

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Home Bancorp Wisconsin, Inc. and Subsidiary  
Madison, Wisconsin

We have audited the accompanying consolidated financial statements of Home Bancorp Wisconsin, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Home Bancorp Wisconsin, Inc. and Subsidiary

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Home Bancorp Wisconsin, Inc. and Subsidiary as of September 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Madison, Wisconsin  
December 14, 2021

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS)

	2021	2020
<b>ASSETS</b>		
Cash and Due from Banks	\$ 1,724	\$ 1,303
Interest-Bearing Deposits	184	300
Cash and Cash Equivalents	1,908	1,603
Other Interest-Bearing Deposits	17,913	27,398
Securities Available-for-Sale, at Fair Value	175	257
Securities Held to Maturity, at Amortized Cost	548	864
Loans, Net of Allowance for Loan Losses of \$1,433 at September 30, 2021, and \$1,492 at September 30, 2020	150,289	135,342
Premises and Equipment, Net	4,625	4,779
Federal Home Loan Bank Stock, at Cost	1,094	1,094
Cash Value of Life Insurance	3,770	3,697
Deferred Tax Asset, net	1,414	1,628
Other Assets	706	905
	\$ 182,442	\$ 177,567
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Demand Deposits	\$ 42,341	\$ 36,844
Money Market and Savings Deposit	55,825	54,682
Time Deposits	35,867	38,935
Total Deposits	134,033	130,461
Advance Payments by Borrowers for Taxes and Insurance	675	680
Borrowed Funds	26,675	26,431
Other Liabilities	1,831	1,513
Total Liabilities	163,214	159,085
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock - \$0.01 par Value; 30,000,000 Shares Authorized; Shares Issued and Outstanding of 1,353,104 at September 30, 2021 and 2020	14	14
Additional Paid-In Capital	11,559	11,526
Retained Earnings	8,443	7,809
Unearned Employee Stock Ownership Plan (ESOP) Shares	(496)	(525)
Unearned Deferred Stock Compensation	(297)	(347)
Accumulated Other Comprehensive Income	5	5
Total Stockholders' Equity	19,228	18,482
	\$ 182,442	\$ 177,567

See accompanying Notes to Consolidated Financial Statements.

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS)

	2021	2020
<b>INTEREST INCOME</b>		
Loans, Including Fees	\$ 5,759	\$ 5,768
Interest-Bearing Deposits	330	489
Securities	20	28
Total Interest Income	6,109	6,285
<b>INTEREST EXPENSE</b>		
Deposits	800	1,126
Borrowed Funds	413	414
Total Interest Expense	1,213	1,540
<b>NET INTEREST INCOME</b>	4,896	4,745
<b>PROVISION FOR LOAN LOSSES</b>	65	154
Net Interest Income, After Provision for Loan Losses	4,831	4,591
<b>NONINTEREST INCOME</b>		
Service Fees	318	323
Increase in Cash Value of Life Insurance	73	75
Rental Income	26	25
Other Noninterest Income	2	10
Total Noninterest Income	419	433
<b>NONINTEREST EXPENSE</b>		
Compensation and Employee Benefits	2,207	2,318
Occupancy and Equipment	438	509
Data Processing and Office Expense	790	861
Advertising and Promotions	36	41
Professional Fees	762	334
Examinations and Assessments	69	59
Other Noninterest Expense	96	119
Total Noninterest Expense	4,398	4,241
Net Income Before Income Taxes	852	783
<b>INCOME TAX BENEFIT (EXPENSE)</b>	(218)	1,698
<b>NET INCOME</b>	634	2,481

See accompanying Notes to Consolidated Financial Statements.

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS)

	<u>2021</u>	<u>2020</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized Gain on Securities	\$ -	\$ -
Reclassification Adjustment for Losses Realized in Net Income	-	-
Net Unrealized Gain on Securities	-	-
Income Tax Effect	-	-
Other Comprehensive Income, Net of Tax	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 634</u>	<u>\$ 2,481</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.49</u>	<u>\$ 1.91</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.49</u>	<u>\$ 1.91</u>

See accompanying Notes to Consolidated Financial Statements.

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Unearned Deferred Stock Compensation	Accumulated Other Comprehensive Income	Total Stockholders' Equity
<b>BALANCE - SEPTEMBER 30, 2019</b>	\$ 13	\$ 11,173	\$ 5,328	\$ (558)	\$ -	\$ 5	\$ 15,961
Net Income	-	-	2,481	-	-	-	2,481
Other Comprehensive Income	-	-	-	-	-	-	-
Allocation of 2,877 Shares from ESOP	-	-	-	33	-	-	33
Issuance of 35,965 Shares of Restricted Stock Awards	1	350	-	-	(351)	-	-
Stock Compensation Expense	-	3	-	-	4	-	7
<b>BALANCE - SEPTEMBER 30, 2020</b>	14	11,526	7,809	(525)	(347)	5	18,482
Net Income	-	-	634	-	-	-	634
Other Comprehensive Income	-	-	-	-	-	-	-
Allocation of 3,229 Shares from ESOP	-	-	-	29	-	-	29
Stock Compensation Expense	-	33	-	-	50	-	83
<b>BALANCE - SEPTEMBER 30, 2021</b>	14	11,559	8,443	(496)	(297)	5	19,228

See accompanying Notes to Consolidated Financial Statements.

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 634	\$ 2,481
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	168	207
Net Amortization of Premiums and Discounts	3	11
ESOP Compensation Expense	29	33
Provision for Loan Losses	65	154
Stock Compensation Expense	83	7
Gain on Sale of Other Real Estate Owned	-	(3)
Increase in Cash Surrender Value	(73)	(75)
Changes in Operating Assets and Liabilities:		
Deferred Tax Asset, Net	214	(1,698)
Other Assets	199	72
Other Liabilities	318	755
Net Cash Provided by Operating Activities	1,640	1,944
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Increase (Decrease) in Other Interest-Bearing Deposits	9,485	(8,494)
Purchases of Premises and Equipment	(14)	(32)
Proceeds from Maturities, Prepayments, Paydowns and Calls of Securities Available-for-Sale	79	129
Proceeds from Maturities, Prepayments, Paydowns and Calls of Securities Held to Maturity	316	323
Proceeds from Sale of Other Real Estate Owned	-	49
Net Increase in Loans	(15,012)	(16,570)
Purchases of FHLB Stock	-	(415)
Net Cash Used by Investing Activities	(5,146)	(25,010)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	3,572	10,039
Net Decrease in Advance Payments by Borrowers for Taxes and Insurance	(5)	(40)
Proceeds from Borrowings	5,000	12,500
Repayments of Borrowed Funds	(4,756)	(2,124)
Net Cash Provided by Financing Activities	3,811	20,375
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	305	(2,691)
Cash and Cash Equivalents - Beginning of Year	1,603	4,294
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,908	\$ 1,603
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 1,221	\$ 1,540
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>		
Loans Transferred to Other Real Estate Owned	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements.

