such change would be in the best interests of FFBW, Inc. and its stockholders.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor

The Audit Committee's current policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm, either by approving an engagement prior to the engagement or pursuant to a pre-approval policy with respect to services, subject to the *de minimis* exceptions for non-audit services. These services may include audit services, audit-related services, tax services and other services. The Audit Committee may delegate pre-approval authority to one or more members of the Audit Committee when expedition of services is necessary. The independent registered public accounting firm and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee pre-approved 100% of non-audit fees billed and paid during 2023.

The Board of Directors recommends a vote "FOR" the ratification of Wipfli LLP as its independent registered public accounting firm for the year ending December 31, 2024.

ADVANCE NOTICE OF BUSINESS TO BE CONDUCTED AT ANNUAL MEETING

The Company's Bylaws generally provides that any stockholder desiring to make a proposal for new business at an annual meeting of stockholders or to nominate one or more candidates for election as directors must provide a written notice delivered or mailed to and received by the Secretary of the Company at our principal executive office not less than 90 days nor more than 100 days before the anniversary of the prior year's annual meeting of stockholders; *provided*, *however,* that if the date of the annual meeting is advanced more than thirty (30) days before the anniversary of the prior year's annual meeting of stockholders, such written notice shall be timely only if delivered or mailed to and received by the Secretary of the Company at the principal executive office of the Company no earlier than the day on which public disclosure of the date of such annual meeting is first made and not later than the 10th day following the earlier of the day notice of the meeting was mailed to stockholders or such public disclosure was made. The notice must include the stockholder's name, record address, and number of shares owned, briefly describe the proposed business, the reasons for bringing the business before the annual meeting, and any material interest of the stockholder in the proposed business. In the case of nominations to the Board of Directors, certain information regarding the nominee must be provided. Nothing in this paragraph shall be deemed to require the Company to include in the proxy statement and proxy relating to an annual meeting any stockholder proposal.

The 2025 annual meeting of stockholders is expected to be held on May 21, 2025. Accordingly, for the 2025 meeting of shareholders, notice would have to be received between February 11, 2025 and February 21, 2025.

OTHER MATTERS

The Board of Directors is not aware of any business to come before the annual meeting other than the matters described above in the Proxy Statement. However, if any matters should properly come before the annual meeting, it is intended that the Board of Directors, as holders of the proxies, will act as determined by a majority vote.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FFBW, Inc.'s Proxy Statement, including the Notice of the Annual Meeting of Stockholders, and the 2023 Annual Report are each available on the Internet at www.firstfederalwisconsin.com and these materials will also be furnished without charge to stockholders as of the record date upon written request to the corporate secretary, 1360 South Moorland Road, Brookfield, Wisconsin 53005 or by calling (262) 542-4448.

By Order of the Board of Directors

DeVona Wright Cottrell
Corporate Secretary

Brookfield, Wisconsin
April 19, 2024

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.

Vote by Internet, Smartphone or Tablet – QUICK ★★★ EASY
IMMEDIATE – 24 Hours a Day, 7 Days a Week or by Mail

FFBW, INC.

Your Mobile or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. Votes submitted electronically over the Internet must be received by 11:59 p.m., Eastern Time, on May 21, 2024.

INTERNET/MOBILE – www.cstproxyvote.com
Use the Internet to vote your proxy. Have your proxy card available when you access the above website. Follow the prompts to vote your shares.

MOBILE VOTING
On your Smartphone/Tablet, open the QR Reader and scan the below image. Once the voting site is displayed, enter your Control Number from the proxy card and vote your shares.

PLEASE DO NOT RETURN THE PROXY CARD IF YOU ARE VOTING ELECTRONICALLY.

MAIL – Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

▲ FOLD HERE • DO NOT SEPARATE • INSERT IN ENVELOPE PROVIDED ▲

Please mark your votes like this ☒

REVOCABLE PROXY

The undersigned hereby appoints the official proxy committee consisting of the Board of Directors of FFBW, Inc. (the "Company") with full powers of substitution to act as attorneys and proxies for the undersigned to vote all shares of Common Stock of the Company which the undersigned is entitled to vote at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Bank's office located at 1039 West Historic Mitchell Street, Milwaukee, Wisconsin on Wednesday, May 22, 2024, at 2:00 p.m., Central Time. The official proxy committee is authorized to cast all votes to which the undersigned is entitled as follows:

The Board of Directors recommends a vote "FOR" each of the listed proposals.

1. The election as directors of the nominees listed below, each to a three-year term.
   (1) Michael J. Pjevach
   (2) Kathryn Sawyer Gutenkunst
   (3) James P. Lenahan

FOR	WITHHOLD	FOR ALL EXCEPT
☐	☐	☐

2. The ratification of the appointment of Wipfli LLP as the Company's independent registered public accounting firm for the year ending December 31, 2024.

FOR	AGAINST	ABSTAIN
☐	☐	☐

INSTRUCTION: To withhold your vote for one or more nominees, mark "For all Except" and write the name(s) of the nominee(s) on the line(s) below.

____

____

CONTROL NUMBER

Signature____________________ **Signature, if held jointly**____________________ **Date**__________, **2024**

Note: Please sign exactly as your name appears on this card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title.

FFBW, INC.
ANNUAL MEETING OF STOCKHOLDERS
MAY 22, 2024

▲ FOLD HERE • DO NOT SEPARATE • INSERT IN ENVELOPE PROVIDED ▲

REVOCABLE PROXY

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

FFBW, INC.

THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR EACH OF THE PROPOSITIONS STATED ABOVE. IF ANY OTHER BUSINESS IS PROPERLY PRESENTED AT SUCH ANNUAL MEETING, THIS PROXY WILL BE VOTED BY THE MAJORITY OF THE BOARD OF DIRECTORS. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.

Should the undersigned be present and elect to vote at the Annual Meeting or at any adjournment thereof and after notification to the Secretary of the Company at the Annual Meeting of the shareholder's decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed terminated and of no further force and effect. This proxy may also be revoked by sending written notice to the Secretary of the Company at the address set forth on the Notice of Annual Meeting of Stockholders, or by the filing of a later proxy prior to a vote being taken on a particular proposal at the Annual Meeting.

The undersigned acknowledges receipt from the Company prior to the execution of this proxy of a Notice of Annual Meeting of Stockholders and proxy statement, both dated April 19, 2024 and audited financial statements.

Dated: ________________________________, _______ ☐ Check Box if You Plan to Attend Annual Meeting

(Continued, and to be marked, dated and signed, on the other side)

FFBW, INC.

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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WIPFLI

Independent Auditor's Report

Board of Directors and Stockholders
FFBW, Inc.
Brookfield, Wisconsin

Opinion

We have audited the consolidated financial statements (the "financial statements") of FFBW, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

March 6, 2024

FFBW, Inc.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	December 31, 2023	December 31, 2022
Assets		
Cash and due from banks	$ 5,754	$ 10,887
Fed funds sold	—	—
Cash and cash equivalents	5,754	10,887
Available for sale securities, stated at fair value	41,085	47,330
Loans held for sale	—	—
Loans, net of allowance for credit losses of $3,175 and $2,633 respectively	248,690	242,018
Premises and equipment, net	6,388	6,668
Other equity investments	1,777	1,517
Accrued interest receivable	1,042	927
Cash value of life insurance	10,609	10,310
Other assets	2,696	3,378
TOTAL ASSETS	$ 318,041	$ 323,035
Liabilities and Equity		
Deposits and advance payments to borrowers for taxes and insurance	$ 241,442	$ 234,658
FHLB advances	—	8,000
Accrued interest payable	204	21
Other liabilities	2,145	2,258
Total liabilities	$ 243,791	$ 244,937
Preferred stock ($0.01 par value, 50,000,000 authorized, no shares issued or outstanding as of December 31, 2023 and December 31, 2022, respectively)	$ —	$ —
Common stock ($0.01 par value, 100,000,000 authorized, 4,991,992 and 5,515,641 issued and outstanding as of December 31, 2023 and December 31, 2022, respectively)	49	55
Additional paid in capital	37,823	43,630
Unallocated common stock of Employee Stock Ownership Plan ("ESOP") (489,341 and 519,925 shares at December 31, 2023 and December 31, 2022, respectively)	(4,894)	(5,200)
Retained earnings	43,786	42,707
Accumulated other comprehensive income (loss), net of income taxes	(2,514)	(3,094)
Total equity	$ 74,250	$ 78,098
TOTAL LIABILITIES AND EQUITY	$ 318,041	$ 323,035

See accompanying notes to financial statements.

