

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended March 31, 2026 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____

Commission File Number: 001-40999

Finward Bancorp

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of incorporation
or organization)

35-1927981

(I.R.S. Employer Identification Number)

9204 Columbia Avenue

Munster, Indiana

(Address of principal executive offices)

46321

(ZIP code)

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

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	FNWD	The NASDAQ Stock Market, LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller Reporting Company Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 4,329,971 shares of the registrant's Common Stock, without par value, outstanding at May 5, 2026.

Finward Bancorp
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Glossary of Defined Terms

ACL - Allowance for credit losses

AFS - Available-for-sale

Agencies - collectively, Fannie Mae, Freddie Mac, and Ginnie Mae

AI - Artificial intelligence and/or machine learning

ALCO - Asset Liability Committee

AOCI - Accumulated other comprehensive income (loss)

ARMs - Adjustable rate mortgage loans

ASC - Accounting Standards Codification

ASU - Accounting Standards Update

ATM - Automated teller machine

Bank - Peoples Bank

BHCA - Bank Holding Company Act of 1956, amended

Board - The Company's Board of Directors

BSA - Bank Secrecy Act

Buyer - MountainSeed Real Estate Services, LLC

CARES Act - Coronavirus Aid, Relief and Economic Security Act of 2021

CBCA - Change in Bank Control Act

CBCM - Certified Banking Cybersecurity Manager

CBLR - Community Bank Leverage Ratio

CBSM - Certified Banking Security Manager

CBSTP - Certified Banking Security Technology Professional

CECL - ASU 2016-13, Measurement of Credit Losses on Financial Instruments ("Current Expected Credit Losses")

CFPB - Consumer Financial Protection Bureau

CISM - Certified Information Security Manager

Code - Internal Revenue Code of 1986

CODM - Chief Operating Decision Maker

Company - Finward Bancorp

COSO - Committee of Sponsoring Organizations of the Treadway Commission

CRA - Community Reinvestment Act

CRE - Commercial real estate

CRE NOO - Commercial real estate owner-occupied

CRE OO - Commercial real estate non-owner-occupied

CRI - Cyber Risk Institute

DEI - Diversity, equity and inclusion

DFI - Indiana Department of Financial Institutions

DIF - Deposit Insurance Fund

Dodd-Frank Act - Dodd Frank Wall Street Reform and Consumer Protection Act of 2010

DOJ - Department of Justice

Economic Growth Act - Economic Growth, Regulatory Relief and Consumer Protection Act of 2018
EOLC - Executive officer's loan committee
ESG - Environmental, social, and governance
ERM - Enterprise Risk Management Committee
EVE at Risk - Economic value of equity at risk modeling sensitivity analysis
Exchange Act - Securities Exchange Act of 1934, amended
FASB - Financial Accounting Standards Board
FDIC - Federal Deposit Insurance Corporation
FDICIA - FDIC Improvement Act of 1991
FHA - Federal Housing Administration
FHLB - Federal Home Loan Bank
FHLBI - Federal Home Loan Bank of Indianapolis
Final Rule - Final regulation implementing Section 201
FinTech - Financial technology
FIT - Indiana's Financial Institutions Tax
FRB - Federal Reserve System
GAAP - Generally Accepted Accounting Principles in the US
Gramm-Leach - Gramm-Leach-Bliley Act
HTM - Held-to-maturity
IT - The Company's Information Technology
Lease Agreements - Triple net lease agreements
LGD - Loss given default
MOU - Memorandum of understanding
NOL - Net operating loss
OCC - Office of the Comptroller of the Currency
OBBBA - One Big Beautiful Bill Act
OLC - Loan officers' loan committee
OO - Owner-occupied
Order - Consent Order
PCD - Purchased credit deteriorated
PD - Probability of default
Plan - Finward Bancorp 2025 Omnibus Equity Incentive Plan
Properties - Five properties owned and operated as branch locations
REIT - Real estate investment trust
ROA - Return on average assets
ROE - Return on average shareholders' equity
RWA - Risk-weighted assets
SEC - Securities and Exchange Commission
SOLC - Senior officers' loan committee

TLM - Troubled loan modification

UDC Plan - Unqualified Deferred Compensation Plan

vCISO - virtual Chief Information Security Officer

PART I. Financial Information

Item 1. Financial Statements and Notes (unaudited)

**Finward Bancorp
Condensed Consolidated Balance Sheets**

<i>(Dollars in thousands)</i>	<i>(unaudited)</i>	
	March 31, 2026	December 31, 2025
ASSETS		
Cash and non-interest bearing deposits in other financial institutions	\$ 15,758	\$ 18,265
Interest bearing deposits in other financial institutions	102,997	101,382
Total cash and cash equivalents	118,755	119,647
Securities available-for-sale	307,686	316,227
Loans held-for-sale	-	1,096
Loans receivable, net of deferred fees and costs	1,455,118	1,450,387
Less: Allowance for credit losses	(17,285)	(17,506)
Net loans receivable	1,437,833	1,432,881
Federal Home Loan Bank stock	6,547	6,547
Accrued interest receivable	7,700	7,781
Premises and equipment	44,315	44,976
Cash value of bank owned life insurance	33,786	33,586
Goodwill	22,395	22,395
Other intangible assets	1,076	1,172
Other assets	35,063	34,873
Total assets	<u>\$ 2,015,156</u>	<u>\$ 2,021,181</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 278,705	\$ 267,441
Interest bearing	1,440,366	1,459,530
Total	1,719,071	1,726,971
Federal funds purchased and repurchase agreements	40,815	39,703
Borrowed funds	50,000	45,000
Accrued expenses and other liabilities	32,870	34,844
Total liabilities	1,842,756	1,846,518
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, no par or stated value; 10,000,000 shares authorized, none outstanding	-	-
Common stock, no par or stated value; 10,000,000 shares authorized; shares issued and outstanding: March 31, 2026 - 4,330,486 December 31, 2025 - 4,326,747	-	-
Additional paid-in capital	70,397	70,331
Accumulated other comprehensive loss	(45,713)	(41,662)
Retained earnings	147,716	145,994
Total stockholders' equity	172,400	174,663
Total liabilities and stockholders' equity	<u>\$ 2,015,156</u>	<u>\$ 2,021,181</u>

See accompanying notes to condensed consolidated financial statements.

Finward Bancorp
Condensed Consolidated Statements of Income
(unaudited)

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended March 31,	
	2026	2025
Interest income:		
Loans receivable	\$ 19,871	\$ 19,655
Securities	1,771	2,133
Other interest earning assets	1,079	553
Total interest income	22,721	22,341
Interest expense:		
Deposits	6,959	8,045
Federal funds purchased and repurchase agreements	272	348
Borrowed funds	419	635
Total interest expense	7,650	9,028
Net interest income	15,071	13,313
Provision for (benefit from) credit losses	55	454
Net interest income after provision for credit losses	15,016	12,859
Non-interest income:		
Fees and service charges	1,295	1,109
Wealth management operations	661	619
Gain (loss) on tax credit investment	-	67
Gain (loss) on sale of loans held-for-sale, net	257	230
Bank owned life insurance	201	198
Other	3	6
Total non-interest income	2,417	2,229
Non-interest expense:		
Compensation and benefits	7,591	7,372
Occupancy and equipment	1,991	2,111
Data processing	1,105	1,039
Marketing	587	86
Federal deposit insurance premiums	381	433
Professional and outside services	1,169	1,260
Technology	508	454
Other	1,436	1,717
Total non-interest expense	14,768	14,472
Income before income tax expense	2,665	616
Income tax expense (benefit)	423	161
Net income	\$ 2,242	\$ 455
Earnings per common share:		
Basic	\$ 0.52	\$ 0.11
Diluted	\$ 0.52	\$ 0.11
Dividends declared per common share	\$ 0.12	\$ -

See accompanying notes to condensed consolidated financial statements.

Finward Bancorp
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

<i>(Dollars in thousands)</i>	Three Months Ended March 31	
	2026	2025
Net income	\$ 2,242	\$ 455
Unrealized gains (losses) on securities available for sale:		
Changes in unrealized gains (losses) on securities available for sale	(5,330)	(210)
Less: tax expense (benefit)	(1,279)	(50)
Other comprehensive income (loss), net of tax	(4,051)	(160)
Comprehensive income (loss), net of tax	\$ (1,809)	\$ 295

See accompanying notes to condensed consolidated financial statements.

Finward Bancorp
Condensed Consolidated Statements of Changes in Stockholder's Equity
(unaudited)

<i>(Dollars in thousands, except per share data)</i>	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Other Comprehensive (Loss)/Income</i>	<i>Retained Earnings</i>	<i>Total Stockholders' Equity</i>
Balance at January 1, 2025	\$ -	\$ 70,034	\$ (58,084)	\$ 139,464	\$ 151,414
Net income	-	-	-	455	455
Other comprehensive income (loss), net of tax	-	-	(160)	-	(160)
Stock-based compensation expense	-	98	-	-	98
Balance at March 31, 2025	<u>\$ -</u>	<u>\$ 70,132</u>	<u>\$ (58,244)</u>	<u>\$ 139,919</u>	<u>\$ 151,807</u>
Balance at January 1, 2026	\$ -	\$ 70,331	\$ (41,662)	\$ 145,994	\$ 174,663
Net income	-	-	-	2,242	2,242
Other comprehensive income (loss), net of tax	-	-	(4,051)	-	(4,051)
Net surrender value of 1,508 restricted stock awards	-	(60)	-	-	(60)
Stock-based compensation expense	-	126	-	-	126
Cash dividends, \$0.12 per share	-	-	-	(520)	(520)
Balance at March 31, 2026	<u>\$ -</u>	<u>\$ 70,397</u>	<u>\$ (45,713)</u>	<u>\$ 147,716</u>	<u>\$ 172,400</u>

See accompanying notes to condensed consolidated financial statements.

Finward Bancorp
Condensed Consolidated Statements of Cash Flows
(unaudited)

<i>(Dollars in thousands)</i>	Three months ended March 31,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,242	\$ 455
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(9,407)	(9,596)
Sale of loans originated for sale	10,779	8,263
Depreciation and amortization, net of accretion	1,325	1,600
Stock based compensation expense	126	98
Cash payments for lease liabilities	(404)	(397)
(Gain) loss on sale of loans held-for-sale, net	(276)	(265)
(Increase) decrease of cash value of bank owned life insurance	(201)	(198)
(Gain) loss on derivatives	19	35
Provision for (benefit from) credit losses	55	454
Change in:		
Interest receivable	81	(100)
Interest payable	13	(34)
Other assets	1,145	2,095
Accrued expenses and other liabilities	(1,862)	(6,219)
Total adjustments	1,393	(4,264)
Net cash provided by (used in) operating activities	3,635	(3,809)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and pay downs of securities available-for-sale	2,886	2,863
Purchase of loans	(10,312)	-
Net change in loans receivable	5,402	16,946
Purchase of premises and equipment	(135)	(183)
Proceeds from sale of foreclosed real estate	-	72
Net cash provided by (used in) investing activities	(2,159)	19,698
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	(7,900)	(10,182)
Proceeds from borrowed funds	15,000	1,657
Repayment of borrowed funds	(10,000)	(10,000)
Net surrender value of restricted stock awards	(60)	-
Change in federal funds purchased and repurchase agreements	1,112	4,937
Dividends paid	(520)	(518)
Net cash provided by (used in) financing activities	(2,368)	(14,106)
Net change in cash and cash equivalents	(892)	1,783
Cash and cash equivalents at beginning of period	119,647	70,584
Cash and cash equivalents at end of period	\$ 118,755	\$ 72,367
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 8,621	\$ 8,994
Noncash activities:		
Transfer of premises and equipment to other assets	103	-

See accompanying notes to condensed consolidated financial statements.

Finward Bancorp
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 - Basis of Presentation

Organization and Description of Business

The condensed consolidated financial statements include the accounts of Finward Bancorp (the “Company” or “FNWD”) and Peoples Bank (the “Bank”), and the Bank’s wholly-owned subsidiaries, Peoples Service Corporation, NWIN, LLC, NWIN Funding, Incorporated, and Columbia Development Company, LLC. The Company has no other business activity other than being a holding company for the Bank and the Company’s earnings are primarily dependent upon the earnings of the Bank. The accompanying unaudited condensed consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all disclosures required by GAAP for complete presentation of condensed consolidated financial statements. In the opinion of management, the condensed consolidated financial statements contain all adjustments necessary to present fairly the condensed consolidated balance sheets of the Company as of March 31, 2026, and December 31, 2025, and the condensed consolidated statements of income, comprehensive income (loss), and changes in stockholders’ equity for the three months ended March 31, 2026, and 2025, and condensed consolidated statements of cash flows for the three months ended March 31, 2026, and 2025. The income reported for the three months ended March 31, 2026, is not necessarily indicative of the results to be expected for the full year.

The Company's revenue is primarily derived from the business of banking. The Company's financial performance is monitored on a consolidated basis by the CEO, who is considered to be the Company's CODM. This review is supported by the Chief Financial Officer, Chief Revenue Officer, and Chief Operating Officer. Financial performance is reported to the CODM monthly. The presentation of financial performance to the CODM is consistent with amounts and financial statement line items shown in the Company's consolidated balance sheets and consolidated statements of income. Additionally, the Company's significant expenses are adequately segmented by category and amount in the consolidated statements of income to include all significant items when considering both qualitative and quantitative factors. Significant expenses of the Company include compensation and benefits, net occupancy expense, equipment costs, data processing fees, and professional fees.

All of the Company’s financial results are similar and considered by management to be aggregated into one reportable operating segment. The Company's revenue is primarily derived from the business of banking and the Company’s CODM evaluates financial performance on a company-wide basis. Accordingly, all of the Company’s operations are considered by management to be aggregated in one reportable operating segment.

The Notes to the Condensed Consolidated Financial Statements appearing in Finward Bancorp’s Annual Report on Form 10-K (2025 Annual Report), which include descriptions of significant accounting policies, should be read in conjunction with these interim financial statements. The Condensed Consolidated Balance Sheet at December 31, 2025, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for condensed financial statements.

Note 2 - Use of Estimates

Preparing condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Actual results could differ from those estimates. Estimates associated with the allowance for credit losses are particularly susceptible to material change in the near term.

Note 3 – Accounting Pronouncements Recently Adopted or Issued

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures, which requires public business entities to disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods

beginning after December 15, 2027. Early adoption is permitted. We are currently evaluating the impact of this accounting standard, but we do not expect it to have a material impact on our condensed consolidated financial statements.

In November 2025, the FASB issued ASU 2025-08, Financial Instruments—Credit Losses (Topic 326): Purchased Loans, which expands the gross-up approach for initial recognition and measurement of acquired financial assets to purchased seasoned loans. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of this accounting standard, but we do not expect it to have a material impact on our consolidated financial statements.

Note 4 - Securities

The estimated fair value of available-for-sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	<i>(Dollars in thousands)</i>			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2026				
U.S. government agency securities(1)	\$ 8,884	\$ -	\$ (401)	\$ 8,483
Collateralized mortgage obligations and residential mortgage-backed securities	120,947	-	(19,045)	101,902
Municipal securities	235,846	-	(40,436)	195,410
Collateralized debt obligations	2,138	-	(247)	1,891
Total securities available-for-sale	<u>\$ 367,815</u>	<u>\$ -</u>	<u>\$ (60,129)</u>	<u>\$ 307,686</u>

(1) Includes securities issued or backed by the U.S. government and its agencies and U.S. government sponsored entities.

	<i>(Dollars in thousands)</i>			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2025				
U.S. government agency securities(1)	\$ 8,884	\$ -	\$ (418)	\$ 8,466
Collateralized mortgage obligations and residential mortgage-backed securities	123,833	-	(19,168)	104,665
Municipal securities	236,168	2	(34,956)	201,214
Collateralized debt obligations	2,141	-	(259)	1,882
Total securities available-for-sale	<u>\$ 371,026</u>	<u>\$ 2</u>	<u>\$ (54,801)</u>	<u>\$ 316,227</u>

(1) Includes securities issued or backed by the U.S. government and its agencies and U.S. government sponsored entities.

The cost basis and estimated fair value of available-for-sale debt securities at March 31, 2026, by contractual maturity, were as follows. Securities not due at a single maturity date, primarily collateralized mortgage obligations and residential mortgage-backed securities, are shown separately.

	<i>(Dollars in thousands)</i>	
	Available-for-sale	
March 31, 2026	Cost Basis	Estimated Fair Value
Due in one year or less	\$ -	\$ -
Due from one to five years	13,041	12,377
Due from five to ten years	44,261	38,631
Due over ten years	189,566	154,776
Collateralized mortgage obligations and residential mortgage-backed securities	120,947	101,902
Total	<u>\$ 367,815</u>	<u>\$ 307,686</u>

Sales of available-for-sale securities were as follows for the quarter ended:

	Three Months Ended March 31	
	2026	2025
Proceeds	\$ -	\$ -
Gross gains	-	-
Gross losses	-	-

Accumulated other comprehensive income/(loss) balances, net of tax, related to available-for-sale securities, were as follows:

	<i>(Dollars in thousands)</i>	
	Unrealized loss	
Beginning Balance, January 1, 2026	\$	(41,662)
Period change		(4,051)
Ending Balance, March 31, 2026	<u>\$</u>	<u>(45,713)</u>

	<i>(Dollars in thousands)</i>	
	Unrealized loss	
Beginning Balance, January 1, 2025	\$	(58,084)
Current period change		(160)
Ending balance, March 31, 2025	<u>\$</u>	<u>(58,244)</u>

Securities with market values of approximately \$306.9 million and \$315.5 million were pledged as of March 31, 2026 and December 31, 2025, respectively, as collateral for repurchase agreements, public funds, and for other purposes as permitted or required by law.