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Home Bancorp Wisconsin, Inc. and Subsidiary (the Company) is a Maryland chartered corporation established in June 2013 to become the holding company for Home Savings Bank (the Bank) in connection with the Bank's mutual-to-stock conversion. The Company's business activity is the ownership of the Bank and the management of the offering proceeds it retained in connection with the Bank's conversion. The Company owns 100% of the stock of the Bank. The Bank is a Wisconsin chartered savings bank that provides community banking services to customers in and around Madison, Wisconsin. The Bank accepts deposits and makes loans from its three full-service banking offices, with two offices located in Madison, Wisconsin, and its third office located in Stoughton, Wisconsin. The Bank emphasizes permanent and construction loans secured by real estate. Since the Bank's operations rely heavily on mortgage banking activities, the Bank is exposed to risks relative to changing interest rates and their impact on loan demand. The Company is subject to competition from other financial institutions and nonfinancial institutions providing financial products. The Company is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, fair values of securities, fair value of financial instruments, and valuation of deferred tax assets. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand and interest-bearing and noninterest-bearing accounts in other financial institutions, all of which have original maturities of three months or less. 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.

**Other Interest-Bearing Deposits**

Other interest-bearing deposits consist of certificates of deposit and are carried at cost. All certificates of deposits mature within three years.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Securities**

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity are classified as available-for-sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Declines in fair value of securities that are deemed to be other than temporary, if applicable, are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers the length of time and the extent to which fair value has 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**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are generally reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan 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 the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual 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. 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 Loan Losses**

The allowance for loan losses is maintained at the level considered adequate by management to provide for losses that are probable as of the balance sheet date. The allowance for loan losses is established through a provision for loan losses charged to expense as losses are estimated to have occurred. Loan losses are charged against the allowance when management believes that the collectibility of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. In determining the adequacy of the allowance balance, the Company makes continuous evaluations of the loan portfolio and related off-balance sheet commitments, considers current economic conditions and historical loss experience, and reviews specific problem loans and other factors.

When establishing the allowance for loan losses, management categorizes loans into risk categories generally based on the nature of the collateral and the basis of repayment. These risk categories and their relevant risk characteristics are as follows:

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Loan Losses (Continued)**

**Commercial Business:** Commercial business loans are extended primarily to small and middle-market customers. Such credits typically comprise working capital loans, asset acquisition loans, and loans for other business purposes. Loans to closely held businesses are generally guaranteed in full by the owners of the business. Commercial business loans are made based primarily on the historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of the borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Minimum standards and underwriting guidelines have been established for commercial business loans.

**Commercial Real Estate:** These loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, and various special purpose properties, including restaurants. These loans are subject to underwriting standards and processes similar to commercial business loans. Loans to closely held businesses are generally guaranteed in full by the owners of the business. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. The cash flows of the borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to the general economic factors or conditions specific to the real estate market, such as geographic location and/or purpose type.

**Multifamily Real Estate:** These loans include loans to finance nonfarm properties with five or more units in structures primarily to accommodate households. Such credits are typically originated to finance the acquisition or refinancing of an apartment building. These loans are subject to underwriting standards and processes similar to commercial business loans. Loans to closely held businesses are generally guaranteed in full by the owners of the business. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the subject multifamily property, with assumptions made for vacancy rates. Cash flows of the borrowers 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.

**Construction:** These loans are secured by vacant land and/or property that are in the process of improvement. 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. Construction loans include not only construction of new structures, but loans originated to finance additions to or alterations of existing structures. Until a permanent loan originates, or payoff occurs, all construction loans secured by real estate are reported in this loan pool. Construction loans also have the risk that improvements will not be completed on time, or in accordance with specifications and projected costs.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Loan Losses (Continued)**

**One-to Four-Family Residential and Home Equity Loans and Lines of Credit:** These loans are generally smaller in size and are underwritten by evaluating the credit history of the borrower, the ability of the borrower to meet the debt service requirements of the loan and total debt obligations, the underlying collateral, and the loan to collateral value. Also included in this category are junior liens on one-to four-family residential properties. Underwriting standards for single-family loans are heavily influenced by statutory requirements, which include, but are not limited to, loan-to-value and affordability ratios, risk-based pricing strategies, and documentation requirements.

**Consumer:** These loans may take the form of installment loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. These loans generally include direct consumer automobile loans and other personal loans. These loans are generally smaller in size and are underwritten by evaluating the credit history of the borrower, the ability of the borrower to meet the debt service requirements of the loan and total debt obligations.

Management regularly evaluates the allowance for loan losses using the Company's past loan loss experience, known and inherent risks in the portfolio, composition of the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, current economic conditions, and other relevant factors. This evaluation is inherently subjective since it requires material estimates that may be susceptible to significant change.

A loan is impaired when, based on current information, it is probable that the Company will not collect all amounts due in accordance with the contractual terms of the loan agreement. Management determines whether a loan is impaired on a case-by-case basis, taking into consideration the payment status, collateral value, length and reason of any payment delays, the borrower's prior payment record, and any other relevant factors. Large groups of smaller-balance homogeneous loans, such as residential mortgage and consumer loans, are collectively evaluated in the allowance for loan losses analysis and are not subject to impairment analysis unless such loans have been subject to a restructuring agreement. Specific allowances for impaired loans are based on discounted cash flows of expected future payments using the loan's initial effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Loans are accounted for as troubled debt restructurings when a borrower is experiencing financial difficulties that lead to a restructuring of the loan, and the Company grants a "concession" to the borrower that they would not otherwise consider. These concessions include a modification of terms such as a reduction of the stated interest rate or loan balance, a reduction of accrued interest, an extension of the maturity date at an interest rate lower than a current market rate for a new loan with similar risk, or some combination thereof to facilitate repayment. Troubled debt restructurings are considered impaired loans. In accordance with the OCC Interagency Guidance, qualifying loans modified in response to the COVID-19 pandemic will not be considered troubled debt restructurings.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Loan Losses (Continued)**

In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require additions to the allowance for loan losses based on their judgments of collectibility.

**Foreclosed Assets**

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

**Premises and Equipment**

Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

**Federal Home Loan Bank (FHLB) Stock**

FHLB stock is carried at cost. The Company is required to hold the stock as a member of FHLB, and transfer of the stock is substantially restricted. The stock is pledged as collateral for outstanding FHLB advances. FHLB stock is evaluated for impairment on an annual basis and no impairment has been identified as a result of these reviews.

