

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 28, 2022**

**Finward Bancorp**

(Exact name of registrant as specified in its charter)

**Indiana**  
(State or other jurisdiction of incorporation)

**000-26128**  
(Commission File Number)

**35-1927981**  
(IRS Employer  
Identification No.)

**9204 Columbia Avenue**  
**Munster, Indiana**  
(Address of principal executive offices)

**46321**  
(Zip Code)

**(219) 836-4400**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, without par value</b>	<b>FNWD</b>	<b>The Nasdaq Stock Market LLC</b>

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

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## Explanatory Note

On January 31, 2022, Finward Bancorp (“Finward”) completed its previously announced acquisition of Royal Financial, Inc., a Delaware corporation (“Royal Financial”), pursuant to the Agreement and Plan of Merger dated July 28, 2021 (the “Merger Agreement”) between Finward and Royal Financial. Pursuant to the Merger Agreement, Royal Financial merged with and into Finward, with Finward as the surviving corporation (the “Merger”), and Royal Savings Bank, an Illinois state chartered savings bank and wholly-owned subsidiary of Royal Financial, merged with and into Peoples Bank, the wholly-owned Indiana state chartered commercial bank subsidiary of Finward, with Peoples Bank as the surviving bank.

On January 31, 2022, Finward filed a Current Report on Form 8-K reporting the completion of the Merger (the “Original 8-K”). This amendment to the Original 8-K (this “Form 8-K/A”) is being filed with the Securities and Exchange Commission (the “Commission”) solely to amend and supplement Item 9.01 of the Original 8-K, as described in Item 9.01 below, to present certain financial statements and unaudited pro forma financial information. This Form 8-K/A makes no other amendments to the Original 8-K.

### Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of businesses or funds acquired.*

Pursuant to General Instruction B.3 of Form 8-K, the audited consolidated financial statements of Royal Financial as of and for the years ended June 30, 2021 and 2020, including the independent auditor’s report, are not required to be filed by Current Report on Form 8-K, because substantially the same information was previously filed in Finward’s Registration Statement on Form S-4, as originally filed with the Commission on October 26, 2021 (File No. 333-260506) and declared effective by the Commission on November 4, 2021 (the “Registration Statement”) and such financial statements are incorporated by reference herein.

The unaudited consolidated statement of financial condition of Royal Financial as of September 30, 2021 and the unaudited consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows of Royal Financial for the three months ended September 30, 2021 are filed herewith as Exhibit 99.1 and are incorporated by reference into this Item 9.01(a).

(b) *Pro forma financial information.*

Pursuant to General Instruction B.3 of Form 8-K, unaudited pro forma combined condensed financial information for the twelve months ended December 31, 2020 is not required to be filed by Current Report on Form 8-K, because substantially the same information was previously filed in the Registration Statement, and such financial information is incorporated by reference herein.

The unaudited pro forma combined condensed financial information as of and for the nine months ended September 30, 2021 is filed herewith as Exhibit 99.2 and is incorporated by reference into this Item 9.01(b).

(d) *Exhibits.*

The following exhibits are being furnished with this Current Report on Form 8-K.

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#"><u>Royal Financial, Inc. Unaudited Consolidated Statement of Financial Condition as of September 30, 2021 and Unaudited Consolidated Statements of Income, Comprehensive Income, Changes in Stockholders’ Equity, and Cash Flows for the Three Months Ended September 30, 2021.</u></a>
99.2	<a href="#"><u>Unaudited Pro Forma Combined Condensed Financial Information as of and for the Nine Months Ended September 30, 2021.</u></a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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**SIGNATURES**

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

**Finward Bancorp**

Date: April 15, 2022

By: /s/ Peymon S. Torabi  
Printed Name: Peymon S. Torabi  
Title: Executive Vice President, Chief Financial Officer and Treasurer

**ROYAL FINANCIAL, INC. AND SUBSIDIARY**  
Chicago, Illinois

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
As of September 30, 2021 (unaudited) and June 30, 2021  
and for the three-month period ended September 30, 2021 (unaudited)

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**Royal Financial, Inc.**

Chicago, Illinois

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021 and June 30, 2021

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**Royal Financial, Inc.**  
**Condensed Consolidated Statements of Financial Condition**  
**September 30, 2021 (Unaudited) and June 30, 2021**

	September 30, 2021	June 30, 2021
<b>Assets</b>		
Cash and non-interest bearing balances in financial institutions	\$ 3,546,340	\$ 3,470,428
Interest-earning balances in financial institutions	25,808,869	9,259,546
Federal funds sold	75,613	102,418
Cash and cash equivalents	29,430,822	12,832,392
Investment certificates of deposit	492,000	492,000
Securities available for sale	31,834,378	31,888,847
Loans receivable, net of allowance for loan losses of \$3,799,592 at September 30, 2021, \$3,858,124 at June 30, 2021	466,428,455	460,366,062
Federal Home Loan Bank stock	1,302,900	1,302,900
Premises and equipment, net	15,256,448	15,411,588
Accrued interest receivable	2,288,221	2,219,654
Other real estate owned	156,580	156,580
Deferred tax asset	4,685,426	5,279,265
Core deposit intangibles	502,973	538,179
Goodwill	1,755,189	1,755,189
Other assets	1,390,439	1,480,314
<b>Total assets</b>	<b>\$ 555,523,831</b>	<b>\$ 533,722,970</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits	\$ 488,378,241	\$ 466,312,856
Advances from borrowers for taxes and insurance	4,472,612	6,060,645
Federal Home Loan Bank advances	5,000,000	5,000,000
Notes payable	6,750,000	7,000,000
Accrued interest payable and other liabilities	1,261,209	1,235,469
<b>Total liabilities</b>	<b>505,862,062</b>	<b>485,608,970</b>
<b>Commitments and Contingencies</b>		
	-	-
<b>Stockholders' Equity</b>		
Preferred stock, \$0.01 par value per share, authorized 1,000,000 shares, no issues are outstanding	-	-
Common stock, \$0.01 par value per share, authorized 5,000,000 shares, 2,645,000 shares issued	26,450	26,450
Additional paid-in capital	24,498,325	24,434,505
Retained earnings	25,018,943	23,519,345
Treasury stock, 77,427 shares, at cost	(665,954)	(665,954)
Accumulated other comprehensive income	784,005	799,654
<b>Total stockholders' equity</b>	<b>49,661,769</b>	<b>48,114,000</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 555,523,831</b>	<b>\$ 533,722,970</b>

See notes to condensed consolidated financial statements

**Royal Financial, Inc.**  
**Condensed Consolidated Statement of Income**  
**For the Three Months Ended September 30, 2021 (Unaudited)**