Securities with unrealized losses not recognized in income at March 31, 2026, and December 31, 2025, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

(Dollars in thousands)

	Less than 12 months		12 months or longer		Total		Percentage of Total Portfolio in Loss Position
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	
March 31, 2026							
U.S. government agency securities	\$ -	\$ -	\$ 8,483	\$ (401)	\$ 8,483	\$ (401)	100.0%
Collateralized mortgage obligations and residential mortgage-backed securities	-	-	101,902	(19,045)	101,902	(19,045)	100.0%
Municipal securities	1,819	(55)	193,591	(40,381)	195,410	(40,436)	100.0%
Collateralized debt obligations	-	-	1,891	(247)	1,891	(247)	100.0%
Total	\$ 1,819	\$ (55)	\$ 305,867	\$ (60,074)	\$ 307,686	\$ (60,129)	100.0%
Number of securities		3		367		370	

(Dollars in thousands)

	Less than 12 months		12 months or longer		Total		Percentage of Total Portfolio in Loss Position
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	
December 31, 2025							
U.S. government agency securities	\$ -	\$ -	\$ 8,466	\$ (418)	\$ 8,466	\$ (418)	100.0%
Collateralized mortgage obligations and residential mortgage-backed securities	-	-	104,665	(19,168)	104,665	(19,168)	100.0%
Municipal securities	-	-	200,469	(34,956)	200,469	(34,956)	99.6%
Collateralized debt obligations	-	-	1,882	(259)	1,882	(259)	100.0%
Total	\$ -	\$ -	\$ 315,482	\$ (54,801)	\$ 315,482	\$ (54,801)	99.8%
Number of securities		-		369		369	

Unrealized losses on securities have not been recognized into income because the securities are of high credit quality or have undisrupted cash flows. Management has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in interest rates and volatility in securities markets. The fair values are expected to recover as the securities approach maturity.

Collateralized debt obligations with a cost basis of \$2.1 million and fair value of \$1.9 million at March 31, 2026 and a cost basis of \$2.1 million and a fair value of \$1.9 million at December 31, 2025, had previously recorded impairment of \$173 thousand, which will not be recoverable until maturity of the security.

Accrued interest receivable on AFS debt securities totaled \$2.0 million at March 31, 2026, and \$2.0 million at December 31, 2025. These amounts are excluded from the estimate of credit losses. The Company made the policy election to exclude accrued interest from the amortized cost basis of AFS debt securities and report accrued interest separately on the condensed consolidated balance sheet.

Note 5 - Loans Receivable

The Company's current lending programs are described below:

Residential Real Estate. A primary lending activity of the Company has been the granting of conventional mortgage loans to enable borrowers to purchase existing homes, refinance existing homes, or construct new homes. Conventional loans are made up to a maximum of 97% of the purchase price or appraised value, whichever is less. For loans made in excess of 80% of value, private mortgage insurance is generally required in an amount sufficient to reduce the Company's exposure to 80% or less of the appraised value of the property. Loans insured by private mortgage insurance companies can be made for up to 97% of value.

Fixed rate loans generally conform to Freddie Mac guidelines for loans purchased under the 1-4 family program. Loan interest rates are determined based on secondary market yield requirements and local market conditions. Fixed rate mortgage loans may be sold and/or classified as held for sale to control exposure to interest rate risk.

The Company's ARMs include offerings that have a three, five, seven or ten year fixed period. The ability of the Company to successfully market ARM's depends upon loan demand, prevailing interest rates, volatility of interest rates, and terms offered by competitors.

Home Equity Line of Credit. The Company offers a fixed and variable rate revolving line of credit secured by the equity in the borrower's home. Both products offer an interest only option where the borrower pays interest only on the outstanding balance each month. Equity lines will typically require a second mortgage appraisal and a second mortgage lender's title insurance policy. Loans are generally made up to a maximum of 89% of the appraised value of the property less any outstanding liens.

Fixed-term home improvement and equity loans are made up to a maximum of 85% of the appraised value of the improved property, less any outstanding liens. These loans are offered on both a fixed and variable rate basis with a maximum term of 240 months. All home equity loans are made on a direct basis to borrowers.

Commercial Real Estate and Multifamily Loans. Commercial real estate loans are typically made to a maximum of 80% of the appraised value. Such loans are generally made on an adjustable-rate basis. These loans are typically made for terms of 15 to 25 years. Loans with an amortizing term exceeding 15 years normally have a balloon feature calling for a full repayment within seven to ten years from the date of the loan. The balloon feature affords the Company the opportunity to restructure the loan if economic conditions warrant. Commercial real estate loans include loans secured by commercial rental units, apartments, condominium developments, small shopping centers, owner occupied commercial/ industrial properties, hospitality units and other retail and commercial developments.

While commercial real estate lending is generally considered to involve a higher degree of risk than single family residential lending due to the concentration of principal in a limited number of loans and the effects of general economic conditions on real estate developers and managers, the Company has endeavored to reduce this risk in several ways. In originating commercial real estate loans, the Company considers the feasibility of the project, the financial strength of the borrowers and lessees, the managerial ability of the borrowers, the location of the project and the economic environment. Management evaluates the debt coverage ratio and analyzes the reliability of cash flows, as well as the quality of earnings. All such loans are made in accordance with well-defined underwriting standards and are generally supported by personal guarantees, which represent a secondary source of repayment.

Loans for the construction of commercial properties are generally located within an area permitting physical inspection and regular review of business records. Projects financed outside of the Company's primary lending area generally involve borrowers and guarantors who are or were previous customers of the Company or projects that are underwritten according to the Bank's underwriting standards.

Construction and Land Development. Construction loans on residential properties are made primarily to individuals who are under contract with a general contractor. The maximum loan-to-value ratio is 89% of either the current appraised value or the cost of construction, whichever is less. Residential construction loans are typically made for a period of one year.

Loans are also made for the construction of commercial properties. All such loans are made in accordance with well-defined underwriting standards. Generally if the loans are not owner occupied, these types of loans require proof of intent to lease and a confirmed end-loan takeout. In general, loans made do not exceed 80% of the appraised value of the

property. Commercial construction loans are typically made for periods not to exceed two years or date of occupancy, whichever is less.

Commercial Business. Although the Company's priority in extending various types of commercial business loans changes from time to time, the basic considerations in determining the makeup of the commercial business loan portfolio are economic factors, regulatory requirements and money market conditions. The Company seeks commercial loan relationships from the local business community and from its present customers. Prudent lending policies based upon sound credit analysis governs the extension of commercial credit. The following loans, although not inclusive, are considered preferable for the Company's commercial loan portfolio: agriculture loans, loans collateralized by liquid assets; loans secured by general use machinery and equipment; secured short-term working capital loans to established businesses secured by business assets; short-term loans with established sources of repayment and secured by sufficient equity and real estate; and unsecured loans to customers whose character and capacity to repay are firmly established.

Consumer Loans. The Company offers consumer loans to individuals for personal, household or family purposes. Consumer loans are either secured by adequate collateral, or unsecured. Unsecured loans are based on the strength of the applicant's financial condition. All borrowers must meet current underwriting standards. The consumer loan program includes both fixed and variable rate products.

Manufactured Homes. The Company has purchased fixed rate closed loans from a third-party that are subject to the Company's underwriting requirements and secured by manufactured homes. The maturity date on these loans can range up to 25 years. In addition, these loans are partially secured by a reserve account held at the Company.

Government Loans. The Company is permitted to purchase non-rated municipal securities, tax anticipation notes and warrants within the local market area.

Loans consist of the following as of March 31, 2026, and December 31, 2025:

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025
Loans secured by real estate:		
Residential real estate	\$ 445,097	\$ 442,443
Home equity	53,855	53,497
Commercial real estate	564,613	555,594
Construction and land development	76,582	77,208
Multifamily	185,824	183,902
Total loans secured by real estate	1,325,971	1,312,644
Commercial business	94,160	99,304
Consumer	310	870
Manufactured homes	22,981	23,708
Government	9,998	12,298
Loans receivable	1,453,420	1,448,824
Add:		
Net deferred loan origination costs	1,723	1,606
Loan clearing funds	(25)	(43)
Loans receivable, net of deferred fees and costs	\$ 1,455,118	\$ 1,450,387

The Company's age analysis of past due loans is summarized below:

<i>(Dollars in thousands)</i>	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due and Accruing	Current	Accruing Loans	Nonaccrual Loans	Total Loans Receivable
March 31, 2026								
Residential real estate	\$ 7,792	\$ 1,677	\$ -	\$ 9,469	\$ 428,831	\$ 438,300	\$ 6,797	\$ 445,097
Home equity	326	-	-	326	52,768	53,094	761	53,855
Commercial real estate	10,520	3,032	-	13,552	548,827	562,379	2,234	564,613
Construction and land development	-	-	-	-	75,989	75,989	593	76,582
Multifamily	1,143	1,152	-	2,295	182,932	185,227	597	185,824
Commercial business	677	774	-	1,451	91,410	92,861	1,299	94,160
Consumer	-	-	-	-	310	310	-	310
Manufactured homes	299	-	-	299	22,592	22,891	90	22,981
Government	-	-	-	-	9,998	9,998	-	9,998
Total	\$ 20,757	\$ 6,635	\$ -	\$ 27,392	\$ 1,413,657	\$ 1,441,049	\$ 12,371	\$ 1,453,420
December 31, 2025								
Residential real estate	\$ 4,991	\$ 1,552	\$ -	\$ 6,543	\$ 429,968	\$ 436,511	\$ 5,932	\$ 442,443
Home equity	324	-	-	324	52,363	52,687	810	53,497
Commercial real estate	4,106	3,905	-	8,011	546,022	554,033	1,561	555,594
Construction and land development	2,343	129	-	2,472	74,083	76,555	653	77,208
Multifamily	450	1,303	-	1,753	181,453	183,206	696	183,902
Commercial business	1,214	47	-	1,261	96,604	97,865	1,439	99,304
Consumer	-	-	-	-	870	870	-	870
Manufactured homes	241	28	-	269	23,368	23,637	71	23,708
Government	-	-	-	-	12,298	12,298	-	12,298
Total	\$ 13,669	\$ 6,964	\$ -	\$ 20,633	\$ 1,417,029	\$ 1,437,662	\$ 11,162	\$ 1,448,824

The following table shows the amortized cost of loans, segregated by portfolio segment, credit quality rating and year of origination as of March 31, 2026, and December 31, 2025, and gross charge-offs for the three months ended March 31, 2026, and for the year ended December 31, 2025.

	2026	2025	2024	2023	2022	Prior	Revolving	Revolving Converted to Term	Total
March 31, 2026									
Total Loans Receivable	\$ 81,826	\$ 198,143	\$ 135,564	\$ 134,662	\$ 263,157	\$ 640,068	\$ -	\$ -	\$ 1,453,420
Total current period gross charge-off	\$ (14)	\$ (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (19)
Residential real estate									
Pass (1-6)	\$ 14,265	\$ 14,750	\$ 16,412	\$ 24,044	\$ 77,120	\$ 285,217	\$ -	\$ -	\$ 431,808

Special Mention (7)	-	-	-	618	2,859	3,015	-	-	6,492
Substandard (8)	-	296	107	712	1,970	3,712	-	-	6,797
Total	\$ 14,265	\$ 15,046	\$ 16,519	\$ 25,374	\$ 81,949	\$ 291,944	\$ -	\$ -	445,097
Current period gross charge-off	-	(5)	-	-	-	-	-	-	(5)
Home equity									
Pass (1-6)	\$ 3,590	\$ 11,003	\$ 7,118	\$ 7,148	\$ 9,453	\$ 14,481	\$ -	\$ -	52,793
Special Mention (7)	-	-	-	6	50	245	-	-	301
Substandard (8)	-	-	43	277	41	400	-	-	761
Total	\$ 3,590	\$ 11,003	\$ 7,161	\$ 7,431	\$ 9,544	\$ 15,126	\$ -	\$ -	53,855
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Commercial real estate									
Pass (1-6)	\$ 27,660	\$ 68,471	\$ 77,907	\$ 66,307	\$ 108,871	\$ 198,262	\$ -	\$ -	547,478
Special Mention (7)	347	2,061	2,726	2,207	3,624	3,936	-	-	14,901
Substandard (8)	-	317	-	197	221	1,499	-	-	2,234
Total	\$ 28,007	\$ 70,849	\$ 80,633	\$ 68,711	\$ 112,716	\$ 203,697	\$ -	\$ -	564,613
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Construction and land development									
Pass (1-6)	\$ 12,107	\$ 43,234	\$ 9,525	\$ 8,653	\$ 280	\$ 131	\$ -	\$ -	73,930
Special Mention (7)	486	-	-	-	-	-	-	-	486
Substandard (8)	-	-	-	936	-	1,230	-	-	2,166
Total	\$ 12,593	\$ 43,234	\$ 9,525	\$ 9,589	\$ 280	\$ 1,361	\$ -	\$ -	76,582
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Multifamily									
Pass (1-6)	\$ 8,974	\$ 14,934	\$ 6,901	\$ 12,303	\$ 44,169	\$ 95,252	\$ -	\$ -	182,533
Special Mention (7)	443	402	-	-	750	1,099	-	-	2,694
Substandard (8)	-	-	-	196	401	-	-	-	597
Total	\$ 9,417	\$ 15,336	\$ 6,901	\$ 12,499	\$ 45,320	\$ 96,351	\$ -	\$ -	185,824
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Commercial business									
Pass (1-6)	\$ 13,736	\$ 36,974	\$ 13,361	\$ 9,147	\$ 9,917	\$ 6,255	\$ -	\$ -	89,390
Special Mention (7)	99	1,314	60	958	825	215	-	-	3,471
Substandard (8)	-	-	174	894	30	201	-	-	1,299
Total	\$ 13,835	\$ 38,288	\$ 13,595	\$ 10,999	\$ 10,772	\$ 6,671	\$ -	\$ -	94,160
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Consumer									
Pass (1-6)	\$ 119	\$ 57	\$ 50	\$ 59	\$ 15	\$ 10	\$ -	\$ -	310

Total	\$	119	\$	57	\$	50	\$	59	\$	15	\$	10	\$	-	\$	-	\$	310
Current period gross charge-off		(14)		-		-		-		-		-		-		-		(14)
Manufactured homes																		
Pass (1-6)	\$	-	\$	-	\$	-	\$	-	\$	1,717	\$	21,174	\$	-	\$	-	\$	22,891
Special Mention (7)		-		-		-		-		-		-		-		-		-
Substandard (8)		-		-		-		-		90		-		-		-		90
Total	\$	-	\$	-	\$	-	\$	-	\$	1,717	\$	21,264	\$	-	\$	-	\$	22,981
Current period gross charge-off		-		-		-		-		-		-		-		-		-
Government																		
Pass (1-6)	\$	-	\$	4,330	\$	1,180	\$	-	\$	844	\$	3,644	\$	-	\$	-	\$	9,998
Total	\$	-	\$	4,330	\$	1,180	\$	-	\$	844	\$	3,644	\$	-	\$	-	\$	9,998
Current period gross charge-off		-		-		-		-		-		-		-		-		-
December 31, 2025																		
		2025		2024		2023		2022		2021		Prior		Revolving		Revolving Converted to Term		Total
Total Loans Receivable	\$	132,738	\$	125,371	\$	125,504	\$	257,065	\$	260,859	\$	438,852	\$	106,883	\$	1,552	\$	1,448,824
Total current period gross charge-off	\$	(202)	\$	-	\$	(44)	\$	-	\$	(13)	\$	(496)	\$	-	\$	-	\$	(755)
Residential real estate																		
Pass (1-6)	\$	12,570	\$	19,139	\$	26,559	\$	80,834	\$	93,636	\$	196,415	\$	2,477	\$	-	\$	431,630
Special Mention (7)		-		-		619		1,464		1,063		1,651		-		-		4,797
Substandard (8)		296		74		887		1,475		430		2,854		-		-		6,016
Total	\$	12,866	\$	19,213	\$	28,065	\$	83,773	\$	95,129	\$	200,920	\$	2,477	\$	-	\$	442,443
Current period gross charge-off		-		-		-		-		(13)		-		-		-		(13)
Home equity																		
Pass (1-6)	\$	766	\$	92	\$	41	\$	232	\$	49	\$	2,086	\$	47,926	\$	1,187	\$	52,379
Special Mention (7)		-		-		7		-		-		59		45		194		305
Substandard (8)		-		24		-		-		20		181		417		171		813
Total	\$	766	\$	116	\$	48	\$	232	\$	69	\$	2,326	\$	48,388	\$	1,552	\$	53,497
Current period gross charge-off		-		-		-		-		-		-		-		-		-
Commercial real estate																		
Pass (1-6)	\$	58,029	\$	65,768	\$	62,929	\$	111,515	\$	78,531	\$	160,344	\$	3,717	\$	-	\$	540,833
Special Mention (7)		25		410		2,214		2,865		3,403		4,283		-		-		13,200
Substandard (8)		-		-		208		221		-		1,132		-		-		1,561
Total	\$	58,054	\$	66,178	\$	65,351	\$	114,601	\$	81,934	\$	165,759	\$	3,717	\$	-	\$	555,594

Current period gross charge-off	-	-	-	-	-	-	-	-	-	-
Construction and land development										
Pass (1-6)	\$ 36,388	\$ 19,226	\$ 12,795	\$ 2,288	\$ 1,074	\$ 753	\$ 1,893	\$ -	\$ -	\$ 74,417
Special Mention (7)	-	-	-	129	428	-	-	-	-	557
Substandard (8)	-	-	939	60	1,235	-	-	-	-	2,234
Total	\$ 36,388	\$ 19,226	\$ 13,734	\$ 2,477	\$ 2,737	\$ 753	\$ 1,893	\$ -	\$ -	\$ 77,208
Current period gross charge-off	-	-	-	-	-	-	-	-	-	-
Multifamily										
Pass (1-6)	\$ 12,249	\$ 6,289	\$ 11,215	\$ 44,804	\$ 64,357	\$ 40,791	\$ 644	\$ -	\$ -	\$ 180,349
Special Mention (7)	-	-	-	756	374	1,727	-	-	-	2,857
Substandard (8)	-	-	200	409	-	87	-	-	-	696
Total	\$ 12,249	\$ 6,289	\$ 11,415	\$ 45,969	\$ 64,731	\$ 42,605	\$ 644	\$ -	\$ -	\$ 183,902
Current period gross charge-off	-	-	-	-	-	(201)	-	-	-	(201)
Commercial business										
Pass (1-6)	\$ 6,601	\$ 11,813	\$ 5,661	\$ 7,121	\$ 4,595	\$ 10,980	\$ 48,326	\$ -	\$ -	\$ 95,097
Special Mention (7)	299	61	260	62	18	737	1,331	-	-	2,768
Substandard (8)	-	87	898	34	124	189	107	-	-	1,439
Total	\$ 6,900	\$ 11,961	\$ 6,819	\$ 7,217	\$ 4,737	\$ 11,906	\$ 49,764	\$ -	\$ -	\$ 99,304
Current period gross charge-off	(158)	-	(44)	-	-	(293)	-	-	-	(495)
Consumer										
Pass (1-6)	\$ 705	\$ 58	\$ 72	\$ 19	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ 870
Substandard (8)	-	-	-	-	-	-	-	-	-	-
Total	\$ 705	\$ 58	\$ 72	\$ 19	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ 870
Current period gross charge-off	(44)	-	-	-	-	(2)	-	-	-	(46)
Manufactured homes										
Pass (1-6)	\$ -	\$ -	\$ -	\$ 1,733	\$ 10,383	\$ 11,493	\$ -	\$ -	\$ -	\$ 23,609
Special Mention (7)	-	-	-	-	-	28	-	-	-	28
Substandard (8)	-	-	-	-	46	25	-	-	-	71
Total	\$ -	\$ -	\$ -	\$ 1,733	\$ 10,429	\$ 11,546	\$ -	\$ -	\$ -	\$ 23,708
Current period gross charge-off	-	-	-	-	-	-	-	-	-	-
Government										
Pass (1-6)	\$ 4,810	\$ 2,330	\$ -	\$ 1,044	\$ 1,077	\$ 3,037	\$ -	\$ -	\$ -	\$ 12,298
Total	\$ 4,810	\$ 2,330	\$ -	\$ 1,044	\$ 1,077	\$ 3,037	\$ -	\$ -	\$ -	\$ 12,298
Current period gross charge-off	-	-	-	-	-	-	-	-	-	-

The Company has established a standard loan grading system to assist management, lenders and review personnel in their analysis and supervision of the loan portfolio. The use and application of these grades by the Company is uniform and conforms to regulatory definitions. The loan grading system is as follows:

1 – Superior Quality

Loans in this category are substantially risk free. Loans fully collateralized by a Bank certificate of deposit or Bank deposits with a hold are substantially risk free.