FFBW, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

	Years ended December 31, 2023	2022
Interest and dividend income:		
Loans, including fees	$ 14,006	$ 10,942
Securities		
Taxable	1,095	1,032
Tax-exempt	174	191
Other	253	273
Total interest and dividend income	15,528	12,438
Interest expense:		
Interest-bearing deposits	4,077	961
Borrowed funds	438	18
Total interest expense	4,515	979
Net interest income	11,013	11,459
Provision for credit losses	166	194
Net interest income after provision for credit losses	10,847	11,265
Noninterest income:		
Service charges and other fees	532	573
Net gain on sale of loans	—	30
Net loss on sale of securities	(102)	—
Increase in cash surrender value of insurance	299	281
Other noninterest income	281	186
Total noninterest income	1,010	1,070
Noninterest expense:		
Salaries and employee benefits	5,539	5,330
Occupancy and equipment	1,158	1,156
Data processing	958	882
Technology	243	273
Professional fees	531	549
Other noninterest expense	1,030	1,016
Total noninterest expense	9,459	9,206
Income before income taxes	2,398	3,129
Provision for income taxes	889	787
Net income	$ 1,509	$ 2,342
Earnings per share		
Basic	$ 0.33	$ 0.43
Diluted	$ 0.32	$ 0.43

See accompanying notes to financial statements.

FFBW, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)

	Years ended December 31,	
	2023	**2022**
Net income	$ 1,509	$ 2,342
Other comprehensive income (loss):		
Unrealized holding gains (losses) arising during the period	650	(5,298)
Reclassification adjustment for (gains) losses realized in net income	102	—
Other comprehensive income (loss) before tax effect	752	(5,298)
Tax effect of other comprehensive income (loss) items	(172)	1,431
Other comprehensive income (loss), net of tax	580	(3,867)
Comprehensive income (loss)	$ 2,089	$ (1,525)

See accompanying notes to financial statements.

FFBW, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Dollars in thousands, except share data)

	Number of Shares	Common Stock	Additional Paid-In Capital	Unallocated Common Stock of ESOP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2021	6,734,970	$ 67	$ 58,273	$ (5,506)	$ 40,365	$ 773	$ 93,972
Net income	—	—	—	—	2,342	—	2,342
ESOP shares committed to be released (30,584 shares)	—	—	61	306	—	—	367
Stock based compensation expense	17,500	—	502	—	—	—	502
Repurchase of common stock	(1,236,829)	(12)	(15,206)	—	—	—	(15,218)
Other comprehensive loss	—	—	—	—	—	(3,867)	(3,867)
Balance at December 31, 2022	5,515,641	$ 55	$ 43,630	$ (5,200)	$ 42,707	$ (3,094)	$ 78,098
Balance at December 31, 2022	5,515,641	$ 55	$ 43,630	$ (5,200)	$ 42,707	$ (3,094)	$ 78,098
Cumulative effect of change in accounting principle (see Note 1)					(430)		(430)
Net income	—	—	—	—	1,509	—	1,509
ESOP shares committed to be released (30,584 shares)	(2,409)	—	44	306	—	—	350
Stock based compensation expense	18,250	—	497	—	—	—	497
Repurchase of common stock	(539,560)	(6)	(6,348)	—	—	—	(6,354)
Other comprehensive income	—	—	—	—	—	580	580
Balance at December 31, 2023	4,991,922	$ 49	$ 37,823	$ (4,894)	$ 43,786	$ (2,514)	$ 74,250

See accompanying notes to financial statements.

FFBW, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Years ended December 31, 2023	Years ended December 31, 2022
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ 1,509	$ 2,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	166	194
Depreciation	429	349
Net accretion of loan portfolio discount and amortization of deposit premium	58	39
Net amortization on securities available for sale	191	300
(Gain) loss on sale of available for sale securities	102	—
Increase in cash surrender value of life insurance	(299)	(281)
Increase in fair value of other equity investments	(136)	(54)
ESOP compensation	350	367
Stock based compensation	497	502
Changes in operating assets and liabilities:		
Accrued interest receivable	(115)	(114)
Loans held for sale	—	500
Other assets	315	398
Accrued interest payable	183	14
Other liabilities	50	(58)
Net cash used in operating activities	$ 3,300	$ 4,498
Cash flows from investing activities:		
Proceeds from sales of available for sale securities	$ 2,520	$ —
Maturities, calls, paydowns on available for sale securities	4,182	5,630
Purchases of available for sale securities	—	(10,159)
Net change in loans	(7,291)	(20,052)
Purchases of premises and equipment	(150)	(1,510)
Purchase of other equity investments	(124)	(110)
Net cash provided by (used in) investing activities	$ (863)	$ (26,201)
Cash flows from financing activities:		
Net change in deposits and advance payments	$ 6,784	$ (20,694)
Repayments of FHLB advances	(108,000)	(6,500)
Proceeds from FHLB advances	100,000	8,000
Repurchase of common stock	(6,354)	(15,218)
Net cash (used in) provided by financing activities	$ (7,570)	$ (34,412)
Net change in cash and cash equivalents	$ (5,133)	$ (56,115)
Cash and cash equivalents at beginning	10,887	67,002
Cash and cash equivalents at end	$ 5,754	$ 10,887
Noncash investing and financing activities		
Lease liabilities arising from obtaining right-of-use asset	$ —	$ 1,070
Supplemental Cash Flow Disclosures:		
Cash paid for interest	$ 4,332	$ 965
Cash paid for income taxes	540	684

See accompanying notes to financial statements.

FFBW, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)

NOTE 1 - Summary of Significant Accounting Policies

Organization

FFBW, Inc. (the "Company"), a Maryland corporation, provides a variety of financial services to individual and corporate customers through its wholly owned subsidiary, First Federal Bank of Wisconsin (the "Bank"). The Bank is a community bank headquartered in Waukesha, Wisconsin, with offices in Waukesha, Brookfield, and Milwaukee.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the fair values of securities, fair value of financial instruments, the valuation of other real estate owned and the valuation of deferred income tax assets.

Revenue Recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including all interest and dividend income generated from financial instruments. Certain noninterest income items, including loan servicing income, gain on sales of loans, gain on sales of securities, and other noninterest income have been evaluated and were determined to not fall within the scope of ASC 606. Elements of noninterest income that are within the scope of ASC 606, are as follows:

Service charges and other fees - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Management reviewed the deposit account agreements and determined that the agreements can be terminated at any time by either the Company or the account holder. Transaction fees, such as balance transfers, wires and overdraft charges are settled the day the performance obligation is satisfied. The Company's monthly service charges and maintenance fees are for services provided to the customer on a monthly basis and are considered a series of services that have the same pattern of transfer each month. The review of service charges assessed on deposit accounts included the amount of variable consideration that is a part of the monthly charges.

Interchange fees - Customers use a Bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company records the amount due when it receives the settlement from the payment network. Payments from the payment network are received and recorded into income on a daily basis. These fees are included in "service charges and other fees" on the Statements of Income. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and balances due from banks, non-maturity deposits in the Federal Home Loan Bank of Chicago (FHLB), and fed funds sold. The Company has not experienced any losses in such accounts.

Available for Sale Securities

Securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital requirements, and other similar factors. Securities classified as available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income, net of the related deferred tax effect. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Effective January 1, 2023, the Company evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income.

The accrual of interest on a security available for sale is discontinued when the security becomes 90 days delinquent or whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income. No accrued interest was written off during 2023 and 2022.

The Company excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling $204 and $237 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of securities available for sale.