	<b>Three Months Ended September 30, 2021</b>
<b>Interest Income</b>	
Loans, including fees	\$ 5,091,855
Securities	169,968
Federal funds sold and other	11,368
Total interest income	5,273,191
<b>Interest Expense</b>	
Deposits	320,963
Borrowings	51,699
Total interest expense	372,662
<b>Net Interest Income</b>	4,900,529
<b>Provision (benefit) for loan losses</b>	(125,000)
<b>Net Interest Income After Provision (benefit) for Loan Losses</b>	5,025,529
<b>Non-interest Income</b>	
Service charges on deposit accounts	171,666
Secondary mortgage market fees	10,143
Rental income	48,198
Other	324
Total non-interest income	230,331
<b>Non-interest Expense</b>	
Salaries and employee benefits	1,356,932
Occupancy and equipment	599,356
Data processing	266,975
Professional services	196,199
Directors fees	47,250
Marketing	54,284
FDIC insurance expense	97,143
Insurance premiums	21,258
Other real estate owned expense (income)	4,895
Merger expense	228,485
Core deposit intangibles amortization	35,207
Other	250,278
Total non-interest expense	3,158,262
<b>Income before income taxes</b>	2,097,598
<b>Provision for income taxes</b>	598,000
<b>Net income</b>	\$ 1,499,598
<b>Basic earnings per share</b>	\$ 0.58
<b>Diluted earnings per share</b>	\$ 0.57
<b>Weighted-average shares basic</b>	2,567,573
<b>Weighted-average shares diluted</b>	2,611,052

See notes to condensed consolidated financial statements

**Royal Financial, Inc.**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the Three Months Ended September 30, 2021 (Unaudited)**

	<b>Three Months Ended September 30, 2021</b>
Net income	\$ 1,499,598
Other comprehensive income:	
Unrealized holding gains on securities during the period:	
Unrealized holding losses arising during the period	(19,810)
Tax effect	4,161
Other comprehensive loss after tax	(15,649)
Comprehensive income	<u>\$ 1,483,949</u>

*See notes to condensed consolidated financial statements*

**Royal Financial, Inc.**  
**Condensed Consolidated Statement of Changes in Stockholders' Equity**  
**For the Three Months Ended September 30, 2021 (Unaudited)**

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance at July 1, 2021	\$ -	\$ 26,450	\$ 24,434,505	\$ 23,519,345	\$ (665,954)	\$ 799,654	\$ 48,114,000
Net income	-	-	-	1,499,598	-	-	1,499,598
Other comprehensive loss, net of tax	-	-	-	-	-	(15,649)	(15,649)
Stock-based compensation	-	-	63,820	-	-	-	63,820
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 26,450</u>	<u>\$ 24,498,325</u>	<u>\$ 25,018,943</u>	<u>\$ (665,954)</u>	<u>\$ 784,005</u>	<u>\$ 49,661,769</u>

*See notes to condensed consolidated financial statements*

**Royal Financial, Inc.**  
**Condensed Consolidated Statement of Cash Flows**  
**For the Three Months Ended September 30, 2021 (Unaudited)**

	<b>Three Months Ended September 30, 2021</b>
<b>Operating Activities</b>	
Net income	\$ 1,499,598
Adjustments to reconcile net income to net cash from by operating activities	
Depreciation	188,463
Deferred loan origination fees and costs	(177,741)
Benefit for loan losses	(125,000)
Premium amortization on securities available for sale, net	34,659
Accretion of discount on acquired loans	11,935
Amortization of core deposit intangible	35,206
Stock-based compensation expense	63,820
Deferred income tax expense	598,000
Net change in:	
Accrued interest receivable and other assets	21,308
Accrued interest payable and other liabilities	25,740
Net cash provided by operating activities	2,175,988
<b>Investing Activities</b>	
Net change in loans	(5,771,587)
Purchase of loans	-
Purchase of premises and equipment	(33,323)
Net cash used in investing activities	(5,804,910)
<b>Financing Activities</b>	
Net increase in deposits	22,065,385
Proceeds from notes payable	-
Repayment of notes payable	(250,000)
Proceeds from stock option exercises	-
Change in advances from borrowers for taxes and insurance	(1,588,033)
Net cash provided by financing activities	20,227,352
<b>Increase in Cash and Cash Equivalents</b>	16,598,430
<b>Cash and Cash Equivalents, Beginning of Period</b>	12,832,392
<b>Cash and Cash Equivalents, End of Period</b>	\$ 29,430,822
<b>Supplemental Disclosure of Cash Flow Information</b>	
Cash paid during the period for:	
Interest on deposits and borrowings	\$ 407,859
Income taxes	610,000

*See notes to condensed consolidated financial statements*

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 1 - BASIS OF PRESENTATION**

The consolidated financial statements as of September 30, 2021 and June 30, 2021, and for the period ended September 30, 2021, include Royal Financial, Inc. (“the Company”) and its wholly-owned subsidiary Royal Savings Bank (“the Bank”). The Bank has one wholly-owned subsidiary that holds other real estate owned. All significant intercompany transactions and balances are eliminated in consolidation.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”) and prevailing practices within the banking industry. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the financial position, results of operations, and cash flows of the Company on a consolidated basis. Transactions with subsidiaries have been eliminated. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto for the year ended June 30, 2021. Operating results for the three months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending June 30, 2022.

*Use of Estimates*

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 2 – SECURITIES**

The fair value of debt securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows at September 30, 2021 and June 30, 2021:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Approximate Fair Value</u>
<b>September 30, 2021 (unaudited)</b>				
<b>Available-for-sale Securities:</b>				
Corporate bonds	\$ 3,336,197	\$ 48,482	\$ -	\$ 3,384,679
Federal National Mortgage Association	9,850,060	148,590	-	9,998,650
Municipal taxable bonds	17,655,710	812,696	(17,357)	18,451,049
	<u>\$ 30,841,967</u>	<u>\$ 1,009,768</u>	<u>\$ (17,357)</u>	<u>\$ 31,834,378</u>
<b>June 30, 2021</b>				
<b>Available-for-sale Securities:</b>				
Corporate bonds	\$ 3,347,209	\$ 51,407	\$ -	\$ 3,398,616
Federal National Mortgage Association	9,844,033	156,267	-	10,000,300
Municipal taxable bonds	17,685,384	826,743	(22,196)	18,489,931
	<u>\$ 30,876,626</u>	<u>\$ 1,034,417</u>	<u>\$ (22,196)</u>	<u>\$ 31,888,847</u>

The fair value of debt securities available for sale at September 30, 2021, by contractual maturity, was as follows.

	<u>Available-for-sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
	(Unaudited)	
Due in one year or less	\$ 1,012,444	\$ 1,033,700
Due from one to five years	17,084,450	17,568,810
Due from five to ten years	6,955,936	7,345,004
Over ten years	5,789,137	5,886,864
Totals	<u>\$ 30,841,967</u>	<u>\$ 31,834,378</u>

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

Securities pledged at September 30, 2021 had a fair value of \$1,682,000 and were pledged to secure public deposits. Securities pledged at June 30, 2021 had a fair value of \$1,650,000 and were pledged to secure public deposits.