2 – Excellent Quality

The borrower generates excellent and consistent cash flow for debt coverage, excellent average credit scores, excellent liquidity and net worth and are reputable operators with over 15 years' experience. Current and debt to tangible net worth ratios are excellent. Loan to value is substantially below policy and collateral condition is excellent.

3 – Great Quality

The borrower generates more than sufficient cash flow to fund debt service and cash flow is improving. Average credit scores are very strong. Operators are reputable with significant years of experience. Liquidity, net worth, current and debt to tangible net worth ratios are very strong. Loan to value is significantly below policy and collateral condition is significantly above average.

4 – Above Average Quality

The borrower generates more than sufficient cash flow to fund debt service, but cash flow trends may be stable or slightly declining. Average credit scores are strong. The borrower is a reputable operator with many years of experience. Liquidity, net worth, current and debt to tangible net worth ratios are strong. Loan to value is below policy and collateral condition is above average.

5 – Average Quality

Borrowers are considered creditworthy and can repay the debt in the normal course of business, however, cash flow trends may be inconsistent or fluctuating. Average credit scores are satisfactory, and years of experience is acceptable. Liquidity and net worth are satisfactory. Current and debt to tangible net worth ratios are average. Loan to value is slightly below policy and the collateral condition is slightly above average.

6 – Pass

Borrowers are considered creditworthy, but financial condition may show signs of weakness due to internal or external factors. Cash flow trends may be declining annually. Average credit scores may be low but remain acceptable. The borrower has limited years of experience. Liquidity, net worth, current and debt to tangible net worth ratios are below average. Loan to value is nearing policy limits and collateral condition is average.

7 – Special Mention

A special mention asset has identified weaknesses that deserve Management's close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Special mention assets are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification. There is still adequate protection by the current sound worth and paying capacity of the obligor or of the collateral pledged. The Special Mention rating is viewed as transitional and will be monitored closely.

Loans in this category may exhibit some of the following risk factors. Cash flow trends may be consistently declining or may be questionable. Debt coverage ratios may be at or near 1:1. Average credit scores may be very weak, or the borrower may have minimal years of experience. Liquidity, net worth, current and debt to tangible net worth ratios may be very weak. Loan to value may be at policy limits or may exceed policy limits. Collateral condition may be below average.

8 – Substandard

This classification consists of loans which are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged. Financial statements normally reveal some or all of the following: poor trends, lack of earnings and cash flow, excessive debt, lack of liquidity, and the absence of creditor protection. Loans are still considered collectible, but due to increased risks and defined weaknesses of the credit, some loss could be incurred in collection if the deficiencies are not corrected.

9 – Doubtful

Such loans have been placed on nonaccrual status and may be heavily dependent upon collateral possessing a value that is difficult to determine or based upon some near-term event which lacks clear certainty. These loans have all of the

weaknesses of those classified as Substandard; however, based on existing conditions, these weaknesses make full collection of the principal balance highly improbable.

10 – Loss

Loans that are considered uncollectible and of such little value that continuing to carry them as assets is not warranted.

Loans with risk classifications of pass and special mention were part of the pooled loan ACL analysis. Loans classified as substandard or worse were individually evaluated for impairment and specific reserves were established, if applicable. Risk gradings for loans with balances greater than \$1 million are updated every 12 months through analysis during origination, renewals, modifications, or regular annual review. Risk gradings for loans with balances less than \$1 million are updated primarily through analysis during origination, renewals, modifications, or periodic review. Risk gradings are also downgraded due to delinquency at month end. In particular, 60 days past due are downgraded to Special Mention, while 90 days past due are further downgraded to Substandard.

Modifications to Borrowers Experiencing Financial Difficulty

The allowance of credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination. The starting point to estimate such credit losses is historical loss information. The Company uses a probability of default/loss given default model to determine the allowance for credit losses recorded at origination. Occasionally, the Company subsequently modifies loans to borrowers experiencing financial difficulty by providing the following terms of relief: principal forgiveness, term extension, payment delay, or interest rate reduction. In some cases, the Bank provides multiple types of modifications on one loan. Because the effect of most modifications to borrowers experiencing financial difficulty is already included in the allowance for credit losses, no change to the allowance for credit losses is generally recorded for these modifications.

The following table shows the amortized cost basis of loans at March 31, 2026 and March 31, 2025, that were both experiencing financial difficulty and modified during the three months ended March 31, 2026 and March 31, 2025, segregated by portfolio segment and type of modification. The percentage of the amortized cost of loans that were modified to borrowers in financial distress as compared to the amortized cost of each segment of financing receivable is also presented below.

	Three Months Ended March 31, 2026				
	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
<i>(Dollars in thousands)</i>					
Residential real estate	\$ 676	\$ 1,402	\$ -	\$ -	0.47%

	Three Months Ended March 31, 2025				
	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
<i>(Dollars in thousands)</i>					
Residential real estate	\$ -	\$ 172	\$ -	\$ -	0.04%

There were no commitments to lend additional amounts to the borrowers included in the previous tables.

The borrowers with term extension have had their payments deferred which resulted in payment relief or maturity dates extended and as a result their monthly payments were reduced or had payments added to the end of the loan which resulted in payment relief.

Three Months Ended March 31, 2026				
<i>(Dollars in thousands)</i>	Principal Forgiveness	Weighted average interest rate reduction	Weighted average term extension (months)	Payment delay (months)
Residential real estate	\$ -	— %	3	8

Three Months Ended March 31, 2025				
<i>(Dollars in thousands)</i>	Principal Forgiveness	Weighted average interest rate reduction	Weighted average term extension (months)	Payment delay (months)
Residential real estate	\$ -	— %	7	0

The Company closely monitors the performance of loans that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following tables present the performance of such loans in the twelve months following modification.

March 31, 2026				
<i>(Dollars in thousands)</i>	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential real estate	\$ 1,834	\$ -	\$ -	\$ -
Commercial real estate	-	389	-	-
Total	\$ 1,834	\$ 389	\$ -	\$ -

March 31, 2025				
<i>(Dollars in thousands)</i>	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential real estate	\$ 644	\$ 344	\$ 125	\$ 192
Total	\$ 644	\$ 344	\$ 125	\$ 192

Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the loan is written off. Therefore, the amortized cost of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. All modified loans are deemed collectible.

Foreclosures

As part of the normal course of business, the Company had \$1.1 million in loans involved in the foreclosure process at both March 31, 2026 and December 31, 2025. The Company had \$89 thousand in other real estate owned as of both March 31, 2026 and December 31, 2025.

Acquired Loan Purchase Discounts

As part of the fair value of loans receivable, there was a net fair value discount for loans acquired of \$3.4 million at March 31, 2026, compared to \$3.6 million at December 31, 2025.

Accretible yield, or income recorded for the three months ended March 31, is as follows:

<i>(Dollars in thousands)</i>	Total
2025	\$ 230
2026	183

Accretible yield, or income expected to be recorded in the future is as follows:

<i>(Dollars in thousands)</i>	Total
Remainder of 2026	\$ 306
2027	291
2028	276
2029	242
2030	235
2031 and thereafter	1,977
Total	<u>\$ 3,327</u>

Allowance for Credit Losses

The allowance for credit losses is established for current expected credit losses on the Company's loan portfolio utilizing guidance in ASC Topic 326.

The determination of the allowance requires significant judgment to estimate credit losses measured on a collective pool basis when similar risk characteristics exist, and for loans evaluated individually. In determining the allowance, the Company estimates expected future losses for the loan's entire contractual term adjusted for expected payments when appropriate. The allowance estimate considers relevant available information, from internal and external sources relating to the historical loss experience, current conditions, and reasonable and supportable forecasts for the Company's outstanding loan balances. The allowance is an estimation that reflects management's evaluation of expected losses related to the Company's financial assets measured at amortized cost. To ensure that the allowance is maintained at an adequate level, a detailed analysis is performed on a quarterly basis and an appropriate provision is made to adjust the allowance.

The Company categorizes the loan portfolio into nine segments based on similar risk characteristics. Loans within each segment are collectively evaluated using the PD/LGD methodology. In creating the CECL model as required under ASC 326, the Company has established a two-year reasonable and supportable forecast period with a two-year straight line reversion to the long-term historical average. Due to its minimal loss history, the Company elected to use peer data for a more reasonable calculation. The following tables show the changes in the allowance for credit losses, segregated by portfolio segment, for the three months ended March 31, 2026, and 2025.

The Company's activity in the allowance for credit losses, by loan segment, is summarized below for the three months ended March 31, 2026:

<i>(Dollars in thousands)</i>	<i>Beginning Balance</i>	<i>Charge-offs</i>	<i>Recoveries</i>	<i>Provisions</i>	<i>Ending Balance</i>
Allowance for credit losses:					
Residential real estate	\$ 2,757	\$ (5)	\$ 21	\$ 263	\$ 3,036
Home equity	688	-	-	(6)	682
Commercial real estate	9,152	-	-	(522)	8,630
Construction and land development	1,114	-	-	547	1,661
Multifamily	2,078	-	-	3	2,081
Commercial business	1,583	-	-	(518)	1,065
Consumer	2	(14)	1	12	1
Manufactured homes	116	-	-	9	125
Government	16	-	-	(12)	4
Total	\$ 17,506	\$ (19)	\$ 22	\$ (224)	\$ 17,285

The Company's activity in the allowance for credit losses, by loan segment, is summarized below for the three months ended March 31, 2025:

<i>(Dollars in thousands)</i>	<i>Beginning Balance</i>	<i>Charge-offs</i>	<i>Recoveries</i>	<i>Provisions</i>	<i>Ending Balance</i>
Allowance for credit losses:					
Residential real estate	\$ 4,481	\$ -	\$ 16	\$ (2,055)	\$ 2,442
Home equity	835	-	-	(213)	622
Commercial real estate	6,444	-	4	3,209	9,657
Construction and land development	2,651	-	-	(1,007)	1,644
Multifamily	1,003	(46)	10	1,225	2,192
Commercial business	1,185	(61)	55	55	1,234
Consumer	5	(12)	1	9	3
Manufactured homes	252	-	-	(123)	129
Government	55	-	-	(23)	32
Total	\$ 16,911	\$ (119)	\$ 86	\$ 1,077	\$ 17,955

A loan is individually evaluated for expected credit losses when, based on current information and events, it is probable that a borrower will be unable to pay all amounts due according to the contractual terms of the loan agreement or will require close monitoring due to one or more factors which could lead to credit quality deterioration.

A collateral dependent financial loan relies solely on the operation or sale of the collateral for repayment. In evaluating the overall risk associated with the loan, the Company considers character, overall financial condition and resources, and payment record of the borrower; the prospects for support from any financially responsible guarantors; and the nature and degree of protection provided by the cash flow and value of any underlying collateral. However, as other sources of repayment become inadequate over time, the significance of the collateral's value increases and the loan may become collateral-dependent.

Collateral dependent loans that do not share similar risk characteristics with other loans are individually evaluated under ASC 326. Other collateral dependent loans that continue to share similar risk characteristics with the applicable portfolio segment remain included in the collectively evaluated allowance for credit losses.

The table below presents the amortized cost basis of collateral dependent loans, including loans evaluated individually and collectively, and the related ACL allocation, where applicable, in accordance with ASC 326.

(Dollars in thousands)

	March 31, 2026					ACL Allocation
	Real Estate	Equipment/ Inventory	Accounts Receivable	Vehicles	Total	
Residential real estate	\$ 6,797	\$ -	\$ -	\$ -	\$ 6,797	\$ -
Home equity	761	-	-	-	761	-
Commercial real estate	2,234	-	-	-	2,234	-
Construction and land development	593	-	-	-	593	-
Multifamily	597	-	-	-	597	-
Commercial business	-	1,126	137	36	1,299	-
Manufactured homes	90	-	-	-	90	-
Total	<u>\$ 11,072</u>	<u>\$ 1,126</u>	<u>\$ 137</u>	<u>\$ 36</u>	<u>\$ 12,371</u>	<u>\$ -</u>

(Dollars in thousands)

	December 31, 2025					ACL Allocation
	Real Estate	Equipment/ Inventory	Accounts Receivable	Vehicles	Total	
Residential real estate	\$ 2,185	\$ -	\$ -	\$ -	\$ 2,185	\$ 39
Home equity	4	-	-	-	4	-
Commercial real estate	1,561	-	-	-	1,561	86
Construction and land development	2,234	-	-	-	2,234	-
Multifamily	696	-	-	-	696	-
Commercial business	-	1,267	130	42	1,439	138
Total	<u>\$ 6,680</u>	<u>\$ 1,267</u>	<u>\$ 130</u>	<u>\$ 42</u>	<u>\$ 8,119</u>	<u>\$ 263</u>

A deferred cost reserve is maintained for the portfolio of manufactured home loans that have been purchased. This reserve is available for use for manufactured home loan nonperformance and costs associated with nonperformance. If the segment performs in line with expectations, the deferred cost reserve is paid as a premium to the third-party originator of the loan. The unamortized balance of the deferred cost reserve totaled \$2.3 million and \$2.4 million as of March 31, 2026, and December 31, 2025, respectively, and is included in net deferred loan origination cost.

The following table presents non-accrual loans and loans past due over 90 days still on accrual by class of loans:

As of March 31, 2026	Nonaccrual with No Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Nonaccrual Loans in Total	Loans Past Due over 90 Days Still Accruing
Residential real estate	\$ -	\$ 6,797	\$ 6,797	\$ -
Home equity	-	761	761	-
Commercial real estate	1,432	802	2,234	-
Construction and land development	593	-	593	-
Multifamily	402	195	597	-
Commercial business	945	354	1,299	-
Manufactured homes	-	90	90	-
Total	\$ 3,372	\$ 8,999	\$ 12,371	\$ -

As of December 31, 2025	Nonaccrual with No Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Nonaccrual Loans in Total	Loans Past Due over 90 Days Still Accruing
Residential real estate	\$ 1,873	\$ 4,059	\$ 5,932	\$ -
Home equity	-	810	810	-
Commercial real estate	1,158	403	1,561	-
Construction and land development	653	-	653	-
Multifamily	696	-	696	-
Commercial business	391	1,048	1,439	-
Manufactured homes	-	71	71	-
Total	\$ 4,771	\$ 6,391	\$ 11,162	\$ -

Accrued interest receivable on loans totaled \$5.6 million on March 31, 2026, as compared to \$5.7 million on December 31, 2025, and is excluded from the estimate of credit losses. The Company made the accounting policy election to not measure an ACL for accrued interest receivable. Accrued interest deemed uncollectible will be written off through interest income.

Liability for Credit Losses on Unfunded Loan Commitments

The liability for credit losses inherent in unfunded loan commitments is included in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. The adequacy of the reserve for unfunded commitments is determined quarterly based on methodology similar to the methodology for determining the ACL. The following table shows the changes in the liability for credit losses on unfunded loan commitments.

<i>(Dollars in thousands)</i>	Three months ended, March 31, 2026	Three months ended, March 31, 2025
Balance, beginning of period	\$ 1,752	\$ 2,739
Provision for (benefit from) unfunded loan commitments	279	(623)
Balance, end of period	\$ 2,031	\$ 2,116

Note 6 – Intangibles and Acquisition-Related Accounting

<i>(Dollars in thousands)</i>	2026	2025
Goodwill balance January 1,	\$ 22,395	\$ 22,395
Goodwill balance March 31,	\$ 22,395	\$ 22,395

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. The Company's goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of the Company to provide quality, cost effective banking services in a competitive marketplace. Goodwill is tested periodically for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated, and goodwill is written down to its implied fair value. There has not been any impairment of goodwill identified or recorded.