Prior to January 1, 2023, declines in fair value of debt securities that were deemed to be other than temporary, if applicable, were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considered the length of time and the extent to which fair value had been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans Acquired in a Transfer

The Company acquires loans (including debt securities) individually and in groups or portfolios. These loans are initially measured at fair value with no allowance for credit losses. The Company's allowance for credit losses on all acquired loans reflects only those losses expected subsequent to acquisition.

Certain acquired loans may have experienced deterioration of credit quality between origination and the Company's acquisition of the loans. At acquisition, the Company reviews each loan to determine whether there is evidence of deterioration of credit quality since origination and if it is probable that the Company will be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, the Company determines whether each such loan is to be accounted for individually or whether such loans will be assembled into pools of loans based on common risk characteristics (for example, credit score, loan type, and date of origination). The Company considers expected prepayments and estimates the amount and timing of undiscounted principal, interest, and other cash flows expected at acquisition for each loan and aggregated pool of loans. The excess of the loan's or pool's scheduled contractual principal and interest payments over all cash flows expected at acquisition is calculated as the nonaccretable difference. The excess of cash flows expected to be collected over the fair value of each loan or pool (accretable yield) is accreted into interest income over the remaining life of the loan or pool.

At each reporting date, the Company continues to estimate cash flows expected to be collected for each loan or pool. If expected cash flows have decreased from the acquisition date estimate, the Company recognizes an allowance for credit losses. If expected cash flows have increased from the acquisition date estimate, the Company increases the amount of accretable yield to be recognized as interest income over the remaining life of the loan or pool.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, generally, are reported at their outstanding unpaid principal balances adjusted for deferred loan fees and costs, charge-offs, and an allowance for credit losses. Interest on loans is accrued and credited to income based on the unpaid principal balance. Loan-origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual status or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses on Loan and Unfunded Loan Commitments

The Company adopted ASU No. 2016-13 and began accounting for credit losses under ASC 326, *Financial Instruments - Credit Losses*, on January 1, 2023. The new standard significantly changed the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss impairment model to an expected credit loss model. Refer to the "Recently Adopted Accounting Pronouncements " section of this note for more information on the impact to the consolidated financial statements.

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

Management considers the following when assessing risk in the Company's loan portfolio segments:

- Commercial and industrial loans are primarily for working capital, physical asset expansion, asset acquisition loans, and other business purposes. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan.

- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate the cash flow sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type. Commercial real estate loans also include construction and land development loans, which are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, residential, or farm buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet approved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

- Multifamily loans include loans to finance non-farm properties with five or more units in structures primarily to accommodate households on a temporary or permanent basis. Such credits are typically originated to finance the acquisition of an apartment or condominium building/complex. Multifamily loans are made based primarily on the historical and projected cash flow of the subject multifamily property, with assumptions made for vacancy rates. Cash flows and ultimate loan performance rely on the receipt of rental income from the tenants of the property, who are themselves subject to fluctuations in national and local economic and unemployment trends.

- Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.

- Consumer and other loans may take the form of installment loans, demand loans, or single payment loans and are extended to individual for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Subsequent to the adoption of ASC 326:

Effective January 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit-deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates credit relationships over $250, collateral dependent loans over $250, and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the balance sheet, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

The following describes the types of collateral that secure collateral dependent loans:

- Commercial and industrial loans considered collateral dependent are primarily secured by accounts receivable, inventory and equipment.

- Development loans are primarily secured by residential and commercial properties, which are under construction and/or redevelopment, and by raw land.

- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including hotels and restaurants.

- Multifamily real estate loans are primarily secured by apartment complexes and other buildings with five or more units.

- One-to-four family residential mortgages are primarily secured by first and/or junior liens on residential real estate.

Management evaluates all collectively evaluated loan pools using the weighted average remaining life ("remaining life") methodology. The remaining life methodology applies calculated annual net loss rates to collectively evaluated loan pools on a periodic basis based on the estimated remaining life of each pool. The estimated losses under the remaining life methodology are then adjusted for qualitative factors deemed appropriate by management.

The estimated remaining life of each pool is determined using the Company's loan-level historical data. The Company's historical call report data is utilized for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool adjusted by estimated prepayment factors. Forecasted historical loss rates are calculated using the Company's historical data based on the lookback period determined by management.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. These qualitative factors include: levels of and trends in delinquencies and nonaccrual loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. Management also adjusts historical losses based on short-term forecasts of economic conditions. Management has elected to incorporate its loss forecasts into its overall qualitative factor adjustments.

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling $838 and $782 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of loans and is included in accrued interest receivable on the balance sheet.

In addition to the allowance for credit losses on loans, the Company maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Company's noncancellable loan commitments. The reserve for unfunded commitments, which is included in other liabilities on the accompanying balance sheet, is established through provisions for credit losses charged against earnings.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Prior to the adoption of ASC 326:

Prior to January 1, 2023, the Company used an incurred loss impairment model to estimate the allowance for credit losses on loans. This methodology assessed the overall appropriateness of the allowance for credit losses on loans and included allocations for specifically identified impaired loans and loss factors for all remaining loans, with a component primarily based on historical loss rates and another component primarily based on other qualitative factors.

Under the incurred loss impairment model, the specific component of the allowance related to loans that were individually classified as impaired. A loan was considered impaired when, based on current information and events, it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan agreement. Prior to the adoption of ASU No. 2022-02, loans for which the terms had been modified resulting in a concession, and for which the borrower was experiencing financial difficulties, were considered troubled debt restructurings (TDRs) and were classified as impaired.

Factors considered by management in determining impairment under the incurred loss impairment model included payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

If a loan was impaired, a portion of the allowance was allocated so that the loan net of the specific allocation equaled the present value of estimated future cash flows using the loan’s existing rate or the fair value of underlying collateral less applicable estimated selling costs if repayment was expected solely from the collateral.

Prior to the adoption of ASU No. 2022-02, TDRs were individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs were measured at the present value of estimated future cash flows using the loan's original effective rate. If a TDR was considered to be a collateral dependent loan, the loan was measured at the fair value of the collateral less applicable estimated selling costs. For TDRs that subsequently defaulted, the Company determined the amount of the allowance on that loan in accordance with the accounting policy for the allowance for credit losses on loans individually identified as impaired under the incurred loss impairment model.

Under the incurred loss impairment model, the general component of the allowance was based on historical loss experience adjusted for current qualitative factors. The historical loss experience was determined by portfolio segment or loan class and was based on the actual loss history experienced by the Company. This actual loss experience was supplemented with other qualitative factors based on the risks present for each portfolio segment or loan class. These qualitative factors included: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less costs to sell, at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Provisions for depreciation are computed on straight-line and accelerated methods over the estimated useful lives of the assets.

Leases

The Company is a lessee in multiple noncancelable operating leases. If the contract provides the Company the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the Company's incremental borrowing rate. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

The Company made an accounting policy election for all leases to not separate the lease components of a contract and its associated non-lease components, including its proportionate share of real estate taxes and maintenance expenses.

Other Equity Investments

Other Equity Investments consist primarily of Federal Home Loan Bank of Chicago ("FHLB") stock and Bankers' Bank stock. The Company's investment in the FHLB stock is carried at cost, which approximates fair value. The Company is required to hold the stock as a member of the FHLB and transfer of the stock is substantially restricted. The stock is evaluated for impairment on an annual basis. The Company is required to adjust its reported value of Bankers' Bank stock, which is considered an equity security without a readily determinable market value, if a comparable transaction is observed.

Income Taxes

Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

As changes in tax laws or rates are enacted, deferred income tax assets and liabilities are adjusted through the provision for income taxes. The differences relate principally to the allowances for credit losses, deferred compensation, depreciation, FHLB stock dividends and non-accrual interest. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

The Company's policy is to recognize interest and penalties related to income tax issues as components of income tax expense. During the periods shown, the Company did not recognize any interest or penalties related to income tax expense in its statements of income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising

Advertising costs are expensed as incurred.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is shown on the statements of comprehensive income (loss). The Company's accumulated other comprehensive income (loss) is composed of the unrealized gains (losses) on securities available for sale, net of tax and is shown on the statements of changes in equity.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Life Insurance

The Company has purchased life insurance policies on certain key members of the management team. Life insurance is measured at the amount that could be realized under the insurance contract as of the balance sheet date, which is generally the cash surrender value of the policy.