Securities with unrealized losses at June 30, 2021 and September 30, 2021, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

<u>Description of Securities</u>	<u>Less than 12 Months</u>		<u>September 30, 2021</u> <u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
			(Unaudited)			
Municipal taxable bonds	\$ -	\$ -	\$ 1,863,585	\$ (17,357)	\$ 1,863,585	\$ (17,357)

  

<u>Description of Securities</u>	<u>Less than 12 Months</u>		<u>June 30, 2021</u> <u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Municipal taxable bonds	\$ 1,868,122	\$ (22,196)	\$ -	\$ -	\$ 1,868,122	\$ (22,196)

Unrealized losses on securities have not been recognized into income because the securities are of high credit quality, the Bank does not intend to sell the securities, it is more likely than not that the Bank will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in market interest rates and fixed income market conditions since the purchase date. Credit quality of the securities is considered to be high, and the fair value is expected to recover as the securities approach their maturity date.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES**

At September 30, 2021 and June 30, 2021, loans receivable consisted of the following:

	<u>September 30,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
	(Unaudited)	
Real estate loans		
One-to-four-family	\$ 192,930,979	\$ 195,643,418
Commercial	113,628,019	122,211,489
Multi-family	156,860,720	136,576,358
Total real estate loans	<u>463,419,718</u>	<u>454,431,265</u>
Commercial loans		
Business loans	6,038,191	8,939,137
Total commercial loans	<u>6,038,191</u>	<u>8,939,137</u>
Consumer loans		
Home equity loans	29,711	31,636
Other	740,427	822,148
Total consumer loans	<u>770,138</u>	<u>853,784</u>
Gross loans	470,228,047	464,224,186
Allowance for loan losses	<u>(3,799,592)</u>	<u>(3,858,124)</u>
Loans , net	<u>\$ 466,428,455</u>	<u>\$ 460,366,062</u>

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

The following table presents the activity in the allowance for loan losses by class for the three months ended September 30, 2021:

	<b>For the Three Months Ended September 30, 2021 (Unaudited)</b>						
	<b>Real Estate</b>						
	<b>One-to-Four Family</b>	<b>Commercial</b>	<b>Multi- Family</b>	<b>Business Loans</b>	<b>Home Equity Loans</b>	<b>Other</b>	<b>Total</b>
<b>Allowance for loan losses:</b>							
Balance, July 1, 2021	\$ 1,109,312	\$ 1,819,408	\$ 827,113	\$ 83,464	\$ 2,028	\$ 16,799	\$ 3,858,124
Provision (benefit) for loan losses	75,865	(307,109)	145,244	(21,179)	(1,988)	(16,241)	(125,408)
Loans charged-off	(23,718)	(14,779)	-	-	-	-	(38,497)
Recoveries	22,998	81,429	-	-	-	946	105,373
Balance, September 30, 2021	<u>\$ 1,184,457</u>	<u>\$ 1,578,949</u>	<u>\$ 972,357</u>	<u>\$ 62,285</u>	<u>\$ 40</u>	<u>\$ 1,504</u>	<u>\$ 3,799,592</u>

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by class and based on impairment method as of September 30, 2021 and June 30, 2021:

	At September 30, 2021 (Unaudited)						Total
	Real Estate			Business Loans	Home Equity Loans	Other	
	One-to-Four Family	Commercial	Multi- Family				
<b>Allowance for loan losses:</b>							
Ending balance, individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending balance, collectively evaluated for impairment	\$ 1,184,457	\$ 1,578,949	\$ 972,357	\$ 62,285	\$ 40	\$ 1,504	\$ 3,799,592
<b>Loans:</b>							
Ending balance	\$ 192,930,979	\$ 113,628,019	\$ 156,860,720	\$ 6,038,191	\$ 29,711	\$ 740,427	\$ 470,228,047
Ending balance; individually evaluated for impairment	\$ 1,529,028	\$ 237,503	\$ -	\$ -	\$ 2,535	\$ -	\$ 1,769,066
Ending balance; collectively evaluated for impairment	\$ 191,401,951	\$ 113,390,516	\$ 156,860,720	\$ 6,038,191	\$ 27,176	\$ 740,427	\$ 468,458,981
	At June 30, 2021						Total
	Real Estate			Business Loans	Home Equity Loans	Other	
	One-to-Four Family	Commercial	Multi- Family				
<b>Allowance for loan losses:</b>							
Ending balance, individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending balance, collectively evaluated for impairment	\$ 1,109,312	\$ 1,819,408	\$ 827,113	\$ 83,464	\$ 2,028	\$ 16,799	\$ 3,858,124
<b>Loans:</b>							
Ending balance	\$ 195,643,418	\$ 122,211,489	\$ 136,576,358	\$ 8,939,137	\$ 31,636	\$ 822,148	\$ 464,224,186
Ending balance; individually evaluated for impairment	\$ 1,879,398	\$ 321,748	\$ -	\$ -	\$ 2,535	\$ -	\$ 2,203,681
Ending balance; collectively evaluated for impairment	\$ 193,764,020	\$ 121,889,741	\$ 136,576,358	\$ 8,939,137	\$ 29,101	\$ 822,148	\$ 462,020,505

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

The following tables presents information related to impaired loans by class of loans as of September 30, 2021 and June 30, 2021, and for the three-month period ended September 30, 2021 and the year ended June 30, 2021:

	As of September 30, 2021			For the Three Months Ended September 30, 2021	
	Unpaid Principal Balance	Recorded Balance	Specific Allowance (Unaudited)	Average Balance of Impaired Loans	Interest Income Recognized
With no allowance recorded:					
Real estate					
One-to-four-family	\$ 2,041,268	\$ 1,529,028	\$ -	\$ 1,596,480	\$ 4,064
Commercial	410,656	237,503	-	238,752	1,214
Multi-family	-	-	-	-	-
Business loans	1,405,005	-	-	-	-
Home equity loans	15,735	2,535	-	2,535	-
Other	4,842	-	-	-	-
With an allowance recorded:					
Real estate					
One-to-four-family	-	-	-	-	-
Commercial	-	-	-	-	-
Multi-family	-	-	-	-	-
Business loans	-	-	-	-	-
Home equity loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Totals</b>	<b>\$ 3,877,506</b>	<b>\$ 1,769,066</b>	<b>\$ -</b>	<b>\$ 1,837,767</b>	<b>\$ 5,278</b>

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

	As of and for the year ended June 30, 2021				
	Unpaid Principal Balance	Recorded Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:					
Real estate					
One-to-four-family	\$ 2,384,978	\$ 1,879,398	\$ -	\$ 1,888,649	\$ 8,197
Commercial	559,678	321,748	-	317,957	2,504
Multi-family	-	-	-	-	-
Business loans	1,405,005	-	-	620,284	-
Home equity loans	15,735	2,535	-	10,235	-
Other	6,821	-	-	-	-
	<u>4,372,217</u>	<u>2,203,681</u>	<u>-</u>	<u>2,837,125</u>	<u>10,701</u>
With an allowance recorded:					
Real estate					
One-to-four-family	-	-	-	-	-
Commercial	-	-	-	-	-
Multi-family	-	-	-	-	-
Business loans	-	-	-	-	-
Home equity loans	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 4,372,217</u>	<u>\$ 2,203,681</u>	<u>\$ -</u>	<u>\$ 2,837,125</u>	<u>\$ 10,701</u>