In addition to goodwill, a core deposit intangible was established from previous acquisitions. The Company had core deposit intangible balances of \$1.1 million and \$1.2 million as of March 31, 2026, and December 31, 2025, respectively. The table below summarizes the intangibles amortization:

The amortization recorded for the quarter ended March 31, is as follows:

<i>(Dollars in thousands)</i>	Total
2025	\$ 225
2026	\$ 96

Amortization to be recorded in future periods, is as follows:

<i>(Dollars in thousands)</i>	Total
Remainder of 2026	\$ 265
2027	294
2028	228
2029	162
2030	97
Thereafter	30
Total	\$ 1,076

Note 7 – Deposits

The Company's end-of-period deposit portfolio balances were as follows:

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025
Checking	\$ 587,575	\$ 592,214
Savings	253,408	254,055
Money market	389,274	381,111
Certificates of deposit	488,814	499,591
Total deposits	\$ 1,719,071	\$ 1,726,971

The aggregate amount of retail and brokered certificates of deposit with a balance of \$250 thousand or more was approximately \$108.3 million at March 31, 2026 and \$104.5 million at December 31, 2025.

At March 31, 2026, selected maturities of retail and brokered certificate of deposits were as follows:

(Dollars in thousands)

2026	437,562
2027	47,434
2028	2,965
2029	753
Thereafter	100
Total	<u>\$ 488,814</u>

Note 8 - Concentrations of Credit Risk

The Company grants residential, commercial real estate, commercial business, and installment loans to customers primarily in Lake County in northwest Indiana and Cook County in northeast Illinois. The Company is also an active lender in Porter County, and to a lesser extent, LaPorte, Newton and Jasper counties in Indiana; and DuPage, Lake, and Will counties in Illinois. Substantially all loans are secured by specific items of collateral including residences, commercial real estate, land development, business assets and consumer assets.

Note 9 - Earnings per Share

Earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding. A reconciliation of the numerators and denominators of the basic and diluted earnings per common share computations for the three months ended March 31, 2026 and 2025, are as follows:

(dollars in thousands except per share data)	Three months ended March 31,	
	2026	2025
Basic earnings per common share:		
Net income as reported	<u>\$ 2,242</u>	<u>\$ 455</u>
Weighted average common shares outstanding—basic	<u>4,276,530</u>	<u>4,266,976</u>
Basic earnings per common share	<u>\$ 0.52</u>	<u>\$ 0.11</u>
Diluted earnings per common share:		
Net income as reported	<u>\$ 2,242</u>	<u>\$ 455</u>
Weighted average common shares outstanding	4,276,530	4,266,976
Add: Dilutive effect of unvested restricted stock awards	<u>25,676</u>	<u>17,520</u>
Weighted average common shares outstanding—diluted	<u>4,302,206</u>	<u>4,284,496</u>
Diluted earnings per common share	<u>\$ 0.52</u>	<u>\$ 0.11</u>

Note 10 - Stock Based Compensation

The Company replaced its expired 2015 Stock Option and Incentive Plan with a new equity incentive plan named the Finward Bancorp 2025 Omnibus Equity Incentive Plan (the “Plan”), which was adopted by the Company’s Board of Directors on March 21, 2025, and approved by the Company’s shareholders on May 22, 2025. The maximum number of shares of common stock cumulatively available for issuance under the Plan is 270,727 shares. Awards granted under the Plan may be in the form of incentive stock options, non-qualified stock options, restricted stock, unrestricted stock, restricted stock units, performance shares, stock appreciation rights, or any combination thereof, as provided in the Plan. Unvested awards granted under the prior plan will continue to be governed by the terms of the award agreements entered into with the participants under the prior plan. Shares of common stock underlying awards granted under the prior plan that expire, terminate, or are canceled or forfeited under the terms of the prior plan will be available for issuance under the new plan.

As required by the Stock Compensation Topic, companies are required to record compensation cost for stock options and awards provided to employees in return for employment service. For the three months ended March 31, 2026, stock

based compensation expense of \$126 thousand was recorded, compared to \$98 thousand for the three months ended March 31, 2025. It is anticipated that current outstanding unvested awards will result in additional compensation expense of approximately \$640 thousand with a weighted average life of 1.7 years.

Restricted stock awards are issued with an award price equal to the market price of the Company's common stock on the award date and vest one year after the grant date for independent directors and three years after the grant date for employees. Forfeiture provisions exist for personnel that separate employment before the vesting period expires. A summary of restricted stock activity under the Company's Plan described above for the three months ended March 31, 2026, follows:

<i>Non-vested Shares</i>	<i>Shares</i>	<i>Weighted Average Grant Date Fair Value</i>
Non-vested at January 1, 2026	45,336	\$ 36.36
Granted	5,367	37.83
Vested	(6,025)	38.79
Forfeited	(120)	29.79
Non-vested at March 31, 2026	<u>44,558</u>	<u>\$ 36.23</u>

Note 11 – Derivative Financial Instruments

The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company has certain interest rate derivative positions that are not designated as hedging instruments. Derivative assets and liabilities are recorded at fair value on the Condensed Consolidated Balance Sheet and do not take into account the effects of master netting agreements. Master netting agreements allow the Company to settle all derivative contracts held with a single counterparty on a net basis, and to offset net derivative positions with related collateral, where applicable. These derivative positions relate to transactions in which the Company enters into an interest rate swap with a client while at the same time entering into an offsetting interest rate swap with another financial institution. In connection with each transaction, the Company agrees to pay interest to the client on a notional amount at a variable interest rate and receive interest from the client on the same notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The transaction allows the client to effectively convert a variable rate loan to a fixed rate. Because the terms of the swaps with the customers and the other financial institutions offset each other, with the only difference being counterparty credit risk, changes in the fair value of the underlying derivative contracts are not materially different and do not significantly impact the Company's results of operations.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (i.e., interest rate lock commitment). The interest rate lock commitments are considered derivatives and are recorded on the accompanying condensed consolidated balance sheets at fair value in accordance with FASB ASC 815, Derivatives and Hedging.

The following table shows the amounts of non-hedging derivative financial instruments:

<i>(Dollars in thousands)</i>	March 31, 2026				
	Notional or contractual amount	Asset derivatives		Liability derivatives	
		Statement of Financial Condition classification	Fair value	Statement of Financial Condition classification	Fair value
Interest rate swap contracts	\$ 99,145	Other assets	\$ 3,445	Other liabilities	\$ 3,445
Interest rate lock commitments	1,820	Other assets	31	N/A	-
Total	\$ 100,965		\$ 3,476		\$ 3,445

<i>(Dollars in thousands)</i>	December 31, 2025				
	Notional or contractual amount	Asset derivatives		Liability derivatives	
		Statement of Financial Condition classification	Fair value	Statement of Financial Condition classification	Fair value
Interest rate swap contracts	\$ 96,275	Other assets	\$ 3,641	Other liabilities	\$ 3,641
Interest rate lock commitments	2,939	Other assets	50	N/A	-
Total	\$ 99,214		\$ 3,691		\$ 3,641

The following table shows the amounts included in the Statements of Income for non-hedging derivative financial instruments:

<i>(Dollars in thousands)</i>	Statement of Income Classification	Three Months Ended March 31,	
		2026	2025
Interest rate swap contracts	Fees and service charges	\$ 81	\$ (30)
Interest rate lock commitments	Gain on sale of loans held-for-sale, net	(19)	(35)
Total		\$ 62	\$ (65)

The following table shows the offsetting of financial assets and derivative assets:

<i>(Dollars in thousands)</i>	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts not Offset in the Statement of Financial Condition		
				Financial Instruments	Cash Collateral Received	Net Amount
Interest rate swap contracts	\$ 3,445	\$ -	\$ 3,445	\$ -	\$ 2,510	\$ 935
Interest rate lock commitments	31	-	31	-	-	31
Total	\$ 3,476	\$ -	\$ 3,476	\$ -	\$ 2,510	\$ 966

<i>(Dollars in thousands)</i>	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts not Offset in the Statement of Financial Condition			Net Amount
				Financial Instruments	Cash Collateral Received		
December 31, 2025							
Interest rate swap contracts	\$ 3,641	\$ -	\$ 3,641	\$ -	\$ 1,900		\$ 1,741
Interest rate lock commitments	50	-	50	-	-		50
Total	\$ 3,691	\$ -	\$ 3,691	\$ -	\$ 1,900		\$ 1,791

The following table shows the offsetting of financial liabilities and derivative liabilities:

<i>(Dollars in thousands)</i>	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts not Offset in the Statement of Financial Condition			Net Amount
				Financial Instruments	Cash Collateral Pledged		
March 31, 2026							
Interest rate swap contracts	\$ 3,445	\$ -	\$ 3,445	\$ -	\$ -		\$ 3,445

<i>(Dollars in thousands)</i>	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts not Offset in the Statement of Financial Condition			Net Amount
				Financial Instruments	Cash Collateral Pledged		
December 31, 2025							
Interest rate swap contracts	\$ 3,641	\$ -	\$ 3,641	\$ -	\$ -		\$ 3,641

Note 12 - Fair Value

The Fair Value Measurements Topic establishes a hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Topic describes 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.

The fair values of securities available-for-sale are determined on a recurring basis by obtaining quoted prices on nationally recognized securities exchanges or pricing models utilizing significant observable inputs such as 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. Different judgments and assumptions used in pricing could result in different estimates of value. In certain cases where market data is not readily available because of a lack of market activity or little public disclosure, values may be based on unobservable inputs and classified in Level 3 of the fair value hierarchy.

The Company evaluates AFS security impairment on a quarterly basis. This allows the Company to maintain the same amortized cost basis of the securities before and after adoption date. The Company has \$173 thousand of previously recorded credit impairment on collateralized debt obligations. The Company believes this continues to represent the expected credit losses of the amortized cost basis, therefore, has established an ACL for AFS debt securities. The ACL is monitored quarterly and is measured by evaluating the present value of cash flows as compared to the amortized cost basis of the security. To the extent that there are improvements in credit related to these securities, the ACL will be reduced to account for the improvements. If any improvements in credit exceed the amount of previously reduced amortized cost bases, recoveries will be recorded through the income statement in the period received. The allowance for collateralized debt credit losses was at \$173 thousand at March 31, 2026 and December 31, 2025.

The Company's subordination for each collateralized debt obligation is calculated by taking the total performing collateral and subtracting the sum of the total collateral within the Company's class and the total collateral within all senior classes, and then stating this result as a percentage of the total performing collateral. This measure is an indicator of the level of collateral that can default before potential cash flow disruptions may occur. In addition, management calculates subordination assuming future collateral defaults by utilizing the default/deferral assumptions in the Company's impairment analysis. Subordination assuming future default/deferral assumptions is calculated by deducting future defaults from the current performing collateral. At March 31, 2026 and December 31, 2025, management reviewed the subordination levels for each security in context of the level of current collateral defaults and deferrals within each security; the potential for additional defaults and deferrals within each security; the length of time that the security has been in "payment in kind" status; and the Company's class position within each security.

At March 31, 2026 and December 31, 2025, the collateralized debt obligations with a cost basis of \$2.1 million and \$2.1 million have been placed in "payment in kind" status. The Company's securities that are classified as "payment in kind" are a result of not receiving the scheduled quarterly interest payments. For the securities in "payment in kind" status, management anticipates to receive the unpaid contractual interest payments from the issuer, because of the self-correcting cash flow waterfall provisions within the structure of the securities. When a tranche senior to the Company's position fails the coverage test, the Company's interest cash flows are paid to the senior tranche and recorded as a reduction of principal. The coverage test represents an over collateralization target by stating the balance of the performing collateral as a percentage of the balance of the Company's tranche, plus the balance of all senior tranches. The principal reduction in the senior tranche continues until the appropriate coverage test is passed. As a result of the principal reduction in the senior tranche, more cash is available for future payments to the Company's tranche. Management will not capitalize the "payment in kind" interest payments to the book value of the securities and will keep these securities in nonaccrual status until the quarterly interest payments resume.

The fair value of the Company's interest rate swap contracts, both assets and liabilities, are valued by a third-party pricing agent using an income approach and are classified within Level 2 of the valuation hierarchy.

The fair value of the Company's interest rate lock commitments is based on the price of the underlying loans expected to be sold to an investor while taking into consideration the probability the rate lock commitments will close and are classified within Level 2 of the valuation hierarchy. The Company utilized a third-party pricing service for classifying and valuing the fair value of collateralized debt obligations held. These securities were categorized as unobservable Level 3 and priced using an Option-Adjusted Discounted Cash flow model to value these securities. The significant inputs to this model include yield, prepayment speed, default rate, and loss severity.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

There were no transfers to or from Levels 1 and 2 during the three months ended March 31, 2026 and the year ended December 31, 2025. Changes in Level 3 assets relate to the result of change in estimated fair values, payments received, and sales of securities that have been classified as Level 3 during the three months ended March 31, 2026 and all of 2025. Assets measured at fair value on a recurring basis are summarized below:

<i>(Dollars in thousands)</i>	Estimated Fair Value	Fair Value Measurements at March 31, 2026 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate swap contracts	\$ 3,445	\$ -	\$ 3,445	\$ -
Interest rate lock commitments	31	-	31	-
Available-for-sale debt securities:				
U.S. government sponsored entities	8,483	-	8,483	-
Collateralized mortgage obligations and residential mortgage-backed securities	101,902	-	101,902	-
Municipal securities	195,410	-	195,410	-
Collateralized debt obligations	1,891	-	-	1,891
Total securities available-for-sale	\$ 307,686	\$ -	\$ 305,795	\$ 1,891

Liabilities:				
Interest rate swap contracts	\$ 3,445	\$ -	\$ 3,445	\$ -

<i>(Dollars in thousands)</i>	Estimated Fair Value	Fair Value Measurements at December 31, 2025 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate swap contracts	\$ 3,641	\$ -	\$ 3,641	\$ -
Interest rate lock commitments	50	-	50	-
Available-for-sale debt securities:				
U.S. government sponsored entities	8,466	-	8,466	-
Collateralized mortgage obligations and residential mortgage-backed securities	104,655	-	104,655	-
Municipal securities	201,214	-	201,214	-
Collateralized debt obligations	1,882	-	-	1,882
Total securities available-for-sale	\$ 316,217	\$ -	\$ 314,335	\$ 1,882
Liabilities:				
Interest rate swap contracts	\$ 3,641	\$ -	\$ 3,641	\$ -

A reconciliation of available-for-sale securities, which require significant adjustment based on unobservable data, are presented in the following table:

	<i>(Dollars in thousands)</i>	
	<i>Estimated Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</i>	
	<u>Available-for-sale securities</u>	
Beginning balance, January 1, 2026	\$	1,882
Principal payments		(4)
Total unrealized gains, included in other comprehensive income (loss)		13
Ending balance, March 31, 2026	\$	<u>1,891</u>
Beginning balance, January 1, 2025	\$	1,419
Principal payments		(4)
Total unrealized gains, included in other comprehensive income (loss)		215
Ending balance, March 31, 2025	\$	<u>1,630</u>

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Collateral dependent loans are carried the fair value of the underlying collateral, based on the most recent independent appraisals or evaluations, adjusted for current market conditions and property-specific factors. These measurements are classified as Level 3 due to the use of significant unobservable inputs. Other real estate owned are measured at fair value less costs to sell and are classified as Level 3. No valuation adjustments or write-offs related to the collateral dependent loans or other real estate owned were recorded during the three months ended March 31, 2026.

Assets measured at fair value on a non-recurring basis are summarized below. The table includes only those assets for which fair value adjustments were recorded during the period presented.

	<u>Fair Value Measurements at December 31, 2025 Using</u>			
<i>(Dollars in thousands)</i>	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	\$ 6,535	\$ -	\$ -	\$ 6,535
Other real estate owned	\$ 89	\$ -	\$ -	\$ 89

Significant (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

<i>(Dollars in thousands)</i>	Fair Value at March 31, 2026	Valuation Technique	Significant Unobservable Inputs	Range	Weighted-Average
Collateralized debt obligations	\$ 1,891	Discounted cash flow model	Default rates, loss severity assumptions, discount rates	7.9% - 11.2%	9.6 %

<i>(Dollars in thousands)</i>	Fair Value at December 31, 2025	Valuation Technique	Significant Unobservable Inputs	Range	Weighted-Average
Collateralized debt obligations	\$ 1,882	Discounted cash flow model	Default rates, loss severity assumptions, discount rates	7.9% - 11.2%	9.6 %
Collateral dependent loans	\$ 6,535	Fair Value of Collateral	Discount for type of property and current market conditions	—% - 80%	8.6 %
Other real estate ⁽¹⁾	\$ 89	Fair Value of Collateral	Discount for type of property and current market conditions	— %	— %

(1) At March 31, 2026 and December 31, 2025, there was only one property, so no range or weighted-average range is reported.

The following table shows carrying values and related estimated fair values of financial instruments not carried at fair value in the condensed consolidated balance sheets as of the dates indicated. Estimated fair values are further categorized by the inputs used to measure fair value. Items that are not financial instruments are not included.