The Company recently adopted the following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB).

(Dollars in thousands, except share data)

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* - This standard significantly changes how financial assets measured at amortized cost are presented. Such assets, which include most loans, are presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard also changes the accounting for credit losses related to securities available for sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. Results for the year ended December 31, 2023, are presented under Accounting Standards Codification (ASC) 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards generally accepted in the United States (US GAAP).

The following table presents the impact of the adoption of ASU No. 2016-13:

	December 31, 2022	Impact of Adopting ASU No. 2016-13	January 1, 2023
Allowance for credit losses - Loans held for investment	$ (2,633)	$ (384)	$ (3,017)
Deferred tax assets	2,164	116	2,280
Total assets	$ (469)	$ (268)	$ (737)
Reserve for credit losses on unfunded loan commitments	$ -	$ 162	$ 162
Total liabilities	$ -	$ 162	$ 162
Retained earnings	$ 42,707	$ (430)	$ 42,277
Stockholders' equity	$ 78,098	$ (430)	$ 77,668

ASU No. 2022-02, *Troubled Debt Restructurings and Vintage Disclosures, Topic 326 (Financial Instruments-Credit Losses)* – This standard eliminates the recognition and measurement guidance for troubled debt restructurings by creditors under ASC Subtopic 310-40, *Receivables-Troubled Debt Restructurings by Creditors*, and, instead, requires the Company to evaluate (consistent with other loan modification accounting standards) whether a loan modification represents a new loan or a continuation of an existing loan. The amendments to the standard also enhance existing disclosure requirements, and introduce new requirements related to certain modifications of loans made to borrowers experiencing financial difficulty. The Company adopted ASU No. 2022-02 on January 1, 2023, on a prospective basis.

NOTE 2 – Earnings Per Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding, adjusted for weighted average unallocated ESOP shares, during the applicable period, excluding outstanding participating securities. Participating securities include non-vested restricted stock awards and restricted stock units, though no actual shares of common stock related to restricted stock units are issued until the settlement of such units, to the extent holders of these securities receive non-forfeitable dividends or dividend equivalents at the same rate as holders of the Company’s common stock. Diluted earnings per share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method. Antidilutive options are disregarded in earnings per share calculations.

(Dollars in thousands, except share data)

The following table presents the earnings per share calculations for the years ended December 31:

	2023	2022
Net income	$ 1,509	$ 2,342
Basic potential common shares		
Weighted average shares outstanding	5,143,572	5,971,298
Weighted average unallocated Employee Stock Ownership Plan Shares	(504,631)	(535,277)
Basic weighted average shares outstanding	4,638,941	5,436,021
Dilutive potential common shares	19,366	12,589
Dilutive weighted average shares outstanding	4,658,307	5,448,610
Basic earnings per share	$ 0.33	$ 0.43
Diluted earnings per share	$ 0.32	$ 0.43

NOTE 3 – Cash and Due from Banks

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of $250. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

NOTE 4 – Available for Sale Securities

Amortized costs and fair values of available for sale securities are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2023				
Obligations of the US government and US government sponsored agencies	$ 1,639	$ -	$ (165)	$ 1,474
Obligations of states and political subdivisions	11,978	4	(1,066)	10,916
Mortgage-backed securities	21,904	-	(1,565)	20,339
Certificates of deposit	250	-	(10)	240
Corporate debt securities	8,802	-	(686)	8,116
Total available for sale securities	$ 44,573	$ 4	$ (3,492)	$ 41,085
December 31, 2022				
Obligations of the US government and US government sponsored agencies	$ 1,800	$ -	$ (166)	$ 1,634
Obligations of states and political subdivisions	14,136	10	(1,405)	12,741
Mortgage-backed securities	24,828	-	(1,958)	22,870
Certificates of deposit	500	2	(13)	489
Corporate debt securities	10,306	-	(710)	9,596
Total available for sale securities	$ 51,570	$ 12	$ (4,252)	$ 47,330

(Dollars in thousands, except share data)

Fair values of securities are estimated based on financial models or prices paid for similar securities. It is possible interest rates could change considerably, resulting in a material change in estimated fair value.

The following table presents the portion of the Company's portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Obligations of the US government and US government sponsored agencies	$ —	$ —	$ 1,474	$ (165)	$ 1,474	$ (165)
Obligations of states and political subdivisions	269	(4)	10,393	(1,062)	10,662	(1,066)
Mortgage-backed securities	—	—	20,339	(1,565)	20,339	(1,565)
Certificates of deposit	—	—	240	(10)	240	(10)
Corporate debt securities	—	—	8,116	(686)	8,116	(686)
Total available for sale securities	$ 269	$ (4)	$ 40,562	$ (3,488)	$ 40,831	$ (3,492)
December 31, 2022						
Obligations of the US government and US government sponsored agencies	$ 1,202	$ (95)	$ 432	$ (71)	$ 1,634	$ (166)
Obligations of states and political subdivisions	7,412	(558)	4,198	(847)	11,610	(1,405)
Mortgage-backed securities	17,343	(1,342)	5,527	(616)	22,870	(1,958)
Certificates of deposit	237	(13)	—	—	237	(13)
Corporate debt securities	6,338	(319)	3,258	(391)	9,596	(710)
Total available for sale securities	$ 32,532	$ (2,327)	$ 13,415	$ (1,925)	$ 45,947	$ (4,252)

At December 31, 2023, the investment portfolio included 119 securities available for sale, which had been in an unrealized loss position for greater than twelve months, and 2 securities available for sale, which had been in an unrealized loss position for less than twelve months Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company has determined that no allowance for credit losses is required on available for sale securities as of December 31, 2023.

The amortized cost and fair value of available for sale securities by contractual maturity are shown below. Expected maturities will differ from contractual maturities in mortgage-backed securities since the anticipated maturities are not readily determinable. Therefore, these securities are not included in the maturity categories in the following maturity summary listed below:

	December 31, 2023	
	Amortized Cost	Fair Value
Due in one year or less	$ 3,254	$ 3,161
Due after one year through 5 years	6,064	5,809
Due after 5 years through 10 years	10,060	8,866
Due after 10 years	3,291	2,910
Subtotal	$ 22,669	$ 20,746
Mortgage-backed securities	21,904	20,339
Total	$ 44,573	$ 41,085

(Dollars in thousands, except share data)

The following is a summary of the proceeds from sales of securities available for sale, as well as gross gains and losses:

	Years ended December 31, 2023	Years ended December 31, 2022
Proceeds from sale of securities	$ 2,520	$ —
Gross gain on sale of securities	—	—
Gross loss on sale of securities	102	—

Available for sale securities with a carrying value of $915 and $932 were pledged to secure lines of credit and for other purposes required or permitted by law at December 31, 2023 and December 31, 2022, respectively.

NOTE 5 - Loans

Major classifications of loans are as follows:

	Years ended December 31, 2023	Years ended December 31, 2022
Commercial		
Development	$ 16,391	$ 17,581
Real estate	110,882	114,328
Commercial and industrial	24,187	22,302
Residential real estate and consumer		
One-to-four family owner-occupied	17,923	18,924
One-to-four family investor-owned	28,263	28,497
Multifamily	51,177	40,445
Consumer	3,487	3,050
Subtotal	$ 252,310	$ 245,127
Deferred loan fees	(445)	(476)
Allowance for credit losses	(3,175)	(2,633)
Net loans	$ 248,690	$ 242,018

Deposit accounts in an overdraft position and reclassified as loans approximated $18 and $106 at December 31, 2023 and December 31, 2022, respectively.

The Company's allowance for credit losses on loans information for the year ended December 31, 2023, is presented under ASC 326. The Company's allowance for credit losses on loans information for the year ended December 31, 2022, is presented under the incurred loss impairment model. Refer to the "New Accounting Pronouncements" section of Note 1 for more information.