For the three months ended September 30, 2021, cash basis interest income recognized approximated the accrual basis interest income recognized. The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

The following table presents the aging of the recorded investment in past due loans as of September 30, 2021 and June 30, 2021 by class of loans:

	September 30, 2021 (Unaudited)						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due Still On Accrual	Nonaccrual	Total Past Due and Nonaccrual	Loans Not Past due	Total
Real estate							
One-to-four-family	\$ 3,662	\$ 624,367	\$ 287,733	\$ 1,036,547	\$ 1,952,309	\$ 190,978,670	\$ 192,930,979
Commercial	-	-	-	220,108	220,108	113,407,911	113,628,019
Multi-family	-	-	-	-	-	156,860,720	156,860,720
Commercial loans							
Business loans	-	-	-	-	-	6,038,191	6,038,191
Consumer loans							
Home equity loans	-	-	-	2,535	2,535	27,176	29,711
Other	-	-	-	-	-	740,427	740,427
<b>Total</b>	<u>\$ 3,662</u>	<u>\$ 624,367</u>	<u>\$ 287,733</u>	<u>\$ 1,259,190</u>	<u>\$ 2,174,952</u>	<u>\$ 468,053,095</u>	<u>\$ 470,228,047</u>

	June 30, 2021						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due Still On Accrual	Nonaccrual	Total Past Due and Nonaccrual	Loans Not Past due	Total
Real estate							
One-to-four-family	\$ 4,638	\$ 284,117	-	\$ 1,473,280	\$ 1,762,035	\$ 193,881,383	\$ 195,643,418
Commercial	-	-	-	301,637	301,637	121,909,852	122,211,489
Multi-family	-	101,121	-	-	101,121	136,475,237	136,576,358
Commercial loans							
Business loans	-	-	-	-	-	8,939,137	8,939,137
Consumer loans							
Home equity loans	-	-	-	2,535	2,535	29,101	31,636
Other	-	-	-	-	-	822,148	822,148
<b>Total</b>	<u>\$ 4,638</u>	<u>\$ 385,238</u>	<u>\$ -</u>	<u>\$ 1,777,452</u>	<u>\$ 2,167,328</u>	<u>\$ 462,056,858</u>	<u>\$ 464,224,186</u>

**Troubled Debt Restructurings:**

Restructured loans totaled \$509,000 and \$464,000 at September 30, 2021 and June 30, 2021, respectively. These loans are considered troubled debt restructurings and are classified as impaired at September 30, 2021 and June 30, 2021. There were no specific loan loss allowance allocations for the loans at September 30, 2021 and June 30, 2021. No additional loan commitments are outstanding to these borrowers.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

During the three months ended September 30, 2021, one loan totaling \$94,000 was modified in a troubled debt restructuring.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms. There were no defaults on troubled debt restructurings within twelve months following the modification during the three months ended September 30, 2021.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

**Credit Quality Indicators:**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes real estate commercial and home equity loans. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

**Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

**Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Certain loans in the substandard category are classified as impaired.

**Doubtful.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Loans listed as not rated are included in groups of homogeneous loans and are evaluated based on past due status, which was previously presented.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

Based on the most recent analysis performed, the risk category of loans by class of loans as of September 30, 2021 and June 30, 2021, is as follows:

<b>September 30, 2021 (Unaudited)</b>	<b>Pass</b>	<b>Special Mention</b>	<b>Substandard</b>	<b>Total</b>
<b>Real estate</b>				
One-to-four-family	\$ 190,199,067	\$ 248,568	\$ 2,483,344	\$ 192,930,979
Commercial	99,259,572	11,323,914	3,044,533	113,628,019
Multi-family	155,887,068	973,652	-	156,860,720
<b>Commercial loans</b>				
Business loans	6,011,470	-	26,721	6,038,191
<b>Consumer loans</b>				
Home equity loans	27,176	-	2,535	29,711
Other	740,427	-	-	740,427
<b>Total</b>	<b>\$ 452,124,780</b>	<b>\$ 12,546,134</b>	<b>\$ 5,557,133</b>	<b>\$ 470,228,047</b>

<b>June 30, 2021</b>	<b>Pass</b>	<b>Special Mention</b>	<b>Substandard</b>	<b>Total</b>
<b>Real estate</b>				
One-to-four-family	\$ 192,263,370	\$ 346,001	\$ 3,034,047	\$ 195,643,418
Commercial	106,444,923	12,627,395	3,139,171	122,211,489
Multi-family	135,542,148	1,034,210	-	136,576,358
<b>Commercial loans</b>				
Business loans	8,842,766	56,380	39,991	8,939,137
<b>Consumer loans</b>				
Home equity loans	29,101	-	2,535	31,636
Other	822,148	-	-	822,148
<b>Total</b>	<b>\$ 443,944,456</b>	<b>\$ 14,063,986</b>	<b>\$ 6,215,744</b>	<b>\$ 464,224,186</b>

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 4 - NOTE PAYABLE**

Notes payable were as follows, as of September 30, 2021 and June 30, 2021:

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
	(Unaudited)	
3.25% amortizing note, interest rate equal to the Prime Rate less 25 basis points, floating, maturing October 19, 2023	<u>\$ 6,750,000</u>	<u>\$ 7,000,000</u>

The amortizing note requires quarterly principal payments of \$250,000 in addition to interest on the unpaid principal amount. The notes are secured by all of the stock of the Bank and contain certain financial covenants, including ratios related to the Company's capital position and non-performing loans. At September 30, 2021 and June 30, 2021, the Company was in compliance with its financial covenants.

**NOTE 5 - EMPLOYEE BENEFITS**

The Company established a 401(k) Plan to provide eligible employees with retirement savings benefit. Generally, all employees of the Company and the Bank (including officers) are eligible to participate in the Plan, if over the age of 18 and have completed one year of service. Employees may elect to make contributions, or deferrals, on a pre-tax basis or after-tax basis (Roth Contributions), to the Plan and the Company will contribute a safe harbor matching contribution in an amount equal to: (i) 100% of the employee contribution, not in excess of 3% of compensation, plus (ii) 50% of the employee contribution that exceeds 3% of compensation but does not exceed 5% of compensation. The Plan is subject to certain requirements of the Internal Revenue Code and ERISA. Total 401(k) match benefit that has been charged against income for the plan was \$27,000 for the three months ended September 30, 2021.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 6 - STOCK-BASED COMPENSATION**

The Company has two share-based compensation plans as described below. Total compensation cost that has been charged against income for those plans was \$88,000 for the three months ended September 30, 2021.