**Bank Owned Life Insurance**

The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at its cash surrender value, or the amount that can be realized, if lower.

**Transfers of Financial Assets and Participating Interests**

Transfers of an entire financial asset or a participating interest in an entire financial asset 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Transfers of Financial Assets and Participating Interests (Continued)**

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

**Rate Lock Commitments**

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

**Income Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

These calculations are based on many complex factors including estimates of the timing of reversals of temporary differences, the interpretation of federal and state income tax laws, and a determination of the differences between the tax and the financial reporting basis of assets and liabilities. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities.

Under accounting principles generally accepted in the United States of America, a valuation allowance is required to be recognized if it is "more likely than not" that the deferred tax asset will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon judgment concerning management's evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions.

The Company follows the guidance for accounting for uncertainty in income taxes. The Company can recognize in financial statements the impact of a tax position taken, or expected to be taken, if it is more likely than not that the position will be sustained on audit based on the technical merit of the position. See Note 10, Income Taxes, for additional disclosures. The Company recognizes both interest and penalties as components of other operating expenses.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The amount of the uncertain tax position was not determined to be material. It is not expected that the unrecognized tax benefit will be material within the next 12 months. The Company did not recognize any interest or penalties in 2021 or 2020.

The Company files consolidated federal and state income tax returns and it is not subject to federal income tax examinations for taxable years prior to 2018.

**Employee Stock Ownership Plan**

The Company has an employee stock ownership plan (ESOP) covering substantially all employees. The cost of shares issued to the ESOP, but not yet allocated to participants, is presented in the consolidated balance sheet as a reduction of stockholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts.

**Stock-Based Compensation**

Stock compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. The cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employee's service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

**Advertising**

Advertising costs are expensed as incurred.

**Other Comprehensive Income**

Other comprehensive income is shown on the consolidated statements of comprehensive income. The Company's accumulated other comprehensive income is composed of the unrealized gain on securities available-for-sale, net of tax, and is shown on the consolidated statements of comprehensive income. Reclassification adjustments out of other comprehensive income for gains realized on sales of securities available-for-sale comprise the entire balance of "net gain on sale of securities" on the consolidated statements of operations.

**Off-Balance-Sheet Financial Instruments**

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

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

In the ordinary course of business, the Company recognizes income derived from various revenue generating activities. Certain revenues are generated from contracts where they are recognized when, or as services or products are transferred to customers for amounts the Company expects to be entitled. Revenue generating activities related to financial assets and liabilities are also recognized; including mortgage servicing fees, loan commitment fees and gains and losses on securities, equity investments and unconsolidated subsidiaries. Certain specific policies include the following:

**Service Fees**

Service fees include service charges on deposit accounts received under depository agreements with customers to provide access to deposited funds, serve as a custodian of funds, and when applicable, pay interest on deposits. Checking or savings accounts may contain fees for various services used on a day to day basis by a customer. Fees are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged.

**Credit and Debit Card Revenue**

Credit and debit card revenue includes interchange from credit and debit cards processed through card association networks, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Company records interchange as services are provided. Transaction and account management fees are recognized as services are provided.

**Subsequent Events**

Management has reviewed the Company's operations for potential disclosure of financial statement impacts related to events occurring after September 30, 2021, but prior to the release of these consolidated financial statements. On September 30, 2021, Dupaco Community Credit Union entered into a purchase agreement with the Company. Under the terms of the purchase agreement, Dupaco Community Credit Union will acquire assets and liabilities of the Company for an aggregated purchase price of \$45.5 million approximately on March 31, 2022, pending regulatory approval by February 15, 2022. This did not have a material impact on the financial statements as of September 30, 2021.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Newly Adopted Accounting Standards**

**Receivables**

In March 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. Under current U.S. GAAP, a premium is typically amortized to the maturity date when a callable debt security is purchased at a premium, even if the holder is certain the call will be exercised. As a result, upon the exercise of a call on a callable debt security held at a premium, the unamortized premium is recorded as a loss in earnings. The new standard shortens the amortization period for the premium to the earliest call date to more closely align interest income recorded on bonds held at a premium or discount with the economics of the underlying instrument. This guidance is effective for fiscal years beginning after December 15, 2019. The adoption of this ASU did not have an impact to our consolidated financial statements.

**New Accounting Standards**

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Consolidated Statement of Financial Condition and disclosing key information about leasing arrangements. In November 2019, the FASB approved ASU 2019-10, *Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-02 is effective for the Company for the fiscal year beginning after December 15, 2020 and all interim period within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-02 on the consolidated financial statements.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Standards (Continued)**

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Company for the fiscal year and all interim period beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Company is currently evaluating the impact of ASU 2016-13 on the consolidated financial statements.

**NOTE 2 EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period, including allocated and committed-to-be-released ESOP shares, during the applicable period. 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.

The following table presents a reconciliation of the number of shares used in the calculation of basic and diluted earnings per common share:

	2021	2020
Net Income	<u>\$ 634</u>	<u>\$ 2,481</u>
Basic Potential Common Shares:		
Weighted Average Shares Outstanding	1,353,104	1,353,104
Weighted Average Unallocated Employee Stock Ownership Plan Shares	<u>(50,684)</u>	<u>(54,063)</u>
Basic Weighted Average Shares Outstanding	<u>1,302,421</u>	<u>1,299,041</u>
Dilutive Potential Common Shares	<u>-</u>	<u>-</u>
Dilutive Weighted Average Shares Outstanding	<u>1,302,421</u>	<u>1,299,041</u>
Basic Earnings per Share	<u>\$ 0.49</u>	<u>\$ 1.91</u>
Diluted Earnings per Share	<u>\$ 0.49</u>	<u>\$ 1.91</u>

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
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**NOTE 3 NOTE SECURITIES**

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

	2021			
	2020 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Securities Available-for-Sale</u>				
U.S. Agency Pass-Through	\$ 170	\$ 5	\$ -	\$ 175
<u>Securities Held-to-Maturity</u>				
U.S. Agency Pass-Through	\$ 548	\$ 24	\$ -	\$ 572
	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Securities Available-for-Sale</u>				
U.S. Agency Pass-Through	\$ 252	\$ 5	\$ -	\$ 257
<u>Securities Held-to-Maturity</u>				
U.S. Agency Pass-Through	\$ 864	\$ 36	\$ -	\$ 900

Fair values of securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably resulting in a material change in the estimated fair value of securities.

At September 30, 2021 and 2020, no debt securities have unrealized losses.

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of September 30, 2021.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within One Year	\$ -	\$ -	\$ -	\$ -
After One Year through Five Years	-	-	51	52
After Five Years through Ten Years	-	-	271	283
After Ten Years	170	175	226	237
Total	\$ 170	\$ 175	\$ 548	\$ 572

For the years end September 30, 2021 and September 30, 2020, there were no sales of securities available-for-sale.