(Dollars in thousands, except share data)

Activity in the allowance for credit losses on loans by portfolio segment follows:

	Commercial	Residential real estate and consumer	Total
Balance at December 31, 2021	$ 1,516	$ 914	$ 2,430
Provision for credit losses	180	14	194
Loans charged off	—	(3)	(3)
Recoveries of loans previously charged off	—	12	12
Balance at December 31, 2022	$ 1,696	$ 937	$ 2,633
Impact of adoption of ASU No. 2016-13 (ASC 326)	200	184	384
Provision for credit losses	(90)	236	146
Loans charged off	—	—	—
Recoveries of loans previously charged off	—	12	12
Balance at December 31, 2023	$ 1,806	$ 1,369	$ 3,175

At December 31, 2023, the Company maintained a reserve for unfunded loan commitments totaling $182, which is included in other liabilities on the accompanying balance sheet. As a part of the adoption of ASU No. 2016-13, the Company recorded an initial adjustment to the reserve for unfunded loan commitments of $162. The provision for credit losses on unfunded loan commitments totaled $20 for the year ended December 31, 2023.

Information about how loans were evaluated for impairment and the related allowance for credit losses follows:

December 31, 2023	Commercial	Residential real estate and consumer	Total
Loans:			
Individually evaluated	$ —	$ —	$ —
Collectively evaluated	151,460	100,850	252,310
Total loans	$ 151,460	$ 100,850	$ 252,310
Related allowance for credit losses:			
Individually evaluated	$ —	$ —	$ —
Collectively evaluated	1,806	1,369	3,175
Total allowance for credit losses	$ 1,806	$ 1,369	$ 3,175

December 31, 2022	Commercial	Residential real estate and consumer	Total
Loans:			
Individually evaluated	$ —	$ 336	$ 336
Collectively evaluated	154,211	90,580	244,791
Total loans	$ 154,211	$ 90,916	$ 245,127
Related allowance for credit losses:			
Individually evaluated	$ —	$ —	$ —
Collectively evaluated	1,696	937	2,633
Total allowance for credit losses	$ 1,696	$ 937	$ 2,633

The Company had no accrued interest written off by reversing interest income as of December 31, 2023 and 2022.

There were no collateral dependent loans at December 31, 2023.

There were $336 of impaired loans individually evaluated for impairment as of December 31, 2022.

(Dollars in thousands, except share data)

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses. The credit quality indicators monitored differ depending on the class of loan.

Loans are generally evaluated using the following internally prepared ratings:

“Pass” ratings are assigned to loans with adequate collateral and debt service ability such that collectability of the contractual loan payments is highly probable.

“Special mention” ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.

“Substandard” ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectability of the contractual loan payments is no longer probable.

“Doubtful” ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

Information regarding the loan portfolio by risk classification and origination year for the year ended December 31, 2023, follows:

	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Development								
Pass	$ 8,187	$ 6,434	$ -	$ 155	$ -	$ 480	$ -	$ 15,256
Watch	-	-	-	1,135	-	-	-	1,135
Totals	$ 8,187	$ 6,434	$ -	$ 1,290	$ -	$ 480	$ -	$ 16,391

	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	
Commercial real estate								
Pass	$ 11,118	$ 33,282	$ 18,899	$ 11,685	$ 3,998	$ 23,868	$ 86	$ 102,936
Watch	-	-	1,351	2,430	-	4,122	-	7,903
Substandard	-	-	-	-	-	43	-	43
Totals	$ 11,118	$ 33,282	$ 20,250	$ 14,115	$ 3,998	$ 28,033	$ 86	$ 110,882

	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Commercial and industrial								
Pass	$ 7,892	$ 2,806	$ 4,240	$ 527	$ 59	$ 398	$ 8,170	$ 24,092
Substandard	-	-	-	-	-	95	-	95
Totals	$ 7,892	$ 2,806	$ 4,240	$ 527	$ 59	$ 493	$ 8,170	$ 24,187

	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
One-to-four family owner-occupied								
Pass	$ 722	$ 3,496	$ 2,393	$ 3,219	$ 1,042	$ 6,088	$ -	$ 16,960
Substandard	-	-	306	177	-	480	-	963
Totals	$ 722	$ 3,496	$ 2,699	$ 3,396	$ 1,042	$ 6,568	$ -	$ 17,923

	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
One-to-four family investor-owned								
Pass	$ 393	$ 5,107	$ 2,344	$ 5,232	$ 1,171	$ 13,139	$ 77	$ 27,463
Watch	249	551	-	-	-	-	-	800
Totals	$ 642	$ 5,658	$ 2,344	$ 5,232	$ 1,171	$ 13,139	$ 77	$ 28,263

(Dollars in thousands, except share data)

	2023	2022	2021	2020	2019	Prior	Revolving	Total
Multifamily								
Pass	$ 5,518	$ 716	$ 14,397	$ 12,374	$ 1,159	$ 11,999	$ -	$ 46,163
Watch	-	-	5,014	-	-	-	-	5,014
Totals	$ 5,518	$ 716	$ 19,411	$ 12,374	$ 1,159	$ 11,999	$ -	$ 51,177

	2023	2022	2021	2020	2019	Prior	Revolving	Total
Consumer								
Pass	$ 21	$ 819	$ 6	$ 11	$ 282	$ 13	$ 2,336	$ 3,487
Totals	$ 21	$ 819	$ 6	$ 11	$ 282	$ 13	$ 2,336	$ 3,487

	2023	2022	2021	2020	2019	Prior	Revolving	Total
Total Loans								
Pass	$ 33,851	$ 52,660	$ 42,279	$ 33,203	$ 7,711	$ 55,984	$ 10,668	$ 236,357
Watch	249	551	6,365	3,565	-	4,122	-	14,852
Substandard	-	-	306	177	-	618	-	1,101
Totals	$ 34,100	$ 53,211	$ 48,950	$ 36,945	$ 7,711	$ 60,724	$ 10,668	$ 252,310

The Company had no charge-offs during the period ended December 31, 2023.

Information regarding the credit quality indicators most closely monitored for commercial, one-to-four family investor-owned, and multifamily loans by class as of December 31, 2022, follows:

	Pass	Special Mention	Substandard	Doubtful	Totals
December 31, 2022					
Development	$ 17,581	$ —	$ —	$ —	$ 17,581
Real estate	111,862	—	2,466	—	114,328
Commercial and industrial	20,224	—	2,078	—	22,302
One-to-four family investor-owned	28,454	—	43	—	28,497
Multifamily	40,445	—	—	—	40,445
Totals	$ 218,566	$ —	$ 4,587	$ —	$ 223,153

Information regarding the credit quality indicators most closely monitored for one-to-four family owner -occupied and consumer loans by class as of December 31, 2022, follows:

	Performing	Non-performing	Totals
December 31, 2022			
One-to-four family owner-occupied	$ 18,778	$ 146	$ 18,924
Consumer	3,050	—	3,050
Totals	$ 21,828	$ 146	$ 21,974

Loan aging information as of December 31, 2023 and 2022 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
December 31, 2023				
Commercial				
Development	$ 16,391	$ —	$ —	$ 16,391
Real estate	110,882	—	—	110,882
Commercial and industrial	24,187	—	—	24,187
Residential real estate and consumer				
One-to-four family owner-occupied	17,747	176	—	17,923
One-to-four family investor-owned	28,263	—	—	28,263
Multifamily	51,177	—	—	51,177
Consumer	3,487	—	—	3,487
Total	$ 252,134	$ 176	$ —	$ 252,310

(Dollars in thousands, except share data)

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
December 31, 2022				
Commercial				
Development	$ 17,581	$ —	$ —	$ 17,581
Real estate	114,328	—	—	114,328
Commercial and industrial	22,302	—	—	22,302
Residential real estate and consumer				
One-to-four family owner-occupied	18,924	—	—	18,924
One-to-four family investor-owned	28,497	—	—	28,497
Multifamily	40,445	—	—	40,445
Consumer	3,050	—	—	3,050
Total	$ 245,127	$ —	$ —	$ 245,127

Information regarding nonaccrual loans during the year ended December 31, 2023 follows:

	Nonaccrual Loans at December 31, 2022	Nonaccrual Loans With No Allowance For Credit Losses	Nonaccrual Loans With an Allowance For Credit Losses	Total Nonaccrual Loans at December 31, 2023
Commercial				
Development	$ —	$ —	$ —	$ —
Real estate	—	—	—	—
Commercial and industrial	—	—	—	—
Residential real estate and consumer				
One-to-four family owner-occupied	146	101	—	101
One-to-four family investor-owned	—	—	—	—
Multifamily	—	—	—	—
Consumer	—	—	—	—
Totals	$ 146	$ 101	$ —	$ 101

No loans were 90 days or more past due and accruing interest at December 31, 2023 or 2022.