**Stock Option Plan**

The Company's 2005 stock option plan (the Plan), which is stockholder approved, permits the grant of options to purchase shares of the Company's common stock to its employees and directors of up to 264,500 shares of common stock. At September 30, 2021 and June 30, 2021, there were no shares available for future grants under this plan. The Company believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant; those option awards generally have vesting periods of 5 years and have 10-year contractual terms. The Company has a policy of using shares held as treasury stock to satisfy option exercises. Currently, the Company has a sufficient number of treasury shares to satisfy expected option exercises.

A summary of the activity in the 2005 stock option plan for the three months ended September 30, 2021 follows:

	<u>Shares</u>	<u>Average Exercise Price</u>	<u>Weighted- average Remaining Years of Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
		(Unaudited)		
Options outstanding at July 1, 2021	53,900	\$ 8.82	4.05	
Granted	-	-	-	
Exercised	-	-	-	
Forfeited or expired	-	-	-	
Options outstanding at September 30, 2021	<u>53,900</u>	<u>\$ 8.82</u>	<u>3.80</u>	<u>\$ 548,702</u>
Exercisable at end of period	<u>53,900</u>	<u>\$ 8.82</u>	<u>3.80</u>	<u>\$ 548,702</u>
Vested or expected to vest	<u>53,900</u>	<u>\$ 8.82</u>	<u>3.80</u>	<u>\$ 548,702</u>

As of both September 30, 2021 and June 30, 2021, all options have vested and all compensation cost related to stock options granted under the 2005 stock option plan had been recognized.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**Equity Incentive Plan**

On November 22, 2018, the Board approved the 2018 Equity Incentive Plan omnibus equity compensation program and allocated 350,000 unissued shares of common stock which permits the grant of options to purchase shares of the Company's common stock, the grant of restricted stock awards, stock appreciation rights, and/or cash incentive awards to its employees and directors. At both September 30, 2021 and June 30, 2021, there were 229,200 shares available for future grants under this plan. The Company believes that such awards better align the interests of its employees with those of its stockholders. Options and awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant; the options and awards granted have vesting periods of 4 years and have 10-year contractual terms.

The Company has a policy of using shares held as treasury stock to satisfy option exercises. Currently, the Company has a sufficient number of treasury shares to satisfy expected option exercises.

*Restricted Stock Awards*

The following is a summary of the activity related to restricted stock awards under the Equity Incentive Plan for the three months ended September 30, 2021:

	Shares	Weighted-average Grant Date Fair Value
	(Unaudited)	
Non-vested at July 1, 2021	24,600	\$ 13.81
Granted	-	-
Vested	(7,900)	-
Forfeited	-	-
	16,700	\$ 13.74
Non-vested at September 30, 2021	16,700	\$ 13.74

As of September 30, 2021 and June 30, 2021, there was approximately \$159,000 and \$193,000, respectively, of total unrecognized compensation cost related to outstanding non-vested shares granted under the Plan. The cost is expected to be recognized over a period of 1.25 years.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

On December 31, 2018, the Board granted 78,600 stock options under the Equity Incentive Plan. The following is the summary of the activity:

	<u>Shares</u>	<u>Average Exercise Price</u>	<u>Weighted- average Remaining Years of Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
			(Unaudited)	
Options outstanding at July 1, 2021	59,300	\$ 14.30		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Options outstanding at September 30, 2021	<u>59,300</u>	<u>\$ 14.30</u>	<u>7.25</u>	<u>\$ 295,160</u>
Exercisable at end of period	<u>20,000</u>	<u>\$ 14.30</u>	<u>7.25</u>	<u>\$ 94,000</u>
Vested or expected to vest	<u>59,300</u>	<u>\$ 14.30</u>	<u>7.25</u>	<u>\$ 295,160</u>

As of September 30, 2021 and June 30, 2021, \$112,000 and \$135,000, respectively, of unrecognized compensation cost related to non-vested stock options granted under the plan remains.

**NOTE 7 - EARNINGS PER SHARE**

The following table presents a reconciliation of the components used to compute basic and diluted earnings per share for the three months ended September 30, 2021:

	<u>Three Months Ended September 30, 2021</u>
	(Unaudited)
Basic EPS	
Net income	\$ 1,499,598
Weighted-average common shares outstanding	<u>2,567,573</u>
Basic earnings per share	<u>\$ 0.58</u>
Diluted EPS	
Net income	\$ 1,499,598
Weighted-average common shares outstanding	2,567,573
Add effect of assumed exercise of dilutive stock options	<u>43,479</u>
Total shares - diluted EPS	<u>2,611,052</u>
Diluted earnings per share	<u>\$ 0.57</u>

During the three months ended September 30, 2021, no shares were considered antidilutive.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 8 - REGULATORY MATTERS**

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of September 30, 2021 and June 30, 2021, the Bank met all capital adequacy requirements to which it was subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At September 30, 2021 and June 30, 2021, the most recent notification from regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The following table provides the capital ratios of the Bank, along with the applicable regulatory capital requirements as of September 30, 2021 and June 30, 2021, which were calculated in accordance with the requirements of Basel III, which became effective January 1, 2015. The final rules of Basel III also established a "capital conservation buffer" of 2.5% above new regulatory minimum capital ratios. As of January 1, 2020, the capital conservation buffer was fully phased in at 2.50% and resulted in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 risk-based capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. An institution is subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such activities. At September 30, 2021 and June 30, 2021, actual capital levels and minimum required levels for the Bank (in thousands) were (the capital conservation buffer is not presented in the amounts or ratios).

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
<b>As of September 30, 2021 (Unaudited)</b>						
Common Equity Tier I Capital (to Risk-Weighted Assets)	\$ 49,060	12.94%	\$ 17,056	4.5%	\$ 24,636	6.5%
Total Capital (to Risk-Weighted Assets)	\$ 52,860	13.94%	\$ 30,321	8.0%	\$ 37,901	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 49,060	12.94%	\$ 22,741	6.0%	\$ 30,321	8.0%
Tier I Capital (to Average Assets)	\$ 49,060	9.14%	\$ 21,473	4.0%	\$ 26,842	5.0%

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
<b>As of June 30, 2021</b>						
Common Equity Tier I Capital (to Risk-Weighted Assets)	\$ 48,561	13.00%	\$ 16,695	4.50%	\$ 24,114	6.50%
Total Capital (to Risk-Weighted Assets)	\$ 52,419	14.03%	\$ 29,679	8.00%	\$ 37,099	10.00%
Tier I Capital (to Risk-Weighted Assets)	\$ 48,561	13.00%	\$ 22,259	6.00%	\$ 29,679	8.00%
Tier I Capital (to Average Assets)	\$ 48,561	9.27%	\$ 20,953	4.00%	\$ 26,192	5.00%