<i>(Dollars in thousands)</i>	March 31, 2026		Estimated Fair Value Measurements at March 31, 2026 Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 118,755	\$ 118,755	\$ 118,755	\$ -	\$ -
Loans receivable, net	1,437,833	1,395,102	-	-	1,395,102
Federal Home Loan Bank stock	6,547	6,547	-	6,547	-
Accrued interest receivable	7,700	7,700	-	7,700	-
Financial liabilities:					
Non-interest bearing deposits	278,705	278,705	278,705	-	-
Interest bearing deposits	1,440,366	1,439,105	951,552	487,553	-
Federal funds purchased and repurchase agreements	40,815	40,732	38,686	2,046	-
Borrowed funds	50,000	49,723	-	49,723	-
Accrued interest payable	945	945	-	945	-

	December 31, 2025		Estimated Fair Value Measurements at December 31, 2025 Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(Dollars in thousands)</i>					
<u>Financial assets:</u>					
Cash and cash equivalents	\$ 119,647	\$ 119,647	\$ 119,647	\$ -	\$ -
Loans held-for-sale	1,096	1,124	-	1,124	-
Loans receivable, net	1,432,881	1,403,061	-	-	1,403,061
Federal Home Loan Bank stock	6,547	6,547	-	6,547	-
Accrued interest receivable	7,781	7,781	-	7,781	-
<u>Financial liabilities:</u>					
Non-interest bearing deposits	267,441	267,441	267,441	-	-
Interest bearing deposits	1,459,530	1,458,116	959,939	498,177	-
Repurchase agreements	39,703	39,671	37,717	1,954	-
Borrowed funds	45,000	44,921	-	44,921	-
Accrued interest payable	958	958	-	958	-

The following methods were used to estimate the fair value of financial instruments presented in the preceding table at March 31, 2026 and December 31, 2025:

Cash and cash equivalent carrying amounts approximate fair value. The fair values of securities available-for-sale are obtained from broker pricing (Level 2), with the exception of collateralized debt obligations, which are valued by a third-party specialist (Level 3). Loans held-for-sale comprise residential mortgages and are priced based on values established by the secondary mortgage markets (Level 2). The estimated fair value for net loans receivable is based on the exit price notion which is the exchange price that would be received to transfer the loans at the most advantageous market price in an orderly transaction between market participants on the measurement date (Level 3). Federal Home Loan Bank stock is estimated at book value due to restrictions that limit the sale or transfer of the security. Interest rate swap agreements, both assets and liabilities, are valued by a third-party pricing agent using an income approach (Level 2). Fair values of accrued interest receivable and payable approximate book value, as the carrying values are determined using the observable interest rate, balance, and last payment date.

Non-interest and interest bearing deposits, which include checking, savings, and money market deposits, are estimated to have fair values based on the amount payable as of the reporting date (Level 1). The fair value of fixed-maturity certificates of deposit (included in interest bearing deposits) are based on estimates of the rate the Company would pay on similar deposits, applied for the time period until maturity (Level 2). Estimated fair values for short-term repurchase agreements, which represent sweeps from demand deposits to accounts secured by pledged securities, are estimated based on the amount payable as of the reporting date (Level 1). Longer-term repurchase agreements, with contractual maturity dates of quarter or more, are based on estimates of the rate the Company would pay on similar deposits, applied for the time period until maturity (Level 2). Federal funds purchased carrying value is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization (Level 2). Short-term borrowings are generally only held overnight, therefore, their carrying amount is a reasonable estimate of fair value (Level 1). The fair value of FHLB Advances are estimated by discounting the future cash flows using quoted rates from the FHLB for similar advances with similar maturities (Level 2). The estimated fair value of other financial instruments, and off-balance sheet loan commitments, approximate cost and are not considered significant to this presentation.

Note 13 - Borrowings

At March 31, 2026, and December 31, 2025, borrowed funds are summarized below:

	<i>(Dollars in thousands)</i>	
	March 31, 2026	December 31, 2025
FHLB Variable rate advance with outstanding rate of 3.79%, maturing June 24, 2026	15,000	-
FHLB Fixed rate advance with outstanding rate of 3.63%, maturing March 7, 2028 ⁽¹⁾	10,000	10,000
FHLB Fixed rate advance with outstanding rate of 3.46%, maturing June 26, 2028 ⁽¹⁾	-	10,000
FHLB Fixed rate advance with outstanding rate of 3.84%, maturing February 28, 2029 ⁽¹⁾	15,000	15,000
FHLB Fixed rate advance with outstanding rate of 3.74%, maturing February 28, 2029 ⁽¹⁾	10,000	10,000
Total	<u>\$ 50,000</u>	<u>\$ 45,000</u>

(1) FHLB retains putable option to call these advances after a period of time.

At March 31, 2026, scheduled maturities of borrowed funds were as follows:

	<i>(Dollars in thousands)</i>
2026	\$ 15,000
2027	-
2028	10,000
2029	25,000
2030	-
2031	-
Total	<u>\$ 50,000</u>

The Company has available liquidity of \$757 million including borrowing capacity from the FHLB and Federal Reserve facilities and other sources. The Company also maintains a \$25 million line of credit with the Federal Home Loan Bank of Indianapolis. The Company did not have a balance at March 31, 2026, or as of December 31, 2025. The Company did not have other borrowings at March 31, 2026, or as of December 31, 2025.

Note 14 - Leases

Under ASC 842, operating lease expense is generally recognized on a straight-line basis over the term of the lease. As the rate implicit in the leases generally is not readily determinable for our operating leases, the discount rates used to determine the present value of our lease liability are based on our incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. Our incremental borrowing rate for a lease is the rate of interest we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are excluded from our weighted-average remaining lease term.

The following table summarizes supplemental cash flow and other information related to our operating leases:

(Dollars in thousands)

Three Months Ended March 31,

2026

2025

	2026	2025
Operating cash flows		
Cash paid for amounts included in the measurement of lease liabilities for leases	\$ 404	\$ 397
Weighted-average remaining lease terms (in years) - operating leases	13	14
Weighted-average discount rate - operating leases	7.64%	7.66%
Variable lease payments	\$ 70	\$ 70
Operating lease costs	481	481
Total lease costs (1)	\$ 551	\$ 551

(1) Included in occupancy and equipment costs on the condensed consolidated statements of income

The following table represents the maturity of the Company's operating lease liabilities as of March 31, 2026:

(Dollars in thousands)

Maturity Analysis

Remainder 2026	\$ 1,221
2027	1,657
2028	1,692
2029	1,679
2030	1,688
2031	1,722
Thereafter	13,388
Total	23,047
Less: Present value discount	(8,643)
Lease liability	\$ 14,404

At March 31, 2026, operating lease right of use assets were \$14.9 million and are included in premises and equipment on the consolidated balance sheet. Operating lease liabilities of \$14.4 million were included in other liabilities on the consolidated balance sheet.

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

Summary

Finward Bancorp is a financial holding company registered with the Board of Governors of the Federal Reserve System. Peoples Bank, an Indiana commercial bank, is a wholly-owned subsidiary of the Company. The Company has no other business activity other than being a holding company for the Bank. The following management's discussion and analysis presents information concerning our financial condition as of March 31, 2026 and December 31, 2025, and the results of operations for the three months ending March 31, 2026 and March 31, 2025. This discussion should be read in conjunction with the condensed consolidated financial statements and other financial data presented elsewhere herein and with the condensed consolidated financial statements and other financial data, as well as the Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

At March 31, 2026, the Company had total assets of \$2.0 billion, loans receivable, net of deferred fees and costs, of \$1.4 billion and total deposits of \$1.7 billion. Stockholders' equity totaled \$172.4 million or 8.6% of total assets, with a book value per share of \$39.81. Net income for the three months ended March 31, 2026, was \$2.2 million, or \$0.52 earnings per diluted common share. For the three months ended March 31, 2026, the ROA was 0.44%, while the ROE was 5.00%.

On August 9, 2024, the Bank entered into a memorandum of understanding with the FDIC and DFI. The MOU is an informal administrative agreement pursuant to which the Bank has agreed to take various actions and comply with certain requirements to enhance certain areas of the Bank's operations. The MOU documents an understanding among the Bank, the FDIC, and DFI that, among other things, the Bank will: refrain from paying cash dividends without prior regulatory approval and develop and implement certain plans regarding the Bank's operations, capital, and strategy. The Bank will submit written quarterly progress reports to the FDIC and DFI detailing compliance with the MOU. The MOU will remain in effect until modified or terminated by the FDIC and DFI.

Management does not expect the actions called for by the MOU to have a substantial impact on the Company's or the Bank's ongoing day-to-day operations, although they may have the effect of limiting or delaying the Bancorp's or the Bank's ability or plans to expand and engage in business acquisitions.

Financial Condition

General

During the three months ended March 31, 2026, total assets decreased by \$6.0 million (0.30%), with interest-earning assets decreasing by \$2.2 million (0.12%). At both March 31, 2026 and December 31, 2025, interest-earning assets totaled \$1.9 billion. Earning assets represented 92.9% of total assets at March 31, 2026 and 92.7% December 31, 2025.

Loan Portfolio

Loans receivable, net of deferred fees and costs totaled \$1.46 billion at March 31, 2026 and \$1.45 billion at December 31, 2025. The loan portfolio, which is the Company's largest asset, is the primary source of both interest and fee income. The Company's lending strategy emphasizes quality loan growth, product diversification, and competitive and profitable pricing.

The Company's end-of-period loan balances were as follows:

<i>(Dollars in thousands)</i>	March 31, 2026		December 31, 2025	
	Balance	% Loans	Balance	% Loans
Residential real estate	\$ 445,097	30.6 %	\$ 442,443	30.5 %
Home equity	53,855	3.7 %	53,497	3.7 %
Commercial real estate	564,613	38.8 %	555,594	38.3 %
Construction and land development	76,582	5.3 %	77,208	5.3 %
Multifamily	185,824	12.8 %	183,902	12.7 %
Commercial business	94,160	6.5 %	99,304	6.9 %
Consumer	310	0.0 %	870	0.1 %
Manufactured homes	22,981	1.6 %	23,708	1.6 %
Government	9,998	0.7 %	12,298	0.9 %
Loans receivable	1,453,420	100.0%	1,448,824	100.0%
Plus:				
Net deferred loans origination costs	1,723		1,606	
Loan clearing funds	(25)		(43)	
Loans receivable, net of deferred fees and costs	<u>\$ 1,455,118</u>		<u>\$ 1,450,387</u>	
Adjustable rate loans / loans receivable	\$ 817,446	56.2%	\$ 811,901	56.0%

Our total commercial real estate portfolio (which includes but is not limited to loans secured by office space, medical office space, and mixed-use retail/office space) totaled \$564.6 million as of March 31, 2026, compared to \$555.6 million as of December 31, 2025. Given prevailing market conditions such as continued elevated interest rate levels, reduced occupancy as a result of the increase in hybrid work arrangements, we are carefully monitoring these loans for signs of deterioration in credit quality.

Commercial real estate loans remained our largest loan segment and accounted for 38.8% of the total loan portfolio at March 31, 2026 and 38.3% at December 31, 2025. A further breakdown of the composition of the commercial real estate loan portfolio as of March 31, 2026 and December 31, 2025 is shown in the table below:

Commercial Real Estate (CRE) <i>(Dollars in thousands)</i>	March 31, 2026			December 31, 2025		
	# Loans	\$ Amount	% of Total Gross Loans	# Loans	\$ Amount	% of Total Gross Loans
CRE OO						
Food services & drinking places	65	\$ 35,602	2.4%	65	\$ 35,961	2.5%
Ambulatory health care services	32	32,326	2.2%	32	31,262	2.2%
Gasoline stations and fuel dealers	32	29,803	2.1%	31	29,848	2.1%
Repair and maintenance	35	17,957	1.2%	37	18,333	1.3%
Specialty trade contractors	34	16,051	1.1%	32	15,571	1.1%
Motor vehicles and parts dealers	19	11,006	0.8%	17	6,319	0.4%
Merchant wholesalers, durable goods	11	10,719	0.7%	12	10,888	0.8%
Personal and laundry services	36	12,049	0.8%	33	10,248	0.7%
Professional, scientific, and technical services	23	9,334	0.6%	22	8,680	0.6%
Other	178	86,894	6.1%	191	86,344	5.7%
CRE OO	465	261,741	18.0%	472	253,454	17.4%
CRE NOO						
Retail centers - lessors	166	\$ 143,339	9.9%	165	\$ 138,425	9.5%
Industrial properties - lessors	68	51,514	3.5%	65	49,502	3.4%
Office properties - lessors	61	41,575	2.9%	62	42,139	2.9%
Hotels	16	39,517	2.7%	16	40,047	2.8%
Special use - lessors	9	10,360	0.7%	10	10,501	0.7%
Mini Warehouses - lessors	19	8,190	0.6%	19	8,310	0.6%
Big box retail - lessors	2	7,753	0.5%	2	7,845	0.5%
Other	5	624	—%	9	5,371	0.4%
Total CRE NOO	346	\$ 302,872	20.8%	348	\$ 302,140	20.9%
Total CRE OO & NOO	811	\$ 564,613	38.8%	820	\$ 555,594	38.3%
Total Gross Loans		\$ 1,453,420			\$ 1,448,824	

The Bank's Appraisal Policy and Procedures is Board approved annually and reflects current regulatory guidelines and recommendations. As one of the primary factors in commercial loan underwriting is the quality of the asset being pledged as collateral, it is imperative that the appraisal process receive appropriate attention. Appraisals must be prepared in accordance with high professional standards, by appraisers who have the necessary training, experience and knowledge for them to provide an accurate estimate of value. With few exceptions, appraisals are assigned to fee appraisers named in the Board approved appraiser list, which includes the tracking of all required certifications, licenses and insurance. The Bank has engaged with one of the nation's longest-standing third-party appraisal management companies for ordering, management, fulfillment and review of real estate appraisals and other valuation-related services for the properties securing the Bank's commercial real estate loans.

Criteria that may require the Bank to obtain a new appraisal or update the existing value for an existing credit include but are not limited to a change in the discount or capitalization rates for a particular location or property type; occupancy or absorption levels; market trends; and/or expense structure. Regarding the necessity of updated valuations for construction financing, factors considered are material changes in construction delays; cost overruns; or reductions in sales prices/rents. This may be done as a part of a renewal, loan workout or as a part of the usual and customary real estate review process that monitors the risks associated with the Bank's loan portfolios.

The following table sets forth certain information at March 31, 2026, regarding the dollar amount of loans in the Company's portfolio based on their contractual terms to maturity. Demand loans, loans having no schedule of repayment and no stated maturity, and overdrafts are reported as due in one year or less. Contractual principal repayments of loans do not necessarily reflect the actual term of the loan portfolio. The average life of mortgage loans is substantially less than their contractual terms because of loan prepayments and because of enforcement of due-on-sale clauses, which give the Company the right to declare a loan immediately due and payable in the event, among other things, that the borrower sells the property subject to the mortgage. The amounts are stated in thousands (000's).

	Maturing within one year	After one but within five years	After five but within fifteen years	After fifteen years	Total
Residential real estate	\$ 9,386	\$ 20,515	\$ 78,180	\$ 337,016	\$ 445,097
Home equity	2,016	314	9,846	41,679	53,855
Commercial real estate	41,935	149,872	372,277	529	564,613
Construction and land development	28,451	7,574	35,341	5,216	76,582
Multifamily	30,535	50,141	105,148	-	185,824
Commercial business	41,385	36,646	16,106	23	94,160
Consumer	10	300	-	-	310
Manufactured homes	1	205	11,624	11,151	22,981
Government	2,422	6,587	989	-	9,998
Total loans receivable	<u>\$ 156,141</u>	<u>\$ 272,154</u>	<u>\$ 629,511</u>	<u>\$ 395,614</u>	<u>\$ 1,453,420</u>

The Company is primarily a portfolio lender. Mortgage banking activities historically have been limited to the sale of fixed rate mortgage loans with contractual maturities greater than 15 years. These loans are identified as held for sale when originated and sold, on a loan-by-loan basis, in the secondary market. The Company will also retain fixed rate mortgage loans with a contractual maturity greater than 15 years on a limited basis. During the three months ended March 31, 2026, the Company originated \$9.4 million in new fixed rate mortgage loans for sale, compared to \$9.6 million during the quarter ended March 31, 2025. Net gains realized from the mortgage loan sales totaled \$257 thousand for the three months ended March 31, 2026, compared to \$230 thousand for the quarter ended March 31, 2025. At March 31, 2026, the Company had no loans that were classified as held for sale, compared to \$1.1 million at December 31, 2025.

Asset Quality

Non-performing loans include those loans that are 90 days or more past due and those loans that have been placed on nonaccrual status. The Company will at times maintain certain loans on accrual status, despite being over 90 days past due, for short periods of time when management has reason to believe payments are in the process of being received.

The Company's non-performing loans are summarized below:

(Dollars in thousands)

Loan Segment	March 31, 2026	December 31, 2025
Residential real estate	\$ 6,797	\$ 5,932
Home equity	761	810
Commercial real estate	2,234	1,561
Construction and land development	593	653
Multifamily	597	696
Commercial business	1,299	1,439
Manufactured homes	90	71
Total	<u>\$ 12,371</u>	<u>\$ 11,162</u>
Non-performing loans to total loans	0.85%	0.77%
Non-performing loans to total assets	0.61%	0.55%

Substandard loans include potential problem loans, where information about possible credit issues or other conditions causes management to question the ability of such borrowers to comply with loan covenants or repayment terms. No loans were internally classified as doubtful or loss at March 31, 2026 or December 31, 2025.

The Company's substandard loans are summarized below:

(Dollars in thousands)

Loan Segment	March 31, 2026	December 31, 2025
Residential real estate	\$ 6,797	\$ 6,016
Home equity	761	813
Commercial real estate	2,234	1,561
Construction and land development	2,166	2,234
Multifamily	597	696
Commercial business	1,299	1,439
Manufactured homes	90	71
Total	<u>\$ 13,944</u>	<u>\$ 12,830</u>

In addition to identifying and monitoring non-performing and other classified loans, management maintains a list of special mention loans. Special mention loans represent loans management is closely monitoring due to one or more factors that may cause the loan to become classified as substandard.

The Company's special mention loans are summarized below:

(Dollars in thousands)

Loan Segment	March 31, 2026	December 31, 2025
Residential real estate	\$ 6,492	\$ 4,797
Home equity	301	305
Commercial real estate	14,901	13,200
Construction and land development	486	557
Multifamily	2,694	2,857
Commercial business	3,471	2,768
Manufactured homes	-	28
Total	<u>\$ 28,345</u>	<u>\$ 24,512</u>

At March 31, 2026, management is of the opinion that there are no loans where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which will imminently result in such loans being classified as past due or nonaccrual. Management does not presently anticipate that any of the non-performing loans or classified loans would materially affect future operations, liquidity or capital resources.