As of September 30, 2021 and 2020, no securities were pledged to secure public deposits or for other purposes required or permitted by law.

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**NOTE 4 LOANS**

The following table presents total loans by portfolio segment and class of loan as of September 30:

	2021	2020
Commercial:		
Commercial and Industrial	\$ 1,636	\$ 4,721
Commercial Real Estate	28,365	23,142
Multifamily Real Estate	38,295	33,910
Construction	523	87
Residential Real Estate:		
One- to Four-Family Residential	72,557	65,496
Home Equity Loans and Lines of Credit	10,118	9,127
Consumer	419	405
Subtotal	151,913	136,888
Allowance for Loan Losses	(1,433)	(1,492)
Net Deferred Loan Expenses	34	(54)
Undisbursed Loan Proceeds	(225)	-
Loans, Net	\$ 150,289	\$ 135,342

Analysis of the allowance for loan losses for the years ended September 30, 2021 and 2020 follows:

	2021				
	Beginning		Loans		Balance
	Balance	Provision	Charged Off	Recoveries	End of Year
Commercial	\$ 1,006	\$ (115)	\$ (9)	\$ -	\$ 882
Residential Real Estate	476	149	(115)	-	510
Consumer	10	31	(1)	1	41
Total	\$ 1,492	\$ 65	\$ (125)	\$ 1	\$ 1,433
	2020				
	Beginning		Loans		Balance
	Balance	Provision	Charged Off	Recoveries	End of Year
Commercial	\$ 799	\$ 207	\$ -	\$ -	\$ 1,006
Residential Real Estate	529	(53)	-	-	476
Consumer	10	-	(2)	2	10
Total	\$ 1,338	\$ 154	\$ (2)	\$ 2	\$ 1,492

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
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**NOTE 4 LOANS (CONTINUED)**

Information about how loans were evaluated for impairment and the related allowance for loan losses as of September 30, 2021 and 2020 follows:

	2021		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Allowance for Loan Losses:			
Commercial	\$ 13	\$ 869	\$ 882
Residential Real Estate	-	510	510
Consumer	-	41	41
Total Ending Allowance for Loan Losses	<u>\$ 13</u>	<u>\$ 1,420</u>	<u>\$ 1,433</u>
Loans:			
Commercial	\$ 722	\$ 68,097	\$ 68,819
Residential Real Estate	207	82,468	82,675
Consumer	-	419	419
Total	<u>\$ 929</u>	<u>\$ 150,984</u>	<u>\$ 151,913</u>
	2020		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Allowance for Loan Losses:			
Commercial	\$ 144	\$ 862	\$ 1,006
Residential Real Estate	20	456	476
Consumer	-	10	10
Total Ending Allowance for Loan Losses	<u>\$ 164</u>	<u>\$ 1,328</u>	<u>\$ 1,492</u>
Loans:			
Commercial	\$ 980	\$ 60,880	\$ 61,860
Residential Real Estate	779	73,844	74,623
Consumer	-	405	405
Total	<u>\$ 1,759</u>	<u>\$ 135,129</u>	<u>\$ 136,888</u>

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**NOTE 4 LOANS (CONTINUED)**

Information regarding impaired loans as of September 30, 2021 follows:

	2021		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:			
Commercial	\$ -	\$ -	\$ -
Residential Real Estate	207	207	-
	<u>207</u>	<u>207</u>	<u>-</u>
With an Allowance Recorded:			
Commercial	722	722	13
Residential Real Estate	-	-	-
	<u>722</u>	<u>722</u>	<u>13</u>
Total	<u>\$ 929</u>	<u>\$ 929</u>	<u>\$ 13</u>

Information regarding impaired loans as of September 30, 2020 follows:

	2020		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:			
Commercial	\$ 672	\$ 672	\$ -
Residential Real Estate	611	611	-
Total	<u>1,283</u>	<u>1,283</u>	<u>-</u>
With an Allowance Recorded:			
Commercial	144	144	144
Residential Real Estate	168	168	20
	<u>312</u>	<u>312</u>	<u>164</u>
Total	<u>\$ 1,595</u>	<u>\$ 1,595</u>	<u>\$ 164</u>

No additional funds are committed to be advanced in connection with impaired loans.

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

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

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**NOTE 4 LOANS (CONTINUED)**

- “Substandard” ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectibility 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 collectibility of the contractual loan payments is unlikely.

Residential real estate and consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan.

Information regarding the credit quality indicators most closely monitored for commercial loans by class as of September 30, 2021 and 2020 follows:

	2021				
	Pass	Special Mention/ Watch	Substandard	Doubtful	Total
Commercial and Industrial	\$ 1,636	\$ -	\$ -	\$ -	\$ 1,636
Commercial Real Estate	27,643	-	722	-	28,365
Multifamily Real Estate	38,295	-	-	-	38,295
Construction	523	-	-	-	523
Total	<u>\$ 68,097</u>	<u>\$ -</u>	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 68,819</u>
	2020				
	Pass	Special Mention/ Watch	Substandard	Doubtful	Total
Commercial and Industrial	\$ 4,564	\$ 13	\$ -	\$ 144	\$ 4,721
Commercial Real Estate	22,171	135	836	-	23,142
Multifamily Real Estate	33,910	-	-	-	33,910
Construction	87	-	-	-	87
Total	<u>\$ 60,732</u>	<u>\$ 148</u>	<u>\$ 836</u>	<u>\$ 144</u>	<u>\$ 61,860</u>

Information regarding the credit quality indicators most closely monitored for residential real estate and consumer loans by class as of September 30, 2021 and 2020 follows:

	2021		
	Performing	Nonperforming	Total
One- to Four-Family Residential	\$ 72,557	\$ -	\$ 72,557
Home Equity Loans and Lines of Credit	10,118	-	10,118
Consumer	419	-	419
Total	<u>\$ 83,094</u>	<u>\$ -</u>	<u>\$ 83,094</u>
	2020		
	Performing	Nonperforming	Total
One- to Four-Family Residential	\$ 64,717	\$ 779	\$ 65,496
Home Equity Loans and Lines of Credit	9,127	-	9,127
Consumer	405	-	405
Total	<u>\$ 74,249</u>	<u>\$ 779</u>	<u>\$ 75,028</u>

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**NOTE 4 LOANS (CONTINUED)**

Loan aging information as of September 30, 2021 and 2020 follows:

	At September 30, 2021					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Nonaccrual	Total	Current	Total
				Total Past Due		
Commercial and Industrial	\$ -	\$ -	\$ -	\$ -	\$ 1,636	\$ 1,636
Commercial Real Estate	-	-	-	-	28,365	28,365
Multifamily Real Estate	-	-	-	-	38,295	38,295
Construction	-	-	-	-	523	523
One- to Four-Family Residential	80	-	-	80	72,477	72,557
Home Equity Loans and Lines of Credit	178	13	-	191	9,927	10,118
Consumer	-	-	-	-	419	419
Total	<u>\$ 258</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 271</u>	<u>\$ 151,642</u>	<u>\$ 151,913</u>

	At September 30, 2020					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Current	Total
				Total Past Due		
Commercial and Industrial	\$ -	\$ 13	\$ 144	\$ 157	\$ 4,564	\$ 4,721
Commercial Real Estate	57	-	-	57	23,085	23,142
Multifamily Real Estate	-	-	-	-	33,910	33,910
Construction	-	-	-	-	87	87
One- to Four-Family Residential	-	85	332	417	65,079	65,496
Home Equity Loans and Lines of Credit	40	-	-	40	9,087	9,127
Consumer	-	-	-	-	405	405
Total	<u>\$ 97</u>	<u>\$ 98</u>	<u>\$ 476</u>	<u>\$ 671</u>	<u>\$ 136,217</u>	<u>\$ 136,888</u>

When, for economic or legal reasons related to the borrower's financial difficulties, the Company grants a concession to the borrower that the Company would not otherwise consider, the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of forgiveness of interest and/or principal, a reduction of the interest rate, interest-only payments for a period of time, and/or extending amortization terms. During the year ended September 30, 2021, there were two, one-to four-family residential real estate loans that were restructured and considered troubled debt restructuring with a pre-modification investment of \$237 and a post-modification investment of \$207; and 1 commercial loan that was restructured and considered troubled debt restructuring with a pre-modification investment of \$964 and a post-modification investment of \$722. During the year ended September 30, 2020, there were three, one-to four-family residential real estate loans that were restructured and considered troubled debt restructuring with a pre-modification investment of \$561 and a post-modification investment of \$517; and two commercial loans that were restructured and considered troubled debt restructuring with a pre-modification investment of \$219 and a post-modification investment of \$201.

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**NOTE 4 LOANS (CONTINUED)**

Under the Interagency Guidelines, the Company granted principal and/or interest payment deferrals to 14 borrowers with balances of \$8.0 million as of the year ended September 30, 2020. At September 30, 2021, all 14 borrowers have returned to their original payment terms or been paid off. During the year ended September 30, 2020, the Company also facilitated 83 SBA guaranteed loans for \$3.0 million under the new Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. At September 30, 2021, there were 22 PPP loans totaling \$620. At September 30, 2020, there were 84 PPP loans totaling \$3,026.

**NOTE 5 PREMISES AND EQUIPMENT**

An analysis of premises and equipment at September 30 is as follows:

	2021	2020
Land	\$ 1,681	\$ 1,681
Land Improvements	91	91
Buildings and Improvements	5,493	5,488
Furniture and Equipment	1,028	1,019
Subtotal	8,293	8,279
Accumulated Depreciation	(3,668)	(3,500)
Total	<u>\$ 4,625</u>	<u>\$ 4,779</u>

Depreciation and amortization of premises and equipment charged to noninterest expense totaled \$168 and \$207 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 6 FORECLOSED ASSETS**

Activity in foreclosed assets is as follows:

	Years Ended September 30,	
	2021	2020
Balance at Beginning of Year	\$ -	\$ 46
Transfers from Loans to Foreclosed Assets	-	-
Sales of Foreclosed Assets	-	(49)
Gain on Sale of Foreclosed Assets	-	3
Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>

Expenses applicable to foreclosed assets include the following:

	Years Ended September 30,	
	2021	2020
Net Gain on Sale of Foreclosed Assets	<u>\$ -</u>	<u>\$ (3)</u>

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**NOTE 7 TIME DEPOSITS**

Time deposits of \$250 or more totaled approximately \$5,252 and \$4,201 at September 30, 2021 and 2020, respectively. The scheduled maturities of time deposits for each of the years ending September 30 are summarized as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 27,484
2023	4,109
2024	3,528
2025	407
2026 and thereafter	339
Total	<u>\$ 35,867</u>

**NOTE 8 BORROWED FUNDS**

Borrowed funds consisted of the following at September 30:

	<u>2021</u>		<u>2020</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
Federal Home Loan Bank (FHLB):				
Fixed Rate Fixed Term	0.00% - 2.88%	\$ 26,675	0.00% - 2.88%	\$ 26,431
Total		<u>\$ 26,675</u>		<u>\$ 26,431</u>

The following is a summary of scheduled maturities of fixed rate borrowed funds for each of the year ending September 30, 2021:

<u>Fixed Rate, Fixed Term Advances</u>				
<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>Current</u>	<u>Maturity</u>
	<u>Amount</u>	<u>Amount</u>	<u>Rate</u>	<u>Date</u>
FHLB Advance	\$ -	\$ 4,000	0.00%	May 2021
FHLB Advance	-	154	1.28%	June 2021
FHLB Advance	-	500	0.28%	August 2021
FHLB Advance	200	200	2.45%	December 2021
FHLB Advance	500	500	0.32%	February 2022
FHLB Advance	5,000	-	0.00%	May 2022
FHLB Advance	500	500	0.32%	August 2022
FHLB Advance	100	100	2.88%	December 2024
FHLB Advance	375	477	2.20%	March 2025
FHLB Advance	5,000	5,000	2.54%	August 2025
FHLB Advance	5,000	5,000	2.41%	March 2026
FHLB Advance	2,000	2,000	1.77%	June 2026
FHLB Advance	2,000	2,000	1.50%	January 2027
FHLB Advance	2,000	2,000	1.31%	February 2027
FHLB Advance	1,000	1,000	1.14%	February 2027
FHLB Advance	1,000	1,000	1.22%	February 2027
FHLB Advance	1,000	1,000	1.33%	February 2027
FHLB Advance	1,000	1,000	0.92%	August 2029
	<u>\$ 26,675</u>	<u>\$ 26,431</u>		

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**NOTE 8 BORROWED FUNDS (CONTINUED)**

Actual maturities may differ from the scheduled principal maturities due to call options on the various advances.

The Company has a master contract agreement with FHLB that provides for borrowing up to the lesser of a determined multiple of FHLB stock owned, a determined percentage of the book value of the Company's qualifying real estate loans, or a determined percentage of the Company's assets. The FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest, such as London InterBank Offered Rate (LIBOR), federal funds, or Treasury bill rates. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. The Company pledged approximately \$49,837 and \$44,404 of one-to-four family residential construction and residential real estate loans to secure FHLB advances as of September 30, 2021 and 2020, respectively.