**NOTE 9 - FAIR VALUES**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Securities: The fair values of securities available for sale are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Other Real Estate Owned: The fair value of other real estate owned with a direct write-down during the year are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

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

	<u>Total</u>	<u>Fair Value Measurement Using Significant Other Observable Inputs (Level 2)</u>
<b>September 30, 2021 (Unaudited)</b>		
Available for sale debt securities		
Corporate bonds	\$ 3,384,679	\$ 3,384,679
Federal National Mortgage Association	9,998,650	9,998,650
Municipal taxable bonds	<u>18,451,049</u>	<u>18,451,049</u>
Total	<u>\$ 31,834,378</u>	<u>\$ 31,834,378</u>
<b>June 30, 2021</b>		
Available for sale debt securities		
Corporate bonds	\$ 3,398,616	\$ 3,398,616
Federal National Mortgage Association	10,000,300	10,000,300
Municipal taxable bonds	<u>18,489,931</u>	<u>18,489,931</u>
Total	<u>\$ 31,888,847</u>	<u>\$ 31,888,847</u>

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	<u>Total</u>	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>
<b>September 30, 2021 (Unaudited)</b>		
Other real estate owned	\$ 156,580	\$ 156,580
<b>June 30, 2021</b>		
Other real estate owned	\$ 156,580	\$ 156,580

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

The carrying amounts and estimated fair values of financial instruments at September 30, 2021 and June 30, 2021, are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
<b>September 30, 2021 (Unaudited)</b>		
Financial assets		
Cash and cash equivalents	\$ 29,430,822	\$ 29,430,822
Loans, net (excluding impaired at fair value)	466,428,455	466,123,097
Accrued interest receivable	2,288,221	2,288,221
Financial liabilities		
Deposits	488,378,241	489,399,091
FHLB advances	5,000,000	5,000,000
Notes payable	6,750,000	6,750,000
Accrued interest payable	7,912	7,912
<b>June 30, 2021</b>		
Financial assets		
Cash and cash equivalents	\$ 12,832,392	\$ 12,832,392
Loans, net (excluding impaired at fair value)	460,366,062	459,954,062
Accrued interest receivable	2,219,654	2,219,654
Financial liabilities		
Deposits	466,312,856	467,319,454
FHLB advances	5,000,000	5,000,000
Notes payable	7,000,000	7,000,000
Accrued interest payable	43,110	43,110

In accordance with our adoption of ASU 2016-01, the methods utilized to measure the fair value of financial instruments at September 30, 2021 and June 30, 2021 represent an approximation of exit price, however, an actual exit price may differ.

**Royal Financial, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**NOTE 10 – MERGER ACTIVITY**

On July 28, 2021, the Company and Finward Bancorp, entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which Finward Bancorp will acquire the Company and the Bank. Under the terms of the Merger Agreement, each share of Company common stock will be converted into the right to receive either \$20.14 or 0.4609 shares of Finward Bancorp common stock. Stockholders holding less than 101 shares of Royal Financial, Inc. common stock will only have the right to receive fixed consideration of \$20.14 in cash and will not be entitled to make an election with respect to the merger consideration.

The Merger Agreement contains representations and warranties of both parties and customary conditions to the parties’ obligations to close the transaction, as well as agreements to cooperate in the process of consummating the transaction. Consummation of the transaction remains subject to customary closing conditions, including receipt of requisite stockholder approval and all required regulatory approvals. The merger was subsequently completed on January 31, 2022.

## UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

On January 31, 2022, Finward Bancorp (“Finward”) completed the acquisition of Royal Financial, Inc., a Delaware corporation (“Royal Financial”), pursuant to the Agreement and Plan of Merger dated July 28, 2021 (the “Merger Agreement”) between Finward and Royal Financial. Pursuant to the Merger Agreement, Royal Financial merged with and into Finward, with Finward as the surviving corporation (the “Merger”), and Royal Savings Bank, an Illinois state chartered savings bank and wholly-owned subsidiary of Royal Financial, merged with and into Peoples Bank, the wholly-owned Indiana state chartered commercial bank subsidiary of Finward, with Peoples Bank as the surviving bank.

In connection with the Merger, each outstanding share of Royal Financial common stock (other than shares then held of record by Finward, shares held as treasury shares of Royal Financial, and dissenting shares) owned by stockholders owning of record and/or beneficially at least 101 shares of Royal Financial common stock were converted into the right to receive, at the election of the stockholder, (i) 0.4609 shares of Finward common stock, or \$20.14 in cash, subject to limitations and prorations such that 65% of the outstanding shares of Royal Financial common stock were converted into the stock consideration and 35% of the outstanding Royal Financial shares were converted into the cash consideration. Stockholders of Royal Financial who owned of record and/or beneficially fewer than 101 shares of Royal Financial common stock were entitled to receive fixed consideration of \$20.14 per share in cash and were not entitled to make an election with respect to the merger consideration. Each Royal Financial stockholder also received cash in lieu of any fractional shares of Finward common stock that such stockholder would have otherwise received in the merger, with the amount of cash equal to \$47.65 per share, which was the volume-weighted average of the daily closing prices of a share of Finward common stock during the 15 consecutive trading days immediately preceding the second business day prior to the closing of the Merger. Former Royal Financial stockholders owned approximately 18.6% of the issued and outstanding shares of common stock of Finward immediately after the Merger.

The accompanying unaudited pro forma combined condensed financial information presents the pro forma combined financial position and results of operations of the combined company based upon the historical financial statements of Finward and Royal Financial after giving effect to the Merger and the adjustments described in the accompanying footnotes. The Merger has been accounted for under the acquisition method of accounting under accounting principles generally accepted in the United States (“GAAP”). Under the acquisition method of accounting, the assets and liabilities of Royal Financial, as of the completion date of the Merger, have been recorded at their fair values and the excess of the purchase price over the fair value of the net assets has been allocated to goodwill. The goodwill resulting from the acquisition will not be amortized to expense, but instead will be reviewed for impairment at least annually, and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. The financial statements of Finward issued after the consummation of the Merger will reflect the results attributable to the acquired operations of Royal Financial beginning on the date of the completion of the Merger.

The following unaudited pro forma combined condensed consolidated balance sheet as of September 30, 2021 combines the unaudited consolidated balance sheet of Finward as of September 30, 2021 with the unaudited consolidated balance sheet of Royal Financial as of September 30, 2021, as if the Merger had occurred on September 30, 2021. The following unaudited pro forma combined condensed consolidated income statement for the nine months ended September 30, 2021 combines the unaudited consolidated income statement of Finward for the nine months ended September 30, 2021 with the unaudited consolidated income statement of Royal Financial for the nine months ended September 30, 2021, as if the Merger had occurred on January 1, 2020. The unaudited pro forma combined condensed financial information is based on, and should be read together with, (i) the historical consolidated financial statements and related notes of Finward contained in its Annual Report on Form 10-K for the year ended December 31, 2020, as revised pursuant to the corrected historical financial information presented in Exhibit 99.1 to Finward’s Form 8-K filed with the Securities and Exchange Commission on September 7, 2021, and the historical financial statements and related notes as of and for the nine months ended September 30, 2021 contained in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, and (ii) the historical audited consolidated financial statements and related notes of Royal Financial for the fiscal years ended June 30, 2021 and 2020 and the historical unaudited consolidated financial statements and related notes of Royal Financial as of and for the three months ended September 30, 2021.