The ACL is a valuation allowance for expected losses over the estimated life of loan portfolio, increased by the provision for credit losses, and decreased by charge-offs net of recoveries. A loan is charged off against the allowance by management as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur. The determination of the amounts of the ACL and provisions for credit losses is based on management's current judgments about the credit quality of the loan portfolio with consideration given to all known relevant internal and external factors that affect loan collectability and reasonable and supportable forecasts as of the reporting date. The appropriateness of the current period provision and the overall adequacy of the ACL are determined through a disciplined and consistently applied quarterly process that reviews the Company's current credit risk within the loan portfolio and identifies the required allowance for credit losses given the current risk estimates.

The Company's provision for (benefit from) credit losses for the period ended are summarized below:

<i>(Dollars in thousands)</i>	Three Months Ended March 31,	
	2026	2025
Loan Segment		
Residential real estate	\$ 263	\$ (2,055)
Home equity	(6)	(213)
Commercial real estate	(522)	3,209
Construction and land development	547	(1,007)
Multifamily	3	1,225
Commercial business	(518)	55
Consumer	12	9
Manufactured homes	9	(123)
Government	(12)	(23)
Total	<u>\$ (224)</u>	<u>\$ 1,077</u>

The Company's charge-off and recovery information is summarized below:

<i>(Dollars in thousands)</i>	Three Months Ended March 31, 2026		
	Charge-offs	Recoveries	Net (Charge-offs) Recoveries
Loan Segment			
Residential real estate	\$ (5)	\$ 21	\$ 16
Consumer	(14)	1	(13)
Total	<u>\$ (19)</u>	<u>\$ 22</u>	<u>\$ 3</u>

<i>(Dollars in thousands)</i>	Three Months Ended March 31, 2025		
	Charge-offs	Recoveries	Net (Charge-offs) Recoveries
Loan Segment			
Residential real estate	\$ -	\$ 16	\$ 16
Commercial real estate	-	4	4
Multifamily	(46)	10	(36)
Commercial business	(61)	55	(6)
Consumer	(12)	1	(11)
Total	<u>\$ (119)</u>	<u>\$ 86</u>	<u>\$ (33)</u>

The ACL provisions take into consideration management's current judgments about the credit quality of the loan portfolio, loan portfolio balances, changes in the portfolio mix, and local economic conditions. In determining the provision for credit losses for the current period, management has considered risks associated with the local economy, changes in loan balances and mix, and asset quality.

The Company's allowance to total loans and non-performing loans are summarized below:

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025
Allowance for credit losses	\$ 17,285	\$ 17,506
Total loans	\$ 1,455,118	\$ 1,450,387
Non-performing loans	\$ 12,371	\$ 11,162
ACL-to-total loans	1.19%	1.21%
ACL-to-non-performing loans (coverage ratio)	139.7%	156.8%

Investment Portfolio

The primary objective of the Company's investment portfolio is to provide for the liquidity needs of the Company and to contribute to profitability by providing a stable flow of dependable earnings. Funds are generally invested in federal funds, interest bearing balances in other financial institutions, U.S. government agency securities, U.S. treasury securities, federal agency obligations, obligations of state and local municipalities, mortgage-backed securities, and corporate securities. The securities portfolio, all of which is designated as available-for-sale, totaled \$307.7 million at March 31, 2026, compared to \$316.2 million at December 31, 2025, a decrease of \$8.5 million (2.7%). The decrease in securities available for sale from year end, was primarily due to an increase in the negative fair value adjustment to the portfolio. The yield on the securities portfolio was 2.22% for the three months ended March 31, 2026 and 2.38% for the quarter ended March 31, 2025. Management did not execute any securities sale transactions during the quarter. At March 31, 2026, the securities portfolio represented 16.4% of interest-earning assets and 15.3% of total assets compared to 16.9% of interest-earning assets and 15.6% of total assets at December 31, 2025.

The Company's end-of-period investment portfolio and other short-term investments and stock balances were as follows:

<i>(Dollars in thousands)</i>	March 31, 2026		December 31, 2025	
	Balance	% Securities	Balance	% Securities
U.S. government agency securities	\$ 8,483	2.8%	\$ 8,466	2.7%
Collateralized mortgage obligations and residential mortgage-backed securities	101,902	33.1 %	104,665	33.1 %
Municipal securities	195,410	63.5 %	201,214	63.6 %
Collateralized debt obligations	1,891	0.6 %	1,882	0.6 %
Total securities available-for-sale	\$ 307,686	100.0%	\$ 316,227	100.0%

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025	\$ Change	% Change
Interest bearing deposits in other financial institutions	\$ 102,997	\$ 101,382	\$ 1,615	1.6%
Federal Home Loan Bank stock	6,547	6,547	-	-

The increase in interest bearing deposits in other financial institutions is the result of the timing of loan fundings and payoffs, inflow and outflow of deposits, repurchase agreements and borrowed funds.

The contractual maturities and weighted average yields for the U.S. government agency securities, municipal securities, and collateralized debt obligations at March 31, 2026, are summarized in the table below. Securities not due at a single maturity date, such as mortgage-backed securities and collateralized mortgage obligations, are shown separately. The carrying values are stated in thousands (000's).

The weighted average yields were calculated by multiplying each carrying value by its yield and dividing the sum of these results by the total carrying values. Yields presented are not on a tax-equivalent basis.

	Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years		Total
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount
U.S. government sponsored entities	\$ -	—%	\$ 8,483	1.00%	\$ -	—%	\$ -	—%	\$ 8,483
Collateralized mortgage obligations and residential mortgage-backed securities	-	—%	-	—%	-	—%	101,902	1.54%	101,902
Municipal securities	-	—%	3,894	2.45%	38,631	2.93%	152,885	2.98%	195,410
Collateralized debt obligations	-	—%	-	—%	-	—%	1,891	3.31%	1,891
Totals	\$ -	—%	\$ 12,377	1.46%	\$ 38,631	2.93%	\$ 256,678	2.41%	\$ 307,686

Deposits

Deposits are a fundamental and cost-effective source of funds for lending and other investment purposes. The Company offers a variety of products designed to attract and retain customers, with the primary focus on building and expanding relationships.

The Company's end-of-period deposit portfolio balances were as follows:

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025	\$ Change	% Change
Checking	\$ 587,575	\$ 592,214	\$ (4,639)	(0.8%)
Savings	253,408	254,055	(647)	(0.3%)
Money market	389,274	381,111	8,163	2.1%
Certificates of deposit	488,814	499,591	(10,777)	(2.2%)
Total deposits	<u>\$ 1,719,071</u>	<u>\$ 1,726,971</u>	<u>\$ (7,900)</u>	<u>(0.5%)</u>

As of March 31, 2026, deposits totaled \$1.72 billion, a decrease of \$7.9 million or 0.5% compared to December 31, 2025. Core deposits totaled \$1.2 billion at both March 31, 2026 and December 31, 2025. Core deposits include checking, savings, and money market accounts and represented 71.6% of the Company's total deposits at March 31, 2026. On March 31, 2026, balances for certificates of deposit totaled \$488.8 million, compared to \$499.6 million on December 31, 2025, a decrease of \$10.8 million or 2.2%. The decrease in deposits is primarily related to cyclical flows and continued planned adjustments to deposit pricing.

Checking account balances decreased \$4.6 million and interest bearing savings account balances decreased \$0.6 million from year end primarily due to decreases in personal statement savings account balances. Money market account balances increased by \$8.2 million from year end due to business and retail consumer preferences. Certificates of deposits decreased by \$10.8 million primarily reflecting customer prioritization of more liquid deposit products. We strive to maintain balances of personal and business checking and savings accounts through our focus on quality customer service, the desire of customers to deal with a local bank, the convenience of our branch network and the breadth and depth of our product line.

Non-interest bearing demand accounts comprised 16.2% of total deposits at March 31, 2026 and 15.5% of total deposits at December 31, 2025. Interest bearing demand accounts, including money market and savings accounts, comprised 55.6% of total deposits at both March 31, 2026 and December 31, 2025. Time accounts as a percentage of total deposits were 28.4% at March 31, 2026 and 28.9% at December 31, 2025.

The following table presents the average daily amount of deposits and average rates paid on such deposits for the periods indicated. The amounts are stated in thousands (000's).

	Three Months Ended March 31,			
	2026		2025	
	Amount	Rate %	Amount	Rate %
Non-interest bearing demand deposits	270,626	-%	\$ 279,013	-%
Interest bearing demand deposits	318,069	0.62%	314,545	0.74%
MMDA accounts	383,866	2.75%	340,740	2.95%
Savings accounts	253,792	0.05%	274,684	0.05%
Certificates of deposit	492,267	3.09%	551,408	3.57%
Total deposits	<u>\$ 1,718,620</u>	<u>1.62%</u>	<u>\$ 1,760,390</u>	<u>1.83%</u>

Deposit rates decreased in the three months ended March 31, 2026 compared to same periods in 2025, primarily driven by a decrease in short-term market interest rates.

Borrowed Funds

The Company's borrowed funds are primarily used to fund asset growth not supported by deposit generation. The Company's end-of-period borrowing balances were as follows:

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025	\$ Change	% Change
Federal funds purchased and repurchase agreements	\$ 40,815	\$ 39,703	\$ 1,112	2.8%
Borrowed funds	50,000	45,000	5,000	11.1%
Total borrowed funds	<u>\$ 90,815</u>	<u>\$ 84,703</u>	<u>\$ 6,112</u>	<u>7.2%</u>

Borrowings, federal funds purchased, and repurchase agreements totaled \$90.8 million at March 31, 2026 compared to \$84.7 million at December 31, 2025, a decrease of \$6.1 million or 7.2%. The increase in borrowings from December 31, 2025, was the result of new FHLB advances and additional repurchase agreement activity. As of March 31, 2026, 72% of our deposits are fully FDIC insured, and another 8% are further backed by the Indiana Public Deposit Insurance Fund. The Company's liquidity position remains strong with solid core deposit customer relationships, excess cash, debt securities, and access to diversified borrowing sources. As of March 31, 2026, the Company had available liquidity of \$555.0 million including borrowing capacity from the FHLB and Federal Reserve facilities.

Other assets totaled \$35.1 million at March 31, 2026, compared to \$34.9 million at December 31, 2025. The increase in other assets is primarily related an increase in the deferred tax asset. Accrued expenses and other liabilities totaled \$32.9 million at March 31, 2026, compared to \$34.8 million at December 31, 2025. The decrease in accrued expenses and other liabilities is primarily the result of decreased ACH prefunding balances.

Market Risk and Interest Rate Sensitivity

General

Market risk represents the risk of loss due to changes in market values of assets and liabilities. The Company incurs market risk in the normal course of business through exposures to market interest rates, equity prices, and credit spreads. As of March 31, 2026, the Company has identified interest rate risk as our primary source of market risk.

Interest Rate Risk

Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay home mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and SOFR (basis risk).

The Company's Board of Directors establishes broad policy limits with respect to interest rate risk. As part of this policy, ALCO establishes specific operating guidelines within the parameters of the Board of Director's policies. In general, the ALCO focuses on ensuring a stable and steadily increasing flow of net interest income through managing the size and mix of the balance sheet. The management of interest rate risk is an active process which encompasses monitoring loan and deposit flows complemented by investment and funding activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk posture given business forecasts, management objectives, market expectations, and policy constraints.

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on our interest-earning assets would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities would reprice upward more quickly than rates earned on our interest-earning assets, thus compressing our net interest margin.

Interest rate risk measurement is calculated and reported to the ALCO at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

Evaluation of Interest Rate Risk

We use income simulations, an analysis of core funding utilization, and EVE at Risk simulations as our primary tools in measuring and managing interest rate risk. These tools are utilized to quantify the potential earnings impact of changing interest rates over a 12-month simulation horizon (income simulations) as well as identify expected earnings trends given longer term rate cycles (long term simulations, core funding utilizations, and EVE at Risk simulation). A standard gap report and funding matrix will also be utilized to provide supporting detailed information on the expected timing of cashflow and repricing opportunities.

There are an infinite number of potential interest rate scenarios, each of which can be accompanied by differing economic, political, and regulatory climates; can generate multiple differing behavior patterns by markets, borrowers, depositors, and other market participants; and can last for varying degrees of time. Therefore, by definition, interest rate risk sensitivity cannot be predicted with certainty. Accordingly, the Company's interest rate risk measurement philosophy focuses on maintaining an appropriate balance between theoretical and practical scenarios; especially given the primary objective of the Company's overall asset/liability management process is to facilitate meaningful strategy development and implementation.

Therefore, we model a set of interest rate scenarios capturing the financial effects of a range of plausible rate scenarios, the collective impact of which will enable the Company to clearly understand the nature and extent of its sensitivity to interest rate changes. Doing so necessitates an assessment of rate changes over varying time horizons and of varying/sufficient degrees such that the impact of embedded options within the balance sheet are sufficiently examined.

We utilize a simulation model as our primary tool to assess the direction and magnitude of variations in net interest income and EVE at Risk resulting from potential changes in market interest rates. Key assumptions in the model, which we believe are reasonable but which may have a significant impact on results, include: (i) the timing of changes in interest rates; (ii) shifts or rotations in the yield curve; (iii) re-pricing characteristics for market-rate-sensitive instruments; (iv) varying loan prepayment speeds for different interest rate scenarios; and (v) the overall growth and mix of assets and liabilities.

We forecast the next twelve months of net interest income under an assumed environment of gradual changes in market interest rates under various scenarios. The resulting change in net interest income is an indication of the sensitivity of our earnings to directional changes in market interest rates. The simulation also measures the change in EVE at Risk, or the net present value of our assets and liabilities, under an immediate shift, or shock, in interest rates under various scenarios, as calculated by discounting the estimated future cash flows using market-based discount rates.

The following table shows the impact of changes in interest rates on net interest income over the next twelve months and EVE at Risk based on our balance sheet as of March 31, 2026 (dollars in millions):

Interest Rate Scenario	EVE at Risk	Percent Change	Net interest income	Percent Change
+400 Bps	\$ 253	-29.3%	\$ 63.7	-0.4%
+300 Bps	\$ 294	-17.7%	\$ 64.6	1.1%
+200 Bps	\$ 332	-7.4%	\$ 65.1	1.7%
+100 Bps	\$ 352	-1.7%	\$ 64.6	1.0%
No change	\$ 358	0.0%	\$ 63.9	0.0%
-100 Bps	\$ 348	-2.8%	\$ 63.6	-0.6%
-200 Bps	\$ 327	-8.6%	\$ 63.9	-0.1%
-300 Bps	\$ 295	-17.6%	\$ 64.3	0.5%
-400 Bps	\$ 252	-29.5%	\$ 64.7	1.2%

If interest rates across the yield curve were to uniformly decrease or increase up to 400 basis points, this analysis suggests the Bank maybe positioned for relatively neutral to modestly negative or positive changes in net interest income over the next twelve months.

We also forecast the impact of immediate and parallel interest rate shocks on net interest income under various scenarios to measure the sensitivity of our earnings under extreme conditions.

In addition to changes in interest rates, the level of future net interest income is also dependent on a number of other variables, including: the growth, composition and absolute levels of loans, deposits, and other earning assets and interest-bearing liabilities; economic and competitive conditions; potential changes in lending, investing and deposit gathering strategies; and client preferences.

Liquidity and Capital Resources

For the Company, liquidity management refers to the ability to generate sufficient cash to fund current loan demand, meet deposit withdrawals, and pay dividends and operating expenses. Because profit and liquidity are often conflicting objectives, management attempts to maximize the Bank's net interest margin by making adequate, but not excessive, liquidity provisions. Furthermore, we seek to manage funds so that future profits will not be significantly impacted as funding costs increase. We seek to maintain diversified sources of liquidity that may be used during the ordinary course of business as well as on a contingency basis.

Our primary sources of liquidity are deposits, principal and interest payments on loans and securities, and proceeds from calls, maturities, and sales of securities, subject to market conditions. While maturities and scheduled amortization of loans and securities are predictable sources of liquidity, deposit flows and loan and securities prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are unencumbered cash and due from banks and unpledged securities classified as available for sale, which could be liquidated, subject to market conditions. In the future, our liquidity position will be affected by the level of customer deposits and payments, as well as acquisitions, dividends, and share repurchases in which we may engage. For the next twelve months, we believe that our existing cash resources will be sufficient to meet the liquidity and capital requirements of our operations.

Changes in the liquidity position result from operating, investing and financing activities. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. The primary investing activities include loan originations, loan repayments, investments in interest bearing balances in other financial institutions, and the purchase, sale, and maturity of investment securities. Financing activities focus almost entirely on the generation of customer deposits. In addition, the Company utilizes borrowings (i.e., repurchase agreements, FHLB advances and federal funds purchased) as a source of funds.

Although customer deposits remain our preferred funding source, maintaining additional sources of liquidity is part of our prudent liquidity risk management practices. We have the ability to borrow from the FHLB. At March 31, 2026, we had five outstanding advances totaling \$50 million and the ability to borrow up to \$269.5 million from the FHLB. We also have the ability to borrow from the Federal Reserve Bank of Chicago. At March 31, 2026, we had no outstanding balance from the Federal Reserve Bank of Chicago. At March 31, 2026, cash and cash equivalents were \$118.8 million and secured borrowing capacity at the Federal Reserve Bank totaled \$244.5 million, providing total additional liquidity sources of \$555.0 million (excluding brokered deposit capacity).