FHLB advances are also secured by \$1,094 of FHLB stock owned by the Company at September 30, 2021 and 2020.

The Company also has an agreement with the Federal Reserve Bank's Borrower in Custody program. Under this program, the Company has pledged approximately \$9,925 and \$9,584 of consumer and home equity loans at September 30, 2021 and 2020, respectively. There were no borrowings under this agreement at September 30, 2021 and 2020. At September 30, 2021 and 2020, the Company's available and unused portion of this borrowing agreement totaled approximately \$9,925 and \$9,584, respectively.

**NOTE 9 EMPLOYEE BENEFIT PLAN**

The Company sponsors a 401(k) profit sharing plan covering substantially all employees. Employees are allowed to make voluntary contributions to the plan up to 15% of their compensation. Matching contributions are at the discretion of the Company's board of directors. Matching contributions were \$55 and \$57 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 10 DEFERRED COMPENSATION**

The Company has entered into various deferred compensation agreements with key officers. The liability outstanding under the agreements was \$214 at September 30, 2021 and 2020. There was \$-0- expense recognized during the year ended September 30, 2021 and 2020.

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**NOTE 11 INCOME TAXES**

The components of the income taxes benefit were as follows for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Current Tax Expense (Benefit):		
Federal	\$ (10)	\$ (1,355)
State	14	(636)
Total Current	<u>4</u>	<u>(1,991)</u>
Deferred Tax Expense:		
Federal	165	150
State	49	143
Total Deferred	<u>214</u>	<u>293</u>
Change in Valuation Allowance	<u>-</u>	<u>-</u>
Total Income Tax Expense (Benefit)	<u>\$ 218</u>	<u>\$ (1,698)</u>

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended September 30 follows:

	<u>2021</u>	<u>2020</u>
Tax Expense at Statutory Rate (21%) for 2021 and 2020	\$ 175	\$ 164
Increase (Decrease) in Taxes Resulting from:		
Deferred Federal Tax Rate Adjustment	-	-
Bank-Owned Life Insurance	(15)	(16)
State Taxes	49	45
Other	9	29
Change in Valuation Allowance	<u>-</u>	<u>(1,920)</u>
Total	<u>\$ 218</u>	<u>\$ (1,698)</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major components of the net deferred tax asset as of September 30, 2021 and 2020, are presented on the following page:

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**NOTE 11 INCOME TAXES (CONTINUED)**

	2021	2020
Deferred Tax Assets:		
Allowance for Loan Losses	\$ 369	\$ 351
Deferred Compensation	58	58
Net Operating Loss Carryforward	974	1,244
Other	98	55
Total Deferred Tax Assets	1,499	1,708
Deferred Tax Liabilities:		
Premises and Equipment	46	39
FHLB Stock	32	32
Other	6	8
Unrealized Loss on Securities Available-for-Sale	1	1
Total Deferred Tax Liabilities	85	80
Valuation Allowance	-	-
Net Deferred Tax Assets	\$ 1,414	\$ 1,628

The Company has federal and state net operating loss carryforwards totaling approximately \$3,466 and \$3,937, respectively, that may be applied against future federal and state taxable income and begin to expire in 2030. The Company has no alternative minimum tax credit carryforwards available as of September 30, 2021.

Deferred tax assets are deferred tax consequences attributable to deductible temporary differences and carryforwards. After the deferred tax asset has been measured using the applicable enacted tax rate and provisions of the enacted tax law, it is then necessary to assess the need for a valuation allowance. A valuation allowance is needed when, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. As required by generally accepted accounting principles, available evidence is weighted heavily on cumulative losses with less weight placed on future projected profitability. Realization of the deferred tax asset is dependent on whether there will be sufficient future taxable income of the appropriate character in the period during which deductible temporary differences reverse or within the carryforward periods available under tax law. Based on the available evidence, valuation allowance of \$-0- was recognized as of September 30, 2021 and 2020, respectively, while \$1 and \$1 were the portions of the net deferred tax liability related to comprehensive income, as of September 30, 2021 and 2020, respectively. With few exceptions, the Company is no longer subject to federal or state examinations by tax authorities for years before 2017.

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**NOTE 12 RELATED PARTY TRANSACTIONS**

A summary of loans to directors, executive officers, and their affiliates for the years ended September 30 is as follows:

	2021	2020
Balance at Beginning of Year	\$ 85	\$ 120
New Loans	-	-
Repayments	(27)	(35)
Balance at End of Year	\$ 58	\$ 85

Deposits from directors, executive officers, and their affiliates totaled approximately \$226 and \$277 as of September 30, 2021 and 2020, respectively.

A director is a senior executive for a local public company that was granted a \$1 million line of credit in 2015. This line of credit has never been drawn upon.

**NOTE 13 EQUITY AND REGULATORY MATTERS**

The payment of dividends by the Bank would be restricted if the Bank does not meet the minimum Capital Conservation Buffer as defined by Basel III regulatory capital guidelines and/or if, after payment of the dividend, the Bank would be unable to maintain satisfactory regulatory capital ratios.

The Bank is subject to various regulatory capital requirements administered by federal and state 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 Bank's consolidated 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.

Federal and state banking agencies have adopted regulations that substantially amend the capital regulations currently applicable to us. The regulations implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to capital requirements adopted by the FDIC. These requirements create a new required ratio for common equity tier 1 capital, increase the leverage and tier 1 capital ratios, change the risk weight of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios, and change what qualifies as capital for purposes of meeting these various capital requirements. Beginning in 2016, failure to maintain the required capital conservation buffer will limit the ability of the Bank to pay dividends, repurchase shares, or pay discretionary bonuses. The Company is exempt from consolidated capital requirements as those requirements do not apply to certain small savings bank holding companies with assets under \$1 billion.

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**NOTE 13 EQUITY AND REGULATORY MATTERS (CONTINUED)**

Under the capital regulations, the minimum capital ratios are: (1) common equity tier 1 capital ratio of 4.5% of risk-weighted assets, (2) a tier 1 capital ratio of 6.0% of risk-weighted assets, (3) a total capital ratio of 8.0% of risk-weighted assets, and (4) a tier 1 capital to average assets ratio of 4.0%. Common equity tier 1 capital generally consists of common stock and retained earnings, subject to applicable regulatory adjustments and deductions.

The requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (increased from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for nonresidential mortgage loans that are 90 days past due or otherwise in nonaccrual status; a 20% (increased from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancelable; a 250% risk weight (increased from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk weights (0% to 600%) for equity exposures.