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The unaudited pro forma combined condensed financial information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, may not reflect all of the possible financial benefits of the Merger, including from the realization of future cost savings from operating efficiencies or any other synergies that may result from the Merger, and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had Finward and Royal Financial been combined during the periods presented.

Finward has a fiscal year that ends on December 31. Meanwhile, Royal Financial had a fiscal year that ended on June 30. In compiling the unaudited pro forma condensed combined financial information, Finward has taken the necessary steps to present the financial information of Royal Financial to the period closest to Finward's reporting period.

**The unaudited pro forma combined condensed financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Finward would have been had the Merger occurred on the dates assumed, nor is such information necessarily indicative of the future consolidated results of operations or the financial position of Finward.**

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**UNAUDITED PRO FORMA COMBINED CONDENSED  
CONSOLIDATED BALANCE SHEET**  
As of September 30, 2021  
(\$ in thousands, unaudited)

	Finward Historical	Royal Financial Historical	Pro Forma Adjustments	Pro Forma Combined
<b>ASSETS</b>				
Cash and non-interest bearing balances in financial institutions	\$ 17,715	\$ 3,546	\$ (4,076) [a]	\$ 18,213
Cash consideration for acquisition			(19,056) [b]	
Sale of securities portfolio			31,834 [c]	
Redemption of notes payable			(11,750) [d]	
Interest bearing balances in financial institutions	12,132	25,809	-	37,941
Federal funds sold	1,918	76	-	1,994
Total cash and cash equivalents	<u>31,765</u>	<u>29,431</u>	<u>(3,048)</u>	<u>58,148</u>
Certificates of deposit in other financial institutions	977	492	-	1,469
Securities available-for-sale	531,010	31,834	(31,834) [c]	531,010
Loans held for sale	3,868	-	-	3,868
Loans receivable, net	956,352	470,228	(6,174) [e]	1,420,406
Allowance for loan losses	(13,774)	(3,800)	3,800 [l]	(13,774)
Federal Home Loan Bank Stock	3,247	1,303	-	4,550
Accrued interest receivable	5,259	2,288	-	7,547
Premises and equipment	29,980	15,256	(1,963) [h]	43,273
Foreclosed real estate	81	157	-	238
Cash value of bank owned life insurance	31,262	-	-	31,262
Goodwill	11,109	1,755	11,697 [f]	22,806
			(1,755) [n]	
Other intangible assets	3,374	503	1,957 [g]	5,834
Other assets	15,414	6,077	1,058 [k]	22,549
Total assets	<u>\$ 1,609,924</u>	<u>\$ 555,524</u>	<u>\$ (26,262)</u>	<u>\$ 2,139,186</u>
<b>LIABILITIES</b>				
Deposits:				
Noninterest-bearing demand	\$ 287,376	\$ 81,906	\$ -	\$ 369,282
Interest-bearing	1,118,824	406,472	919 [m]	1,526,215
Total deposits	<u>1,406,200</u>	<u>488,378</u>	<u>919</u>	<u>1,895,497</u>
Repurchase agreements	23,844	-	-	23,844
Other borrowed money	-	11,750	(11,750) [d]	-
Accrued expenses and other liabilities	27,311	5,735	-	33,046
Total liabilities	<u>1,457,355</u>	<u>505,863</u>	<u>(10,831)</u>	<u>1,952,387</u>
<b>STOCKHOLDERS' EQUITY</b>				
Common stock	-	26	(26) [i]	-
Additional paid in capital	30,284	24,498	(24,498) [i]	30,284
Treasury stock	-	(666)	666 [i]	-
Additional paid in capital (from Finward for Royal Financial acquisition)			53,286 [j]	53,286
Preferred stock	-	-	-	-
Accumulated other comprehensive income	2,608	784	(784) [i]	2,608
Retained earnings	119,677	25,019	(25,019) [i]	100,621
Deduction to retained earnings - paid to acquiree shareholders			(19,056) [b]	
Stockholders' equity	<u>152,569</u>	<u>49,661</u>	<u>(15,431)</u>	<u>186,799</u>
Total liabilities and stockholders' equity	<u>\$ 1,609,924</u>	<u>\$ 555,524</u>	<u>\$ (26,262)</u>	<u>\$ 2,139,186</u>

See accompanying notes to unaudited pro forma combined condensed financial statements.

Pro Forma Adjustment Notes:

- [a] Royal Financial pre-acquisition date deal cost.
- [b] Cash consideration for purchase of Royal Financial.
- [c] Sale of Royal Financial investment portfolio.
- [d] Redemption of note payable and \$5 million of Federal Home Loan Bank advances.
- [e] Credit and interest rate mark on Royal Financial portfolio.
- [f] Computed goodwill on the transaction.
- [g] Estimated core deposit intangible less Royal Financial's outstanding CDI.
- [h] Fair value mark on fixed assets.
- [i] Stockholders' equity elimination for Royal Financial.
- [j] Dividend from Peoples Bank to Finward.
- [k] To record deferred tax asset as a result of pro forma adjustments resulting from tick mark [g], [h], [l], and [m].
- [l] Write-off of Royal Financial's allowance for loan loss.
- [m] Estimated certificate of deposit premium.
- [n] Closeout of Royal Financial goodwill.

**UNAUDITED PRO FORMA COMBINED CONDENSED  
CONSOLIDATED INCOME STATEMENT  
For the nine months ended September 30, 2021  
(\$ in thousands)**