The following table shows the Company's sources of liquidity as of March 31, 2026 and December 31, 2025:

	Sources of Liquidity			
	As of March 31, 2026		As of December 31, 2025	
	Outstanding	Additional Capacity	Outstanding	Additional Capacity
FHLB Advances	\$ 50,000	\$ 269,493	\$ 45,000	\$ 380,737
Fed Discount Window	-	244,521	-	252,205
Fed Funds Lines	642	16,000	-	16,000
Other Line of Credit	-	25,000	-	25,000
Total	\$ 50,642	\$ 555,014	\$ 45,000	\$ 673,942

During the three months ended March 31, 2026, cash and cash equivalents decreased by \$0.9 million compared to a \$1.7 million increase for the quarter ended March 31, 2025. The primary sources of cash and cash equivalents were sales of loans originated for sale and the proceeds from borrowings. The primary uses of cash and cash equivalents were loan originations and the purchase of loans. Cash provided by operating activities totaled \$3.6 million for the three months ended March 31, 2026, compared to cash used of \$3.8 million for the quarter ended March 31, 2025. Cash used in operating activities was primarily a result of net income and sale of loans originated for sale offset by loans originated for sale. Cash used in investing activities totaled \$2.2 million for the current period, compared to cash provided by investing

activities of \$19.7 million for the quarter ended March 31, 2025. Cash used in investing activities for the current three-month period was primarily related to the purchase of loans. Cash used in financing activities totaled \$2.4 million during the current period compared to net cash used in financing activities of \$14.1 million for the quarter ended March 31, 2025. The net cash used in financing activities was primarily the result of net change in deposits offset by the proceeds from borrowed funds. On a cash basis, the Company paid dividends on common stock of \$520 thousand for the three months ended March 31, 2026, and \$518 thousand for the quarter ended March 31, 2025.

At March 31, 2026, outstanding commitments to fund loans totaled \$267.9 million. Approximately 59.9% of the commitments were at variable rates. Standby letters of credit, which are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party, totaled \$15.0 million at March 31, 2026. Management believes that the Company has sufficient cash flow and borrowing capacity to fund all outstanding commitments and letters of credit, while maintaining proper levels of liquidity.

Management strongly believes that maintaining a high level of capital enhances safety and soundness. During the three months ended March 31, 2026, stockholders' equity decreased by \$2.3 million 1.3%. During the three months ended March 31, 2026, stockholders' equity was primarily decreased by net income of \$2.2 million and offset by other comprehensive income as the result of market value changes within the securities portfolio of \$4.1 million and dividends declared of \$520 thousand. On April 24, 2014, the Company's Board of Directors authorized a stock repurchase program to repurchase up to 50,000 shares of the Company's outstanding common stock, from time to time and subject to market conditions, on the open market or in privately negotiated transactions. The stock repurchase program does not expire and is only limited by the number of shares that can be purchased. The stock repurchase program will be reviewed annually by the Board of Directors. No shares were repurchased under the program during the first three months of 2026 or 2025. During 2025, 6,025 restricted stock shares vested under the Incentive Plan outlined in Note 10 of the condensed consolidated financial statements, of which 1,508 of these shares were withheld in the form of a net surrender to cover the withholding tax obligations of the vesting employees. The repurchase of these surrendered shares is considered outside of the scope of the formal board approved stock repurchase program.

The Bank is subject to risk-based capital guidelines adopted by the FDIC. The regulations divide capital into multiple tiers. The first tier (Common Equity Tier 1 Capital) includes common shareholders' equity, after deductions for various items including goodwill and certain other intangible assets, and after certain other adjustments. Common Equity Tier 1 Capital also includes accumulated other comprehensive income (for organizations that do not make opt-out elections). The next tier (Tier 1 Capital) is comprised of Common Equity Tier 1 Capital plus other qualifying capital instruments such as perpetual noncumulative preferred stock and junior subordinated debt issued to trusts, and other adjustments. The third tier (Tier 2 Capital) includes instruments such as subordinated debt that have a minimum original maturity of at least five years and are subordinated to the claims of depositors and general creditors, total capital minority interest not included in Tier 1 Capital, and limited amounts of the allowance for credit losses, less applicable regulatory adjustments and deductions. Pursuant to the above capital regulations, the Bank is required to maintain a Common Equity Tier 1 Capital ratio of 4.5%, a Tier 1 Capital ratio of 6%, and a Total Capital ratio (comprised of Tier 1 Capital plus Tier 2 Capital) of 8%. In addition, the capital regulations provide for a minimum leverage ratio (Tier 1 capital to adjusted average assets) of 4%.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions by the institution and certain discretionary bonus payments to management if an institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

On March 19, 2026, the federal banking regulators issued three proposals to modernize the regulatory capital framework for banks of all sizes. The federal banking agencies stated the proposals would streamline capital requirements and better align regulatory capital with risk while maintaining the safety and soundness of the banking system. The proposals are intended to be the final phase of the Basel capital reforms. Comments on the proposals are due by June 18, 2026. The Company's management continues to evaluate the impact of these proposals on the Company, the Bank, and its business, financial condition, and results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 required the FRB to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository subsidiaries. However, under the FRB's "Small Bank Holding Company" exemption from consolidated bank holding company capital requirements, bank holding companies and savings and loan holding companies with less than \$3 billion in consolidated assets, such as the Company, are exempt from consolidated regulatory capital requirements, unless the FRB determines otherwise in particular cases.

During the three months ended March 31, 2026, the Company's and Bank's risk weighted assets continued to be negatively impacted by regulatory requirements regarding collateralized debt obligations. The regulatory requirements state that for collateralized debt obligations that have been downgraded below investment grade by the rating agencies, increased risk-based asset weightings are required. The Company currently holds pooled collateralized debt obligations with a cost basis of \$2.1 million. These investments currently have ratings that are below investment grade. As a result, approximately \$1.9 million of risk-based assets are generated by the collateralized debt obligations in the Company's and Bank's total risk based capital calculation.

In addition, the following table shows that, at March 31, 2026 and December 31, 2025, the Bank's capital exceeded all applicable regulatory capital requirements as set forth in 12 C.F.R. § 324.

<i>(Dollars in thousands)</i>	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2026						
Common equity tier 1 capital to risk-weighted assets	\$ 188,162	12.03%	\$ 70,362	4.50%	\$ 101,634	6.50%
Tier 1 capital to risk-weighted assets	\$ 188,162	12.03%	\$ 93,816	6.00%	\$ 125,088	8.00%
Total capital to risk-weighted assets	\$ 207,478	13.27%	\$ 125,088	8.00%	\$ 156,360	10.00%
Tier 1 leverage ratio	\$ 188,162	9.24%	\$ 81,448	4.00%	\$ 101,810	5.00%

<i>(Dollars in thousands)</i>	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
Common equity tier 1 capital to risk-weighted assets	\$ 186,214	11.86%	\$ 70,626	4.50%	\$ 102,016	6.50%
Tier 1 capital to risk-weighted assets	\$ 186,214	11.86%	\$ 94,168	6.00%	\$ 125,558	8.00%
Total capital to risk-weighted assets	\$ 205,472	13.09%	\$ 125,558	8.00%	\$ 156,947	10.00%
Tier 1 leverage ratio	\$ 186,214	8.93%	\$ 83,379	4.00%	\$ 104,223	5.00%

The Company's ability to pay dividends to its shareholders is largely dependent upon the Bank's ability to pay dividends to the Company. Under Indiana law, the Bank may pay dividends from its undivided profits (generally, earnings less losses, bad debts, taxes and other operating expenses) as is considered expedient by the Bank's Board of Directors. However, the Bank must obtain the approval of the DFI if the total of all dividends declared by the Bank during the current year, including the proposed dividend, would exceed the sum of retained net income for the year to date plus its retained net income for the previous two years. For this purpose, "retained net income," means net income as calculated for call report purposes, less all dividends declared for the applicable period. An exemption from DFI approval would require that the Bank have been assigned a composite uniform financial institutions rating of 1 or 2 as a result of the most recent federal or state examination; the proposed dividend would not result in a Tier 1 leverage ratio below 7.5%; and that the Bank not be subject to any corrective action, supervisory order, supervisory agreement, or board approved operating agreement. In addition, under the terms of the MOU, the Bank must seek regulatory approval prior to paying cash dividends. See "Summary" above. Moreover, the FDIC and the Federal Reserve Board may prohibit the payment of dividends if it determines that the payment of dividends would constitute an unsafe or unsound practice in light of the financial condition of the Bank. Assuming receipt of regulatory approval for all cash dividends declared by the Bank under the terms of the MOU, the aggregate amount of dividends that the Bank is eligible to declare in 2026, without the need for qualifying for a further exemption or prior DFI approval under the terms of Indiana law described above, is its 2026 net income. On March 2, 2026, the Board of Directors of the Company declared the most recent quarterly dividend of \$0.12 per share. The Company's quarterly dividend was paid to shareholders on March 31, 2026 to shareholders of record on March 16, 2026.

Results of Operations - Comparison of the Three Months Ended March 31, 2026 to March 31, 2025

For the three months ended March 31, 2026, the Company reported net income of \$2.2 million, an increase of \$1.8 million (392.7%) compared to \$455 thousand for the quarter ended March 31, 2025. For the three months ended March 31, 2026, the ROA was 0.44%, compared to 0.09% for the quarter ended March 31, 2025. The ROE was 5.00% for the three months ended March 31, 2026, compared to 1.17% for the quarter ended March 31, 2025.

Information relating to the average consolidated balance sheet and the yield on average earning assets and cost of average liabilities for the periods indicated are in the following table. Dividing the related interest, on an annualized basis, by the average balance of assets or liabilities derives the disclosed rates. Average balances are derived from daily balances.

	Average Balances, Interest, and Rates					
	March 31, 2026			March 31, 2025		
	Average Balance	Interest	Rate (%)	Average Balance	Interest	Rate (%)
<i>(Dollars in thousands)</i>						
<i>(unaudited)</i>						
ASSETS						
Interest bearing deposits in other financial institutions	\$ 96,250	949	3.94 %	\$ 53,553	\$ 541	4.04 %
Federal funds sold	1,523	11	2.89 %	1,375	12	3.49 %
Securities available-for-sale	318,670	1,771	2.22 %	336,060	1,997	2.38 %
Loans receivable	1,445,921	19,871	5.50 %	1,498,312	19,655	5.25 %
Federal Home Loan Bank stock	6,547	119	7.27 %	6,547	136	8.31 %
Total interest earning assets	1,868,911	22,721	4.86 %	1,895,847	\$ 22,341	4.71 %
Cash and non-interest bearing deposits in other financial institutions	21,331			27,919		
Allowance for credit losses	(17,608)			(16,946)		
Other non-interest bearing assets	143,452			153,148		
Total assets	<u>\$ 2,016,086</u>			<u>\$ 2,059,968</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing deposits	\$ 1,447,994	6,959	1.92 %	\$ 1,481,377	\$ 8,045	2.17 %
Federal funds purchased and repurchase agreements	38,113	272	2.85 %	41,631	348	3.34 %
Borrowed funds	45,334	419	3.70 %	61,613	635	4.12 %
Total interest bearing liabilities	1,531,441	7,650	2.00 %	1,584,621	\$ 9,028	2.28 %
Non-interest bearing deposits	270,626			279,013		
Other non-interest bearing liabilities	34,588			40,923		
Total liabilities	1,836,655			1,904,557		
Total stockholders' equity	179,431			155,411		
Total liabilities and stockholders' equity	<u>\$ 2,016,086</u>			<u>\$ 2,059,968</u>		
Net interest income		<u>15,071</u>			<u>\$ 13,313</u>	
Return on average assets		0.44%			0.09%	
Return on average equity		5.00%			1.17%	
Net interest margin (average earning assets)		3.23%			2.81%	
Net interest margin (average earning assets) - tax equivalent		3.35%			2.95%	
Net interest spread		2.86%			2.43%	
Ratio of interest-earning assets to interest-bearing liabilities		1.22x			1.20x	

Net interest income for the three months ended March 31, 2026, was \$15.1 million, an increase of \$1.8 million (13.2%), compared to \$13.3 million for the quarter ended March 31, 2025. The weighted-average yield on interest-earning assets was 4.86% for the three months ended March 31, 2026 compared to 4.71% for the quarter ended March 31, 2025. The weighted-average cost of interest-bearing liabilities for the three months ended March 31, 2026, was 2.00% compared to 2.28% for the quarter ended March 31, 2025. The impact of the 4.86% return on interest-earning assets and the 2.00% cost of interest-bearing liabilities resulted in an interest rate spread of 2.86% for the three months ended March 31, 2026,

an increase from the 2.43% spread for the quarter ended March 31, 2025. The Company's net interest margin on a tax-equivalent basis was 3.35% for the three months ended March 31, 2026, compared to 2.95% for the quarter ended March 31, 2025. The Company believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully-taxable equivalent basis, as these measures provide useful information to make peer comparisons. Tax adjusted net interest margin represents a non-GAAP financial measure. See the non-GAAP reconciliation table immediately below and the section captioned "Non-GAAP Financial Measures" for further disclosure regarding non-GAAP financial measures.

<i>(Dollars in thousands)</i>	Three Months Ended March 31,	
	2026	2025
Calculation of net interest margin, tax-equivalent basis		
Net interest income	\$ 15,071	\$ 13,313
Tax-equivalent adjustment on securities and loans	582	670
Net interest income (tax-equivalent basis)	\$ 15,653	\$ 13,983
Total average earning assets	\$ 1,868,911	\$ 1,895,847
Net interest margin (tax-equivalent basis)	3.35%	2.95%

The increased net interest income and net interest margin for the three months ended March 31, 2026, was primarily the result of reduced deposit and borrowing costs.

The following table shows the change in non-interest income for the three months ended March 31, 2026, and March 31, 2025.

<i>(Dollars in thousands)</i>	Three Months Ended March 31,		3/31/2026 vs. 3/31/2025	
	2026	2025	\$ Change	% Change
Non-interest income:				
Fees and service charges	\$ 1,295	\$ 1,109	\$ 186	16.8 %
Wealth management operations	661	619	42	6.8 %
Gain (loss) on tax credit investment	-	67	(67)	(100.0)%
Gain (loss) on sale of loans held-for-sale, net	257	230	27	11.7 %
Bank owned life insurance	201	198	3	1.5 %
Other	3	6	(3)	(50.0)%
Total non-interest income	\$ 2,417	\$ 2,229	\$ 188	8.4%

The increase in non-interest income was primarily due to an increase in fees and service charges.

The following table shows the change in non-interest expense for the three months ended March 31, 2026, and March 31, 2025.

<i>(Dollars in thousands)</i>	Three Months Ended March 31,		3/31/2026 vs. 3/31/2025	
	2026	2025	\$ Change	% Change
Non-interest expense:				
Compensation and benefits	\$ 7,591	\$ 7,372	\$ 219	3.0 %
Occupancy and equipment	1,991	2,111	(120)	(5.7)%
Data processing	1,105	1,039	66	6.4 %
Marketing	587	86	501	582.6 %
Federal deposit insurance premiums	381	433	(52)	(12.0)%
Professional and outside services	1,169	1,260	(91)	(7.2)%
Technology	508	454	54	11.9 %
Other	1,436	1,717	(281)	(16.4)%
Total non-interest expense	<u>\$ 14,768</u>	<u>\$ 14,472</u>	<u>\$ 296</u>	<u>2.0 %</u>

Increases in non-interest expenses during the three months ended March 31, 2026, were primarily attributable to planned increases in marketing expenses, due to seasonal promotion and planned business generation purposes, as well as compensation and benefit expense driven by annual merit-based increases.

The provision for income taxes was \$423 thousand for the three months ended March 31, 2026 as compared to the provision of \$161 thousand for the quarter ended March 31, 2025. The effective tax rate was 15.9% for the three months ended March 31, 2026, as compared to 26.1% for the quarter ended March 31, 2025. The Company's year-to-date effective tax rate for the three months ended March 31, 2026, decreased primarily due to lower levels of core income experienced during the three months ended March 31, 2025.

Critical Accounting Policies

The notes to the condensed consolidated financial statements included in Item 8 of the Company's Annual Report on Form 10-K for 2025 contain a summary of the Company's significant accounting policies. Certain of these policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain.

Forward-Looking Statements

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are also intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. The Company cautions readers that forward-looking statements, including without limitation those relating to the Company's future business prospects, merger and acquisition activities, interest income and expense, net income, liquidity, and capital needs are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to, among other things, factors identified in this report, including those identified in the Company's 2025 Form 10-K.

Non-GAAP Financial Measures

This filing includes certain financial measures that are identified as non-GAAP, including adjusted net interest income and tax adjusted net interest margin. The Company's provides these non-GAAP performance measures because they are used by management to evaluate and measure the Company's performance, which the Company believes also is useful to assist investors in assessing the Company's operating performance. Where non-GAAP financial measures are used in this report, the most comparable GAAP measure, as well as the reconciliation to the most comparable GAAP measure, can be found in the tables referenced herein.

The adjusted net interest income and tax-adjusted net interest margin measures recognize the income tax savings when comparing taxable and tax-exempt assets. Interest income and yields on tax-exempt securities and loans are presented using the current federal income tax rate of 21%. Management believes that it is standard practice in the banking industry to

present net interest income and net interest margin on a fully tax-equivalent basis and that it may enhance comparability for peer comparison purposes.

Although these non-GAAP financial measures are frequently used by investors to evaluate a financial institution's business and performance, they have limitations as analytical tools and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In addition, these non-GAAP financial measures may differ from those used by other financial institutions to assess their business operations and performance.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

The Company maintains disclosure controls and procedures (as defined in Sections 13a – 15(e) and 15d – 15(e)) of regulations promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer evaluate the effectiveness of the Company's disclosure controls and procedures as of the end of each quarter. Based on that evaluation as of March 31, 2026, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures were effective as of that date in ensuring that information required to be disclosed by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Control Over Financial Reporting.

There was no change in the Company's internal control over financial reporting identified in connection with the Company's evaluation of controls that occurred during the quarter ended March 31, 2026, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries, from time to time, are involved in legal proceedings in the ordinary course of business against its debtors and are defendants in legal actions arising from normal business activities. Management, after consultation with legal counsel believes that the ultimate liabilities, if any, resulting from these actions will not have a material adverse effect on the financial position of the Bank or on the consolidated financial position of the Company.