The Company did not have any loan modifications to borrowers experiencing financial difficulty during the years ended December 31, 2023 or 2022.

At December 31, 2023 and 2022, the Company had a discount on purchased loans totaling $0 and $29, respectively. The amount of discount accreted into income totaled $29 and $51 for the years ended December 31, 2023 and 2022, respectively.

(Dollars in thousands, except share data)

NOTE 6 – Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and are summarized as follows:

	December 31, 2023	December 31, 2022
Land	$ 844	$ 844
Buildings	7,048	6,946
Leasehold improvements	329	329
Furniture and equipment	1,615	1,567
Automobile	66	66
Totals	9,902	9,752
Less: Accumulated depreciation	3,514	3,084
Premises and equipment, net	$ 6,388	$ 6,668

Depreciation expense was $429 and $349 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 - Leases

The Company leases four branch locations under operating leases. The leases entered into include one or more options to renew. The renewal terms can extend the lease term from five to fifteen years. The exercise of lease renewal options is at the Company's sole discretion. Renewal option periods are included in the measurement of the Right-of-Use (ROU) asset and lease liability when the exercise is reasonably certain to occur. As of December 31, 2023 and 2022 the Company has recorded an ROU asset totaling $663 and $860, respectively, which is included in other assets. As of December 31, 2023 and 2022, the Company has also recorded a lease obligation liability totaling $686 and $873, respectively, which is included in other liabilities.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments. As of December 31, 2023 and 2022, the Company has recorded lease expense of $214 and $228, respectively.

Maturities of lease liabilities are as follows as of December 31, 2023:

2024	$ 186	
2025	189	
2026	192	
2027	149	
Total lease payments	716	
Less imputed interest	(30)	
Total	$ 686	
Weighted-average remaining lease term (years)	3.77	
Weighted-average discount rate	2.18	%

(Dollars in thousands, except share data)

The Company entered into a lease with a tenant for a portion of the Brookfield branch, commencing June 1, 2018 through May 31, 2027. The Company also entered into a lease with a tenant for a portion of the Historic Mitchell Street branch, commencing November 1, 2022 through October 31, 2025. As of December 31, 2023, minimum future lease payments receivable are as follows:

2024	$	131
2025		133
2026		136
2027		48
Total	$	448

NOTE 8 - Deposits

The composition of deposits are as follows:

	December 31, 2023		2022	
Non interest-bearing checking	$	48,844	$	51,291
Interest-bearing checking		11,737		11,884
Money market		60,319		70,976
Statement savings accounts		27,777		33,864
Health savings accounts		10,276		10,528
Certificates of deposit		82,489		56,115
Total	$	241,442	$	234,658

Certificates of deposit that meet or exceed the FDIC insurance limit of $250 totaled $38,671 and $18,122 at December 31, 2023 and December 31, 2022, respectively.

The scheduled maturities of certificates of deposit are as follows as of December 31, 2023:

2024	$	79,167
2025		2,627
2026		317
2027		211
2028		167
Total	$	82,489

NOTE 9– FHLB Advances

FHLB advances consist of the following as of December 31:

	2023			2022		
	Rates	Amount		Rates	Amount	
Fixed rate, fixed term advances	0.00%	$	—	4.35%	$	8,000
		$	—		$	8,000

(Dollars in thousands, except share data)

The Company has a master contract agreement with the FHLB that provides for a borrowing up to the lesser of a determined multiple of FHLB stock owned or a determined percentage of the book value of the Company's qualifying one-to-four family, multifamily, commercial real estate and commercial business loans. The Company pledged approximately $188,223 and $163,088 of one-to-four family, multifamily, commercial real estate and commercial business loans to secure FHLB advances at December 31, 2023 and December 31, 2022, respectively. FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest, such as Federal funds, FHLB discount note or prime rates. Fixed rate advances are priced in reference to market rates of interest at the time of the advance, namely the rates that FHLB pays to borrowers at various maturities. Certain FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. FHLB advances are also secured by $900 and $851 of FHLB stock owned by the Company at December 31, 2023 and December 31, 2022, respectively.

At December 31, 2023, the Company's available and unused portion of this borrowing agreement totaled approximately $129,167. In addition, the Company has a $7,000 federal funds line of credit through Bankers' Bank of Wisconsin, which was not drawn on as of December 31, 2023. The Company also has the authority to borrow through the Federal Reserve's Discount Window.

NOTE 10 – 401(k) Plan

The Company sponsors a 401(k) plan that covers substantially all employees. To be eligible to participate, an employee must have completed 90 days of service and be 21 years of age or older. The Company matches 100% of employee contributions up to 4% of their annual compensation. The Company may also make non-elective contributions to the plan at the discretion of the Board of Directors. Expense charged to operations for this plan was $218 and $214 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11 – Income Taxes

The provision for income taxes included in the accompanying financial statements consists of the following components:

	Years ended December 31,	
	2023	2022
Current Taxes (Benefit)		
Federal	$ 484	$ 635
State	—	270
Total Current Taxes	484	905
Deferred Income Taxes (Benefit)		
Federal	(98)	(91)
State	—	(27)
Total Deferred Income Taxes	(98)	(118)
Change in Valuation Allowance	503	—
Total Provision for Income Taxes	$ 889	$ 787

On July 5, 2023, the Wisconsin 2023-2025 budget was signed into law. Under the new law, which is effective for tax years beginning after December 31, 2022, banks are allowed to exempt from state taxation loan income from commercial and agricultural loans of $5 million or less where the borrower resides, or is located, in Wisconsin. This will result in reduced state income taxes for the year ended December 31, 2023, and future years. However, because of the change in the tax law, the Company no longer believes it will receive a benefit for the net deferred tax asset previously recognized. As a result, the Company has recognized a valuation allowance for the net deferred tax asset related to the state of Wisconsin effective as of July 5, 2023, which resulted in a charge to earnings totaling $503 during the year ended December 31, 2023.

(Dollars in thousands, except share data)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The net deferred tax asset in the accompanying balance sheet includes the following amounts of deferred tax assets and liabilities:

	December 31, 2023	December 31, 2022
Deferred Tax Assets		
Allowance for credit losses	$ 922	$ 724
Deferred compensation	99	109
Non-accrual interest	3	4
Purchase accounting	56	42
Equity compensation	143	109
Deferred loan fees	121	129
Unrealized loss on available for sale securities	943	1,146
Other	16	4
Deferred Tax Assets	$ 2,303	$ 2,267
Deferred Tax Liabilities		
Depreciation and amortization	$ (26)	$ (44)
FHLB stock	(23)	(23)
Other	(80)	(36)
Deferred Tax Liabilities	$ (129)	$ (103)
Valuation Allowance	(503)	—
Net Deferred Tax Asset	$ 1,671	$ 2,164

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes follows:

	Years ended December 31, 2023 Amount	2023 % of Pretax Income		2022 Amount	2022 % of Pretax Income	
Reconciliation of statutory to effective rates						
Federal income taxes at statutory rate	$ 504	21.0	%	$ 657	21.0	%
Adjustments for:						
Tax exempt interest on municipal obligations	(23)	(1.0)	%	(37)	(1.2)	%
State income taxes, net of federal income tax benefit	-	-	%	188	6.0	%
Increase in CSV of life insurance	(63)	(2.6)	%	(59)	(1.9)	%
Equity Compensation	27	1.1	%	12	0.4	%
State Valuation Allowance	503	21.0	%	-	-	%
Other	(59)	(2.5)	%	26	0.8	%
Provision for income taxes	$ 889	37.1	%	$ 787	25.2	%

With few exceptions, the Company is no longer subject to federal or state examinations by taxing authorities for years before 2019.