	Finward Historical	Royal Financial Historical	Pro Forma Adjustments		Pro Forma Combined
<b>Interest income:</b>					
Loans and leases	\$ 31,291	\$ 14,230	\$ 164	[1]	\$ 45,685
Securities	6,483	502	-		6,985
Other interest earning assets	54	32	-		86
Total interest income	<u>37,828</u>	<u>14,764</u>	<u>164</u>		<u>52,756</u>
<b>Interest expense:</b>					
Deposit interest	1,652	1,158	(126)	[3]	2,684
Repurchase agreements	35	-	-		35
Other borrowed funds	23	160	-		183
Total interest expense	<u>1,710</u>	<u>1,318</u>	<u>(126)</u>		<u>2,902</u>
Net interest income	36,118	13,446	290		49,854
Provision (credit) for loan losses	1,293	(185)	-		1,108
Net interest income after provision for loan losses	<u>34,825</u>	<u>13,631</u>	<u>290</u>		<u>48,746</u>
<b>Noninterest income:</b>					
Gain on sale of loans	4,394	10	-		4,404
Fees and service charges	4,010	497	-		4,507
Fiduciary activities	1,787	-	-		1,787
Gain on securities	1,276	-	-		1,276
Increase in cash value of bank owned life insurance	537	-	-		537
Gain on foreclosed real estate	27	-	-		27
Gain on sale of premises and equipment	-	8	-		8
Other	108	141	-		249
Total noninterest income	<u>12,139</u>	<u>656</u>	<u>-</u>		<u>12,795</u>
<b>Noninterest expense:</b>					
Compensation and benefits	17,624	3,853	-		21,477
Occupancy and equipment	4,076	1,708	-		5,784
Data processing	1,997	751	-		2,748
Marketing	728	127	-		855
Federal insurance premium	620	253	-		873
Other	8,859	1,737	103	[2]	10,699
Total noninterest expense	<u>33,904</u>	<u>8,429</u>	<u>103</u>		<u>42,436</u>
Income before income taxes	13,060	5,858	187		19,105
Income tax expense	1,408	1,270	39	[4]	2,717
Net income	<u>\$ 11,652</u>	<u>\$ 4,588</u>	<u>\$ 147</u>		<u>\$ 16,387</u>
	12,381				

See accompanying notes to unaudited pro forma combined condensed financial statements.

Pro Forma Adjustment Notes:

- [1] Accretion of loan discount.
- [2] Core deposit intangible amortization.
- [3] Amortization of certificate of deposit premium.
- [4] To reflect tax effect of pro forma adjustments at 21%.

## Notes to Unaudited Pro Forma Combined Condensed Financial Statements

### Note 1 – Basis of Presentation

The unaudited pro forma combined condensed consolidated financial information has been prepared under the acquisition method of accounting for business combinations. The unaudited pro forma combined condensed consolidated statement of income for the nine months ended September 30, 2021 is presented as if the acquisition occurred on January 1, 2020. The unaudited pro forma combined condensed consolidated balance sheet as of September 30, 2021 is presented as if the acquisition occurred as of that date. This information is not intended to reflect the actual results that would have been achieved had the acquisition actually occurred on those dates. The pro forma adjustments are preliminary, based on estimates, and are subject to change as more information becomes available and after final analyses of the fair values of both tangible and intangible assets acquired and liabilities assumed are completed. Accordingly, the final fair value adjustments may be materially different from those presented in this document.

### Note 2 – Purchase Price

Each share of Royal Financial common stock issued and outstanding immediately prior to the Merger (other than shares held of record by Finward, shares held as treasury shares of Royal Financial, and dissenting shares) were converted into the right to receive, at the stockholder's election, 0.4609 shares of Finward common stock or \$20.14 in cash, or a combination of both, for each share of Royal Financial's common stock, subject to allocation provisions; *provided that*, Royal Financial stockholders owning less than 101 shares of Royal Financial common stock as of the effective time of the Merger were only entitled to receive \$20.14 per share in cash and were not entitled to receive any shares of Finward common stock.

### Note 3 – Allocation of Purchase Price

Under the acquisition method of accounting, Royal Financial's assets and liabilities and any identifiable intangible assets are required to be adjusted to their estimated fair values. The excess of the purchase price over the fair value of the net assets acquired, net of deferred taxes, is allocated to goodwill. Estimated fair value adjustments included in the pro forma financial statements are based upon available information, and certain assumptions considered reasonable, and may be revised as additional information becomes available. The following are the pro forma adjustments made to record the Merger and to adjust Royal Financials' assets and liabilities to their estimated fair values at September 30, 2021.

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**Summary of Purchase Price Calculation and Goodwill Resulting from Royal Financial Merger**  
(dollars in thousands except share and per share data, unaudited)

<b>Purchase price of Royal Financial:</b>			
Royal Financial shares outstanding		2,567,573	
% of shares exchanged		65%	
Shares exchanged		1,668,922	
Exchange ratio		0.4609	
Shares of Finward stock issued		769,206	
Finward stock price	\$	44.50	
Purchase price - stock	\$	34,230	\$ 34,230
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Royal Financial shares outstanding		2,567,573	
% of shares paid in cash		35%	
Shares paid in cash		898,651	
Cash consideration per share	\$	20.14	
Purchase price - cash	\$	18,099	\$ 18,099
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Purchase price - stock and cash			\$ 52,329
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Cash consideration per share	\$	20.14	
Less: weighted average strike price	\$	11.69	
Net cash per option	\$	8.45	
Royal Financial options outstanding		113,200	
Aggregate cash to option holders	\$	957	\$ 957
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Total purchase price			\$ 53,286
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<b>Allocated to:</b>			
Historical book value of Royal Financial's assets and liabilities	\$	49,661	
Royal Financial's estimated transaction expenses, net of tax		(4,076)	
Cash out of stock options tax benefit		239	
Close out of Royal Financial goodwill		(1,755)	
Close out of Royal Financial core deposit intangible, net of tax benefit		(369)	
Adjusted book value of Royal Financial's assets and liabilities	\$	43,700	\$ 43,700
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<b>Adjustments to record assets and liabilities:</b>			
at fair value:			
Loans, fair value mark	\$	(6,174)	
Fixed asset, fair value mark		(1,963)	
Allowance for loan losses write-off		3,800	
Core deposit intangible		2,460	
Certificate of deposit premium		(919)	
Deferred tax assets		455	
Deferred tax liabilities		230	
<b>Total allocation</b>	\$	(2,111)	\$ (2,111)
<b>Computed goodwill</b>			\$ 11,697

The following pro forma adjustments are reflected in the unaudited pro forma combined consolidated financial information for the Merger with Royal Financial.

- A. Fixed cash component of purchase price of \$20.14 per share and Royal Financial's and Finward's combined estimated transaction expenses.

- B. Fair value adjustment on loans of \$6.2 million, of which \$3.4 million is estimated to be accretable to interest income over a four year period and the elimination of Royal Financial's \$3.8 million allowance for loan losses.
- C. Estimate of goodwill that will be recognized as part of the purchase accounting transaction. See the purchase price allocation in Note 3 for calculation.
- D. Estimate of core deposit intangible asset that will be recognized as part of the business combination. It is projected that this intangible asset will be amortized on a straight-line basis over a 6-year period.
- E. Estimate of certificate of deposit premium liability that will be recognized as part of the business combination. It is projected that this intangible liability will be amortized on a straight-line basis over a 2-year period.
- F. Elimination of Royal Financial's stockholders' equity and the issuance of Finward shares in the Merger. The fair value of Finward common stock was based on the May 10, 2021 closing price of \$44.50 per share.
- G. Accretion estimate for interest income on loans for the year ended December 31, 2020 and for the nine months ended September 30, 2021.
- H. Amortization estimate of core deposit intangible for the year ended December 31, 2020 and for the nine months ended September 30, 2021.
- I. Estimate of taxes for pro forma purposes at a rate of 21% for the year ended December 31, 2020 and for the nine months ended September 30, 2021.