In addition to the minimum common equity tier 1, tier 1, and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional common equity tier 1 capital greater than 2.5% to risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement began being phased in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

The FDIC's prompt corrective action standards also changed effective January 1, 2015. Under the standards, in order to be considered well-capitalized, the Bank must have a common equity tier 1 ratio of 6.5% (new), a tier 1 ratio of 8.0% (increased from 6.0%), a total risk-based capital ratio of 10.0% (unchanged), and a leverage ratio of 5.0% (unchanged). The Bank meets all these new requirements, including the full capital conservation buffer.

As of September 30, 2021, the Bank was well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since September 30, 2021, that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of September 30 are presented in the following tables.

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**NOTE 13 EQUITY AND REGULATORY MATTERS (CONTINUED)**

	September 30, 2021					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>Common Equity</u>						
Total Capital						
(to Risk-Weighted Assets)	\$ 18,575	15.10%	\$ 9,845	8.00%	\$ 12,306	10.00%
Tier 1 Capital						
(to Risk-Weighted Assets)	17,142	13.90%	7,384	6.00%	9,845	8.00%
Common Equity Tier 1 Capital						
(to Risk-Weighted Assets)	17,142	13.90%	5,538	4.50%	7,999	6.50%
Tier 1 Capital						
(to Average Assets)	17,142	9.40%	7,280	4.00%	9,100	5.00%

	September 30, 2020					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>Common Equity</u>						
Total Capital						
(to Risk-Weighted Assets)	\$ 17,371	15.90%	\$ 8,734	8.00%	\$ 10,917	10.00%
Tier 1 Capital						
(to Risk-Weighted Assets)	16,005	14.70%	6,550	6.00%	8,734	8.00%
Common Equity Tier 1 Capital						
(to Risk-Weighted Assets)	16,005	14.70%	4,913	4.50%	7,096	6.50%
Tier 1 Capital						
(to Average Assets)	16,005	8.90%	7,158	4.00%	8,948	5.00%

As a state-chartered savings bank, the Bank is required to maintain a minimum net worth ratio. The Bank's actual and required net worth ratios are as follows:

	Actual Net Worth		Required Net Worth	
	Amount	Ratio	Amount	Ratio
September 30, 2021	\$ 18,575	10.2%	\$ 10,961	6.0%
September 30, 2020	\$ 17,371	9.8%	\$ 10,670	6.0%

**NOTE 14 COMMITMENTS, CONTINGENCIES, AND CREDIT RISK**

**Credit Risk**

The Company is a 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 consolidated balance sheets.

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**NOTE 14 COMMITMENTS, CONTINGENCIES, AND CREDIT RISK (CONTINUED)**

**Credit Risk (Continued)**

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.

The following commitments were outstanding at September 30:

	2021	2020
Commitments to Extend Credit	\$ 1,501	\$ 878
Unused Lines of Credit and Credit Card Lines	13,381	12,895
Undisbursed Portion of Loan Proceeds	225	-
Standby Letters of Credit	-	40

Commitments to extend credit (including undisbursed loans under rate lock commitments) are agreements to lend to a customer as long as there is no violation of any condition established in the contract. All of these commitments are at fixed rates. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer.

Unused commitments under lines of credit and credit card lines 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 consolidated financial statements, since recording the fair value of these guarantees would not have a significant impact on the consolidated financial statements.

**Legal Contingencies**

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the consolidated financial statements.

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**NOTE 14 COMMITMENTS, CONTINGENCIES, AND CREDIT RISK (CONTINUED)**

**Concentration of Credit Risk**

The majority of the Company's loans and commitments have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 4. The ability of the Company's debtors to honor their contracts is dependent on the real estate and general economic conditions in this area. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

**NOTE 15 FAIR VALUE MEASUREMENTS**

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 impaired loans, may be measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodology used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy:

**Securities Available-for-Sale**

Securities available-for-sale 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.

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**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

Loans

Loans are not measured at fair value on a recurring basis. However, loans considered to be impaired may be measured at fair value on a nonrecurring basis. The fair value measurement of an impaired loan that is collateral dependent is based on the fair value of the underlying collateral. Fair value measurements of underlying collateral that utilize observable market data, such as independent appraisals reflecting recent comparable sales, are considered Level 2 measurements. Other fair value measurements that incorporate estimated assumptions market participants would use to measure fair value are considered Level 3 measurements.

Foreclosed Assets

Real estate and other property acquired through or in lieu of loan foreclosure are 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 firm or prepared internally. Fair value measurements obtained from independent firms are generally based on sales of comparable assets and other observable market data and are considered Level 2 measurements. Fair value measurements prepared internally are based on observable market data but include significant unobservable data and are therefore considered Level 3 measurements.

Information regarding the fair value of assets measured at fair value on a recurring basis as of September 30 follows:

		2021			
		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
Assets:	Securities Available-for-Sale	\$ -	\$ 175	\$ -	\$ 175
		2020			
		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
Assets:	Securities Available-for-Sale	\$ -	\$ 257	\$ -	\$ 257

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**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

Information regarding the fair value of assets measured at fair value on a nonrecurring basis as of September 30 follows:

		2021			
		Nonrecurring Fair Value Measurements Using:			
		Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:					
	Loans	\$ -	\$ -	\$ 709	\$ 709
	Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709</u>	<u>\$ 709</u>
		2020			
		Nonrecurring Fair Value Measurements Using:			
		Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:					
	Loans	\$ -	\$ -	\$ 148	\$ 148
	Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148</u>	<u>\$ 148</u>

Loans with a carrying amount of \$722 and \$312 were considered impaired and were written down to their estimated fair value of \$709 and \$148 as of September 30, 2021 and 2020, respectively. As a result, the Company recognized a specific valuation allowance against these impaired loans totaling \$13 and \$164 as of September 30, 2021 and 2020, respectively. The loans were valued based on the value of the underlying collateral, adjusted for selling costs. The fair value of collateral is determined based on appraisals, broker price opinions, or automated valuation models. In some cases, adjustments were made to these values due to various factors including age of the appraisal, age of the comparable, and other known changes in the market and in the collateral. These adjustments are typically a 10-20% decrease in value. When significant adjustments were based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement.

Disclosure of fair value information about financial instruments, for which it is practicable to estimate that value, is required whether or not recognized in the consolidated balance sheets. In cases in which 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 estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instruments. Certain financial instruments with a fair value that is not practicable to estimate and all nonfinancial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Company.

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**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following disclosures represent financial instruments in which the ending balances at September 30, 2021 and 2020 are not carried at fair value in their entirety on the consolidated balance sheets.

Cash and Cash Equivalents

The carrying amounts reported in the consolidated balance sheets approximate those assets' and liabilities' fair values.

Other Interest-Bearing Deposits

Fair value is estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Securities Held to Maturity

Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. If quoted market prices of comparable instruments are not available, fair values are derived from other valuation methodologies, including option pricing models, discounted cash flow models, or similar techniques.