(Dollars in thousands, except share data)

NOTE 12 – Commitments and Contingencies

In the normal course of business, the Company may be involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's financial statements.

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon, and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements of the Company.

The contract amounts of credit-related financial instruments at December 31, 2023 and 2022 are summarized below:

	Notional Amount	
	2023	**2022**
Unused lines of credit		
Fixed	30,270	28,411
Variable	-	-
Undisbursed portion of loan proceeds	568	1,496
Standby letters of credit	1,841	1,444

Unused commitments under lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not require collateral and may or may not contain a specific maturity date.

The undisbursed portion of loan proceeds represents undrawn amounts under construction loans. These loans are generally secured by real estate and generally have a specific maturity date.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. Standby letters of credit are not reflected in the financial statements, since recording the fair value of these guarantees would not have a significant impact on the financial statements.

NOTE 13 – Related-Party Transactions

A summary of loans to directors, executive officers, and their affiliates follows:

	Years ended December 31,	
	2023	**2022**
Beginning balance	$ 9,544	$ 9,642
New loans	—	7,118
Repayments	(130)	(7,216)
Ending balance	$ 9,414	$ 9,544

Deposits from directors, executive officers, and their affiliates totaled $1,515 and $1,494 at December 31, 2023 and 2022, respectively.

NOTE 14 – Fair Value

Accounting standards describe three levels of inputs that may be used to measure fair value (the fair value hierarchy). The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

Following is a brief description of each level of the fair value hierarchy:

Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.

Level 2 - Fair value measurement is based on: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; or (3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.

Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Company’s estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Some assets and liabilities, such as securities available for sale, are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as collateral dependent loans, may be measured at fair value on a nonrecurring basis.

Following is a description of the Company’s valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Available for sale securities - Available for sale securities may be classified as Level 1 or Level 2 measurements within the fair value hierarchy. Level 1 securities include equity securities traded on a national exchange. The fair value measurement of a Level 1 security is based on the quoted price of the security. Level 2 securities include U.S. government and agency securities, obligations of states and political subdivisions, corporate debt securities, and mortgage related securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Loans - Loans are not measured at fair value on a recurring basis. However, loans considered to be collateral dependent may be measured at fair value on a nonrecurring basis. The fair value measurement of collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies - typically they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Such adjustments are usually significant, which results in a Level 3 classification. All other collateral dependent loan measurements are based on the present value of expected future cash flows discounted at the applicable effective interest rate and, thus, are not fair value measurements.

Foreclosed assets - Real estate acquired through or in lieu of loan foreclosure is not measured at fair value on a recurring basis. However, foreclosed assets are initially measured at fair value (less estimated costs to sell) when they are acquired and may also be measured at fair value (less estimated costs to sell) if they become subsequently impaired. The fair value measurement for each asset may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets but include significant unobservable data and are therefore considered Level 3 measurements.

(Dollars in thousands, except share data)

Other equity investments **-** Certain equity investments are measured at fair value on a non-recurring basis using observable transactions and are classified as Level 2.

Assets measured at fair value on a recurring basis are summarized below:

	Recurring Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of December 31, 2023				
Assets:				
Available for sale securities:				
Obligations of the US government and US government sponsored agencies	$ —	$ 1,474	$ —	$ 1,474
Obligations of states and political subdivisions	—	10,916	—	10,916
Mortgage-backed securities	—	20,339	—	20,339
Certificates of deposit	—	240	—	240
Corporate debt securities	—	8,116	—	8,116
Total available for sale securities	$ —	$ 41,085	$ —	$ 41,085
As of December 31, 2022				
Assets:				
Available for sale securities:				
Obligations of the US government and US government sponsored agencies	$ —	$ 1,634	$ —	$ 1,634
Obligations of states and political subdivisions	—	12,741	—	12,741
Mortgage-backed securities	—	22,870	—	22,870
Certificates of deposit	—	489	—	489
Corporate debt securities	—	9,596	—	9,596
Total available for sale securities	$ —	$ 47,330	$ —	$ 47,330

Information regarding the fair value of assets measured at fair value on a nonrecurring basis follows:

		Nonrecurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2023				
Assets:				
Other equity investments	$ 877	$ —	$ 877	$ —
As of December 31, 2022				
Assets:				
Other equity investments	$ 557	$ —	$ 557	$ —

(Dollars in thousands, except share data)

As of December 31, 2023 and December 31, 2022, there were no collateral dependent loans requiring a write down to their estimated fair value.

There were no foreclosed assets as of December 31, 2023 or December 31, 2022.

The carrying value and estimated fair value of financial instruments as of December 31, 2023 and December 31, 2022 follow:

	December 31, 2023				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 5,754	$ 5,754	$ —	$ —	$ 5,754
Available for sale securities	41,085	—	41,085	—	41,085
Loans	248,690	—	—	242,219	242,219
Accrued interest receivable	1,042	1,042	—	—	1,042
Cash value of life insurance	10,609	10,609	—	—	10,609
Other equity investments	1,777	—	877	900	1,777
Financial liabilities:					
Deposits and advance payments to borrowers for taxes and insurance	$ 241,442	$ 158,953	$ —	$ 82,035	$ 240,988
FHLB advances	—	—	—	—	—
Accrued interest payable	204	204	—	—	204

	December 31, 2022				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 10,887	$ 10,887	$ —	$ —	$ 10,887
Available for sale securities	47,330	—	47,330	—	47,330
Loans held for sale	—	—	—	—	—
Loans	242,018	—	—	234,458	234,458
Accrued interest receivable	927	927	—	—	927
Cash value of life insurance	10,310	10,310	—	—	10,310
Other equity investments	1,517	—	557	960	1,517
Financial liabilities:					
Deposits and advance payments to borrowers for taxes and insurance	$ 234,658	$ 178,543	$ —	$ 55,264	$ 233,807
FHLB advances	8,000	—	—	7,981	7,981
Accrued interest payable	21	21	—	—	

Limitations - The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

(Dollars in thousands, except share data)

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts, nor is it recorded as an intangible asset on the consolidated balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

NOTE 15 – Equity and Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets and of Tier 1 capital to average assets. It is management's opinion, as of December 31, 2023, that the Bank met all applicable capital adequacy requirements.

As of December 31, 2023, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since December 31, 2023 that management believes have changed the category.

The Bank's actual capital amounts and ratios are presented in the following tables:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Common Equity Tier 1 capital (to risk-weighted assets)	$ 65,877	23.8 %	$ ≥ 12,453	≥ 4.5 %	$ ≥ 17,987	≥ 6.5 %
Tier 1 capital (to risk-weighted assets)	65,877	23.8	≥ 16,603	≥ 6.0	≥ 22,138	≥ 8.0
Total capital (to risk-weighted assets)	69,234	25.0	≥ 22,138	≥ 8.0	≥ 27,672	≥ 10.0
Tier 1 capital (to average assets)	65,877	20.2	≥ 13,043	≥ 4.0	≥ 16,304	≥ 5.0
December 31, 2022						
Common Equity Tier 1 capital (to risk-weighted assets)	$ 70,487	26.6 %	$ ≥ 11,942	≥ 4.5 %	$ ≥ 17,681	≥ 6.5 %
Tier 1 capital (to risk-weighted assets)	70,487	26.6	≥ 15,922	≥ 6.0	≥ 21,762	≥ 8.0
Total capital (to risk-weighted assets)	73,017	27.5	≥ 21,762	≥ 8.0	≥ 27,202	≥ 10.0
Tier 1 capital (to average assets)	70,487	21.8	≥ 12,949	≥ 4.0	≥ 15,787	≥ 5.0

(Dollars in thousands, except share data)

NOTE 16 – Intangible Assets

The core deposit premium intangible asset had a gross carrying amount of $530 and accumulated amortization of $391 at December 31, 2023. The core deposit premium intangible asset had a gross carrying amount of $530 and accumulated amortization of $309 at December 31, 2022. Aggregate amortization expense for the years ended December 31, 2023 and 2022 was $82 and $95, respectively.