Loans Held for Sale

Fair values of mortgage loans held for sale are based on commitments on hand from investors or prevailing market prices.

Loans

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable. The fair value of all types of loans is estimated by discounting future expected cash flows using current rates at which similar loans would be made to borrowers with similar credit quality and for similar remaining maturities. The fair value disclosures for both the fixed and variable-rate loans were adjusted to reflect the exit price amount anticipated to be received from the sale of the loans in an open market transaction.

Federal Home Loan Bank Stock

Fair value is the redeemable (carrying) value based on the redemption provisions of the Federal Home Loan Bank.

Accrued Interest Receivable and Payable

Fair value approximates the carrying value.

Cash Value of Life Insurance

Fair value is based on reported values of the assets.

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**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

Deposits and Advance Payments by Borrowers for Taxes and Insurance

Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, (including advance payments by borrowers for taxes and insurance), are disclosed as the approximate carrying value. The fair value of interest-bearing deposits with fixed maturities is estimated by discounting future cash flows using current rates offered for similar instruments with similar remaining maturities. The fair value disclosures for all of the deposits were adjusted to reflect the exit price amount anticipated to be received from the sale of the deposits in an open market transaction.

Federal Funds Purchased

Fair value approximates carrying value.

Borrowed Funds

Fair value of fixed rate, fixed-term borrowings is estimated by discounting future cash flows using the current rates at which similar borrowings would be made. Fair value of borrowings with variable rates or maturing within 90 days approximates the carrying value of these borrowings.

Off-Balance-Sheet Instruments

Fair value is based on quoted market prices of similar financial instruments where available. If a quoted market price is not available, fair value is based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the counterparty's credit standing. Since the estimated fair value of off-balance-sheet instruments is not material, no amounts are presented in the following schedule.

The carrying value and estimated fair value of financial instruments at September 30 follows:

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 1,908	\$ 1,908	\$ 1,603	\$ 1,603
Other Interest-Bearing Deposits	17,913	18,406	27,398	27,185
Securities Available-for-Sale	175	175	257	257
Securities Held to Maturity	548	572	864	1,199
Loans	150,289	151,040	135,342	136,096
Accrued Interest Receivable	375	375	409	409
Cash Value of Life Insurance	3,770	3,770	3,697	3,697
Federal Home Loan Bank Stock	1,094	1,094	1,094	1,094
Financial Liabilities:				
Deposits	\$ 134,033	\$ 129,030	\$ 130,461	\$ 130,397
Advance Payments by Borrowers for Taxes and Insurance	675	675	680	680
Borrowed Funds	26,675	27,351	26,431	27,036
Accrued Interest Payable	34	34	34	34

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**NOTE 16 EMPLOYEE STOCK OWNERSHIP PLAN**

The Company maintains a leveraged employee stock ownership plan (ESOP) that covers substantially all employees. The ESOP was established in conjunction with the Company's stock offering completed in April 2014 and operates on a plan year ending December 31. The loan to fund the acquisition of stock by the ESOP was made by the Company. 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 consolidated financial statements. The shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets.

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 September 30, 2021 and 2020, 3,229 and 2,877 shares, respectively, were committed to be released, of which 808 and 719 shares were released and available for allocation at September 30, 2021 and 2020, respectively. During the years ended September 30, 2021 and 2020, the average fair value per share of stock was \$13.33 and \$10.84, respectively, resulting in total ESOP compensation expense of \$29 and \$33 for the years ended September 30, 2021 and 2020, respectively.

The ESOP shares as of September 30 were as follows:

	2021	2020
Allocated Shares	\$ 20,492	\$ 17,264
Shares Committed to be Released and Allocated to Participants	2,421	2,326
Total Unallocated Shares	49,022	52,345
Total ESOP Shares	\$ 71,935	\$ 71,935

**NOTE 17 STOCK OPTIONS AND RESTRICTED STOCK AWARDS**

Under the Company's 2015 Equity Incentive Plan (the Plan), the Company may grant options to its directors, officers, and employees for up to 89,919 shares of common stock and 35,967 shares of restricted stock. Both incentive stock options and nonqualified stock options may be granted under the Plan. The exercise price of each option equals the fair value of the Company's stock on the date of grant and an option's maximum term is 10 years. Vesting periods range from immediate to five years from the date of grant. The Company adopted the guidance in the recognition principle for stock compensation expense, which requires that compensation cost relating to share-based payment transactions be recognized in the financial statements with measurement based upon the fair value of the equity or liability instruments issued. As of September 30, 2021 and 2020, there were 13,487 and 89,919, respectively, remaining shares of the Company's common stock reserved for future option grants under the Plan.

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**NOTE 17 STOCK OPTIONS AND RESTRICTED STOCK AWARDS (CONTINUED)**

The calculated value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>2021</u>	<u>2020</u>
Dividend Yield	0.0%	0.0%
Expected Life	7 Years	7 Years
Expected Volatility	30.0%	30.0%
Risk-Free Interest Rate	0.5%	0.5%

Information pertaining to options outstanding at September 30, 2021 is as follows:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding</u>	<u>Remaining Contractual Life</u>	<u>Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Average Exercise Price</u>
\$9.70	76,432	5.9 years	\$ 9.70	-	\$ 9.70

	<u>2021</u>	
	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested Options at Beginning of Year	76,432	\$ 9.70
Granted	-	-
Vested	-	-
Forfeited or Expired	-	-
Nonvested Options at End of Year	<u>76,432</u>	<u>\$ 9.70</u>

Activity in restricted stock awards during year ended September 30, 2021 was as follows:

	<u>Restricted Stock Awards</u>	<u>Weighted Average Grant Price</u>
Outstanding at Beginning of Year	35,965	\$ 9.74
Granted	-	-
Exercised	-	-
Forfeited or Expired	-	-
Outstanding at End of Year	<u>35,965</u>	<u>\$ 9.74</u>

**HOME BANCORP WISCONSIN, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

**NOTE 17 STOCK OPTIONS AND RESTRICTED STOCK AWARDS (CONTINUED)**

As of September 30, 2021, there was \$297 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of seven years.

**NOTE 18 COMPONENTS OF NONINTEREST INCOME**

The following is a detail of noninterest income including a disaggregation of revenue from contracts with customers, gains (losses) on transfers of nonfinancial assets and other revenue for the year ended September 30, 2021:

<b>Noninterest Income</b>	2021	2020
<i>In Scope of ASC 606</i>		
Deposit Service Fees	\$ 81	\$ 103
Debit and Credit Card Interchange Fees	182	174
Noninterest Income not in Scope of ASC 606	156	156
Total Noninterest Income	\$ 419	\$ 433

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