The following table shows the estimated future amortization of the core deposit premium intangible asset for the next five years. The projections of amortization expense are based on existing asset balances:

	At December 31, 2023
2024	60
2025	40
2026	26
2027	13

NOTE 17 – Deferred Compensation

The Company has entered into various deferred compensation agreements with key officers. The liability outstanding under the agreements was $361 at December 31, 2023 and $396 at December 31, 2022. The amount charged to operations was $20 and $26 for the twelve months ended December 31, 2023 and 2022, respectively.

NOTE 18 – Employee Stock Ownership Plan

The Company maintains a leveraged employee stock ownership plan ("ESOP") that covers substantially all employees. The Bank makes annual contributions to the ESOP equal to the ESOP's debt service. The ESOP shares initially were pledged as collateral for this debt. As the debt is repaid, shares are released from collateral and allocated to active participants, based on the proportion of debt service paid in the year. Because the debt is intercompany, it is eliminated in consolidation for presentation in these financial statements. The shares pledged as collateral are reported as unearned ESOP shares in the balance sheet.

As shares are committed to be released from collateral and allocated to active participants, the Company reports compensation expense equal to the current market price of the shares and the shares will become outstanding for earnings-per-shares (EPS) computations. During the years ended December 31, 2023 and 2022, 30,584 shares were committed to be released. During the year ended December 31, 2023 the average fair value per share of stock was $11.43 resulting in total ESOP compensation expense of $350. During the year ended December 31, 2022 the average fair value per share of stock was $12.00 resulting in total ESOP compensation expense of $367.

The ESOP shares as of December 31, were as follows:

	2023	2022
Shares allocated to active participants	119,059	92,889
Shares committed to be released and allocated to participants	30,584	30,584
Shares distributed	(2,409)	(4,414)
Total unallocated shares	489,341	519,925
Total ESOP shares	636,575	638,984
Fair Value of unallocated shares (based on $11.99 and $11.61 share price at December 31, 2023 and December 31, 2022, respectively)	$ 5,867	$ 6,036

(Dollars in thousands, except share data)

NOTE 19 - Share-based Compensation Plans

The Company adopted the FFBW, Inc. 2018 Equity Incentive Plan in 2018. In May 2021, the Company adopted the FFBW, Inc. 2021 Equity Incentive Plan. ASC Topic 718 requires that the grant date fair value of equity awards to employees and directors be recognized as compensation expense over the period during which they are required to provide service in exchange for such awards.

The following table summarizes the impact of the Company's share-based payment plans in the financial statements for the period shown:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Total cost of stock grant plan during the year	$ 293	$ 304
Total cost of stock option plan during the year	204	198
Total cost of share-based payment plans during the year	$ 497	$ 502
Amount of related income tax benefit recognized in income	$ 104	$ 124

The Company adopted the FFBW, Inc. 2018 Equity Incentive Plan (the "2018 Equity Incentive Plan") in 2018. In November 2018, the Company's stockholders approved the 2018 Equity Incentive Plan which authorized the issuance of up to 152,027 restricted stock awards and up to 380,066 stock options. As of December 31, 2023 there were 25,734 restricted stock awards and 51,313 options available for future grants under this plan. In May 2021, the Company's stockholders approved the FFBW, Inc. 2021 Equity Incentive Plan which authorized the issuance of up to 170,742 restricted stock awards and up to 426,857 stock options. As of December 31, 2023 there were 149,742 restricted awards and 379,857 options available for future grants under this plan.

Shares granted under these Equity Incentive Plans may be authorized but unissued, currently held or, to the extent permitted by applicable law, subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions. Forfeited or canceled shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of stock available for delivery under the Plan.

Options are granted with an exercise price equal to no less than the market price of the Company's shares at the date of grant: those option awards generally vest pro-rata over five years of service and have 10-year contractual terms. Restricted shares typically vest pro-rata over a five-year period, 20% per year beginning one year from the issuance date. Under the FFBW, Inc. 2021 Equity Incentive Plan, certain restricted shares awarded to Board of Director members vest in one year.

Share amounts related to periods prior to the date of the closing of the Offering on January 16, 2020 have been restated to give retroactive recognition to the 1.1730 exchange ratio applied in the offering.

The following tables summarize stock options activity for the years ended December 31, 2023 and 2022:

	Outstanding			
	Stock Option Awards	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (years)**	**Aggregate Intrinsic Value (in dollars)**
Options outstanding as of December 31, 2022	343,375	$ 10.84		
Granted	29,500	12.16		
Exercised	—	—		
Expired or cancelled	—	—		
Forfeited	(12,946)	11.05		
Options outstanding as of December 31, 2023	359,929	$ 10.94	5.92	$ 209,995
Options exercisable as of December 31, 2023	258,570	$ 10.75	5.52	$ 176,428

(Dollars in thousands, except share data)

	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in dollars)
Options outstanding as of December 31, 2021	316,875	$ 10.73		
Granted	27,000	12.16		
Exercised	—	—		
Expired or cancelled	(500)	11.25		
Forfeited	—	—		
Options outstanding as of December 31, 2022	343,375	$ 10.84	6.86	$ 267,474
Options exercisable as of December 31, 2022	189,845	$ 10.72	6.27	$ 169,476

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model based on certain assumptions. Since the Company does not have sufficient historical fair value estimates of its stock, the Company calculates expected volatility using the historical volatility of the Dow Jones U.S. Financial Services Index. The risk-free interest rate for periods within the contractual term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life of options is estimated based on the assumption that options will be exercised evenly throughout their life after vesting and represents the period of time that options granted are expected to remain outstanding.

	Number of Options	Weighted Average Grant Date Fair Value
Nonvested options outstanding as of December 31, 2022	153,530	$ 3.32
Granted	29,500	4.01
Vested	(68,725)	3.31
Forfeited	(12,946)	3.54
Nonvested options outstanding as of December 31, 2023	101,359	$ 3.50

The following assumptions were used for options granted during the years ended December 31:

	2023	2022
Risk-free interest rate	3.66 %	2.76 %
Expected volatility	23.87 %	23.87 %
Expected dividend yield	— %	— %
Expected life of options (years)	7.5	7.5
Weighted average fair value per option of options granted during the year	$ 4.01	$ 4.24

(Dollars in thousands, except share data)

The following is a summary of changes in restricted shares for the years ended December 31, 2023 and 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested stock awards as of December 31, 2022	51,376	$ 11.43
Granted	18,250	10.65
Vested	(28,303)	11.21
Expired or cancelled	(6,373)	11.50
Nonvested stock awards as of December 31, 2023	34,950	$ 11.19
Nonvested stock awards as of December 31, 2021	59,737	$ 11.02
Granted	17,500	12.16
Vested	(25,661)	10.97
Expired or cancelled	(200)	11.25
Nonvested stock awards as of December 31, 2022	51,376	$ 11.43

As of December 31, 2023, there was $637 of total unrecognized compensation cost related to non-vested share-based compensation arrangements (including share option and non-vested share awards) granted under both Equity Incentive Plans. At December 31, 2023, the weighted-average period over which the unrecognized compensation expense is expected to be recognized was approximately 3.09 years.

NOTE 20 – Liquidation Account

In connection with the Company's second-step mutual to stock conversion which was consummated on January 16, 2020 and in accordance with applicable federal bank regulations, at the time of the Conversion, the Company and the Bank established liquidation accounts which are maintained for the benefit of eligible account holders of the Bank who continue to maintain their accounts at the Bank after the second-step conversion. The liquidation accounts are reduced annually to the extent that eligible holders have reduced their qualifying deposits. Subsequent increases do not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation by the Bank, and only in such event, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Bank may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

NOTE 21 – Subsequent Events

Subsequent events have been evaluated through March 6, 2024, which is the date the financial statements are available to be issued, and there are no matters that require additional disclosure.