Item 1A. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 24, 2014 the Company's Board of Directors authorized a stock repurchase program to repurchase up to 50,000 shares of the Company's outstanding common stock, from time to time and subject to market conditions, on the open market or in privately negotiated transactions. The stock repurchase program does not expire and is only limited by the number of shares that can be purchased. The stock repurchase program will be reviewed annually by the Board of Directors. No shares were repurchased during the quarter ended March 31, 2026 under the stock repurchase program.

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Program(1)
January 1, 2026 – January 31, 2026	-	N/A	-	48,828
February 1, 2026 – February 28, 2026	1,508	\$38.79	-	48,828
March 1, 2026 – March 31, 2026	-	N/A	-	48,828

- (1) The stock repurchase program was announced on April 24, 2014, whereby the Company is authorized to repurchase up to 50,000 shares of the Company’s common stock outstanding. There is no express expiration date for this program.
- (2) The number of shares above includes shares of common stock reacquired from the Company’s executive officers and employees to satisfy the tax withholding obligations on restricted stock awards granted under the Company’s Plan. For the three months ended March 31, 2026, 1,508 shares were reacquired at an average per share price of \$38.79 pursuant to these tax withholding transactions.

Item 3. Defaults Upon Senior Securities

There are no matters reportable under this item.

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

On May 12, 2026, the Bancorp and the Bank entered into an amended and restated employment agreement with Todd M. Scheub, Executive Vice President and Chief Revenue Officer of the Bancorp and the President of the Bank. The agreement became effective upon signing and amended and restated his prior employment agreement, as amended, in its entirety. Under his amended and restated employment agreement, Mr. Scheub will receive a base salary, will be eligible for an annual cash incentive award, as well as annual grants of equity-based incentives, where all incentive compensation is subject to the discretion of the Board of Directors. The agreement also provides that, if Mr. Scheub is discharged without “cause” or he resigns for “good reason” (each as defined in the agreement), or in the event of his death, in each case other than during the two-year period after (or three months prior to) a change of control of the Bancorp or the Bank, then the Bank will pay Mr. Scheub, or his heirs or estate as the case may be, the following benefits: (i) any accrued unused vacation, expense reimbursements, and other cash entitlements due to him as of the date of termination (the “Accrued Obligations”); (ii) a lump sum amount equal to one and one-half times his then-current base salary; (iii) group health plan continuation coverage under COBRA; (iv) payment of any pro-rata annual performance bonus for the year of termination based on actual achievement of established performance metrics; and (v) the cost of outplacement services. If Mr. Scheub is discharged without cause or he resigns for good reason during the two-year period after (or three months prior to) a change of control of the Bancorp or the Bank, then the Bank will pay Mr. Scheub the following benefits: (i) the Accrued Obligations; (ii) a lump sum amount equal to two times his “base compensation” (which is defined as the sum of (x) the greater of his then-current base salary or his base salary as of immediately prior to the change of control, plus (y) the greater of his target annual bonus for the year including the date of termination or his target annual bonus for the year including the day immediately preceding the effective date of the change of control); (iii) group health plan continuation coverage under COBRA; and (iv) the cost of outplacement services. In addition, the agreement provides that, in the event that the payments or benefits provided in connection with a change of control constitute “excess parachute payments” within the meaning of Section 280G of the Internal Revenue Code and would be subject to the excise tax imposed by Section 4999, then Mr. Scheub’s payments shall be either (a) delivered in full, or (b) delivered as to such lesser extent as would result in no portion of such payments being subject to the excise tax, whichever of the foregoing amounts, taking into account the applicable federal, state, and local income taxes and the excise tax, results in the receipt by Mr. Scheub on an after-tax basis of the greatest amount of payments, notwithstanding that all or some portion of such payments may be taxable under Section 4999. Also, the amended and restated agreement provides for post-employment noncompetition restrictions that extend for a period of twelve months, and nonsolicitation restrictions that extend for a period of eighteen months, following any termination of employment. The foregoing description of the amended and restated employment agreement is a summary and is qualified in its entirety by reference to the terms of the agreement, which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.1 and incorporated by reference herein.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	<u>Amended and Restated Employee Agreement between Finward Bancorp, Peoples Bank, and Todd M. Scheub, dated May 12, 2026.</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</u>
32.1	<u>Section 1350 Certifications.</u>
101	The following materials from the Company's Form 10-Q for the quarterly period ended March 31, 2026, formatted in an XBRL Interactive Data File: (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Income; (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity; (iv) Condensed Consolidated Statement of Comprehensive Income; (v) Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements, with detailed tagging of notes and financial statement schedules.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

FINWARD BANCORP

Date: May 13, 2026

/s/ Benjamin J. Bochnowski

Benjamin J. Bochnowski

President and Chief Executive Officer

Date: May 13, 2026

/s/ Benjamin L. Schmitt

Benjamin L. Schmitt

Executive Vice President, Chief
Financial Officer and Treasurer

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
BETWEEN
FINWARD BANCORP,
PEOPLES BANK
AND
TODD M. SCHEUB

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the “**Agreement**”) is effective as of May 12, 2026 (the “**Effective Date**”) by and between Finward Bancorp (the “**Company**”), the wholly-owned subsidiary of the Company, Peoples Bank, (“**Peoples Bank**,” and collectively with the Company, the “**Bank**” unless otherwise noted), and Todd M. Scheub (the “**Executive**”).

RECITALS

WHEREAS, the Executive is currently employed by the Bank as President of Peoples Bank and Executive Vice President & Chief Revenue Officer of the Company pursuant to that certain Employment Agreement by and between the Bank and the Executive dated April 27, 2022 (the “**Prior Agreement**”);

WHEREAS, the Company, the Bank and the Executive desire to amend and restate the Prior Agreement as set forth in this Agreement; and

WHEREAS, in addition to the employment provisions contained herein, the Bank and the Executive have agreed to certain restrictions, covenants, agreements, and severance payments, as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, the Bank and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. **Employment and Term.** Unless terminated earlier as provided herein, Peoples Bank shall employ the Executive as its President and he shall also be employed in the position of Executive Vice President & Chief Revenue Officer for the Company, and the Executive shall so serve, in accordance with the provisions of this Agreement. Unless terminated earlier as provided herein, the term of the Executive’s employment under this Agreement shall commence as of the Effective Date and end on the date that is one year after the Effective Date (the “**Initial Term**”); *provided that*, the Initial Term shall be automatically renewed for an additional one year on the anniversary of the Effective Date, and on the same date in each subsequent year thereafter (each, a “**Renewal Term**,” with the Initial Term and any Renewal Terms collectively referred to herein as the “**Term**”), unless, at least sixty (60) days prior to the end of the Initial Term or any Renewal Term, the Executive or the Bank, by a written notice delivered to the other party, elects not to have the Term renewed. Notwithstanding any provision of this Agreement to the contrary, except as otherwise mutually agreed by the parties hereto, if a Change of Control occurs during the Term, this Agreement shall remain in effect for the two (2)-year period following the Change of Control and shall then terminate.
2. **Duties.** During the period of employment as provided in Section 1 above, the Executive shall serve as President of Peoples Bank and Executive Vice President & Chief Revenue

Officer of the Company and have all powers and duties consistent with such positions, subject to the reasonable direction of the President and CEO of the Company (the “CEO”). The Executive shall devote his best efforts to fulfill faithfully, responsibly, and to the best of his ability his duties hereunder; *provided that*, with the approval of the CEO, the Executive may serve, or continue to serve, on the boards of directors of, and hold any other offices or positions in, companies or organizations, which, in the CEO’s judgment, will not present any material conflict of interest with the Bank or any of its subsidiaries or affiliates or divisions, or unfavorably affect the performance of the Executive’s duties, or will not violate any applicable statute or regulation.

3. Compensation.

(a) **Base Salary.** For services performed by the Executive for the Bank pursuant to this Agreement during the Term as provided in Section 1 hereof, Peoples Bank shall pay the Executive a base salary (the “**Base Salary**”), which as of the Effective Date is Three Hundred Nineteen Thousand Six Hundred Fourteen Dollars (\$319,614) per year, payable in substantially equal installments in accordance with the Peoples Bank’s regular payroll practices. The Executive’s Base Salary (with any increases under Section 3(b) below) shall not be subject to reduction, unless such reduction is required by law or regulation, or such reduction is proportionate to a reduction in the base salary of all other executive officers of Peoples Bank. Any compensation which may be paid to the Executive under any additional compensation or incentive plan of the Bank (including those under Sections 4, 5, and 6 below) or which may be otherwise authorized from time to time by the Board of Directors of the Company (“**Board**”) (or an appropriate committee thereof) shall be in addition to the Base Salary to which the Executive shall be entitled under this Agreement.

(b) **Salary Increases or Decreases.** During the period of employment as provided in Section 1 hereof, the Base Salary of the Executive shall be reviewed by the Board to determine whether or not the same should be increased in light of the duties and responsibilities of the Executive and the performance of the Bank or decreased under the circumstances permitted in Section 3(a). If it is determined that an increase or decrease is merited, such increase or decrease shall be promptly put into effect and the Base Salary of the Executive as so increased or decreased shall constitute the Base Salary of the Executive for purposes of Section 3(a).

(c) **Expenses, Automobile and Organizations.** The Bank shall pay or reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in the performance of his services under this Agreement. The Bank further agrees to provide the Executive with the full-time use of an automobile of a make and model selected by the Executive, which automobile shall have the lesser of three years of age or 50,000 miles, commensurate with his position and as approved by the Compensation Committee of the Board. Subject to the approval of the CEO, Peoples Bank shall reimburse the Executive for all initiation fees and dues associated with membership in professional, social, civic, and service organizations which the Executive joins or has joined and which membership, in whole or in part, furthers the interests of or promotes the interests of the Bank or assists the Executive in business relationships on behalf of the Bank.

4. **Annual Bonuses.** During the Term of employment hereunder, the Executive shall be eligible to receive in cash an annual performance bonus as may be set by the Board.

5. **Equity Incentive Compensation.** During the Term of employment hereunder, the Executive shall be eligible to participate, in an appropriate manner relative to other senior executives of the Bank, in any equity-based incentive compensation plan or program approved by the Board from time to time, including (but not by way of limitation) the Company's 2025 Omnibus Equity Incentive Plan.

6. **Other Benefits.**

(a) **Vacation.** Notwithstanding anything herein to the contrary, during the Term of this Agreement, the Executive shall be entitled to vacation of no less than five weeks and commensurate with similarly situated executives, to be taken during such times as may be chosen by the Executive. Any vacation time not taken during any calendar year and any unused vacation days in existence as of the date hereof shall be administered in accordance with Peoples Bank's policies and procedures in effect from time to time. Vacation time for each calendar year shall be considered earned as of the first day of each calendar year.

(b) **Other.** The Executive also shall be entitled to participate in all of the various retirement, welfare, fringe benefit, and executive perquisite plans, programs, and arrangements of Peoples Bank as they may exist from time to time. Notwithstanding the limitations of any health benefit plan maintained by Peoples Bank, Peoples Bank agrees to pay the costs of any necessary physical examinations and the costs of all diagnostic testing incurred by the Executive on his own behalf.

7. **Termination.** Unless this Agreement is earlier terminated in accordance with the following provisions of this Section 7, the Bank shall continue to employ the Executive and the Executive shall remain employed by the Bank during the entire Term of this Agreement as set forth in Section 1. Section 9 hereof sets forth certain obligations of the Bank in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Agreement are defined in Section 8 below.

(a) **Death or Disability.** Except to the extent otherwise provided in Section 9, this Agreement shall terminate immediately in the event of the Executive's death or in the event that the Executive becomes disabled. The Executive will be deemed to be disabled if he, with or without reasonable accommodation: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of Peoples Bank. If any question arises as to whether the Executive is disabled, upon reasonable request therefor by the Board, the Executive shall submit to reasonable medical examination for the purpose of determining the existence, nature, and extent of any such disability. In accordance with Section 13 of this Agreement, the Bank shall promptly give the Executive written notice of any such determination of the Executive's disability and of any decision of the Bank to terminate the Executive's employment by reason thereof. In the event of disability, until the Date of Termination, the Base Salary payable to the Executive under Section 3(a) hereof shall be reduced

dollar-for-dollar by the amount of disability benefits paid to the Executive in accordance with any disability policy or program of Peoples Bank.

(b) **Discharge for Cause.** In accordance with the procedures hereinafter set forth, the CEO may discharge the Executive from his employment hereunder for Cause. Except to the extent otherwise provided in Section 9, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for Cause. Any discharge of the Executive for Cause shall be communicated by a Notice of Termination to the Executive given in accordance with Section 13 of this Agreement. For purposes of this Agreement, a “**Notice of Termination**” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and (iii) specifies the termination date, which may be as early as the date of the giving of such notice. No purported termination of the Executive’s employment for Cause shall be effective without a Notice of Termination.

(c) **Termination for Other Reasons.** The CEO may discharge the Executive for reason other than Cause by giving written notice to the Executive in accordance with Section 13 at least thirty (30) days prior to the Date of Termination. The Executive may resign from his employment, without liability to the Bank, by giving written notice to the Bank in accordance with Section 13 at least thirty (30) days prior to the Date of Termination. Notwithstanding the foregoing, if the Executive resigns for Good Reason, the Executive must provide written notice of resignation within ninety (90) days of the occurrence of the event constituting Good Reason and the Bank shall have thirty (30) days to cure, to the Executive’s reasonable satisfaction, the event constituting Good Reason. If the Bank fails to cure the event of Good Reason within thirty (30) days, the Executive’s resignation shall become effective thirty (30) days after the expiration of the cure period. Except to the extent otherwise provided in Section 9, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for reasons other than Cause or resigns.

8. **Definitions.** For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

(a) “**Accrued Obligations**” shall mean, as of the Date of Termination, the sum of (i) the Executive’s Base Salary under Section 3(a) through the Date of Termination to the extent not theretofore paid, (ii) the amount of any incentive compensation (other than an annual performance bonus for the year including the Date of Termination), deferred compensation, and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid, and (iii) any unused vacation, expense reimbursements (regardless of whether a claim for such has yet been filed), and other cash entitlements due the Executive as of the Date of Termination. For the purpose of this Section 8(a), dollar amounts shall be deemed to accrue ratably over the period during which they are earned, but no discretionary compensation shall be deemed earned or accrued unless it has been specifically approved by the Board in accordance with the applicable plan, program, or policy.

(b) For purposes of this Agreement, “**Cause**” shall mean: (i) the failure of Executive to perform Executive’s duties pursuant to this Agreement (other than such failure resulting from incapacity due to physical or mental illness), which failure to perform constitutes gross negligence or willful misconduct by the Executive, after a written demand for substantial performance is delivered to Executive by the Board which specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive’s duties; (ii) the commission by Executive of an act of malfeasance, dishonesty, fraud, or breach of trust against the Bank or any of its affiliates, employees, customers, or vendors, resulting or intended to result in substantial gain or personal enrichment to which Executive was not legally entitled; or (iii) Executive’s indictment, conviction of, or plea of guilty or no contest to any felony or crime of moral turpitude. For purposes of this provision, no act or failure to act on the part of Executive shall be considered “willful” unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive’s action or omission was in the best interests of the Bank.

(c) “**Change of Control**” shall mean any of the following:

- (i) a change in the ownership of the Company or Peoples Bank, which shall occur on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company or Peoples Bank that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company or Peoples Bank. Such acquisition may occur as a result of a merger of the Company or Peoples Bank into another entity which pays consideration for the shares of capital stock of the merging Company or Peoples Bank. However, if any one person, or more than one person acting as a group, is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company or Peoples Bank, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the Company or Peoples Bank (or to cause a change in the effective control of the Company or Peoples Bank within the meaning of Section 8(c)(ii)). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company or Peoples Bank acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this subsection. This subsection applies only when there is a transfer of stock of the Company or Peoples Bank (or issuance of stock of the Company or Peoples Bank) and stock in the Company or Peoples Bank remains outstanding after the transaction.
- (ii) a change in the effective control of the Company or Peoples Bank, which shall occur only on either of the following dates:
 - 1) the date any one person, or more than one person acting as a group, acquires (or has acquired during the 12 month period ending on the

date of the most recent acquisition by such person or persons) ownership of stock of the Company or Peoples Bank possessing thirty percent (30%) or more of the total voting power of the stock of the Company or Peoples Bank.

- 2) the date a majority of members of the Company's board of directors is replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors before the date of the appointment or election; *provided that*, this provision shall not apply if another corporation is a majority shareholder of the Company.

If any one person, or more than one person acting as a group, is considered to effectively control the Company or Peoples Bank, the acquisition of additional control of the Company or Peoples Bank by the same person or persons is not considered to cause a change in the effective control of the Company or Peoples Bank (or to cause a change in the ownership of the Company or Peoples Bank within the meaning of subsection (i) of this section).

(iii) a change in the ownership of a substantial portion of the Bank's assets, which shall occur on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Bank that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Bank immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Bank, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. No change in control occurs under this subsection (iii) when there is a transfer to an entity that is controlled by the shareholders of the Bank immediately after the transfer. A transfer of assets by the Bank is not treated as a change in the ownership of such assets if the assets are transferred to:

- 1) a shareholder of the Bank (immediately before the asset transfer) in exchange for or with respect to its stock;
- 2) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Bank;
- 3) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Bank; or
- 4) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

For purposes of this subsection (iii) and except as otherwise provided in paragraph 1) above, a person's status is determined immediately after the transfer of the assets.

(iv) For purposes of this section, persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering. Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company or Peoples Bank; *provided that*, they will not be considered to be acting as a group if they are owners of an entity that merges into the Company or Peoples Bank where the Company or Peoples Bank is the surviving corporation.

Notwithstanding any other provision of this Agreement, with respect to any payment or benefit described herein that is subject to Code Section 409A, no Change of Control shall be deemed to have occurred unless such event constitutes a “change in control event” under Code Section 409A.

(d) “**Date of Termination**” shall mean (i) in the event of a discharge of the Executive by the CEO for Cause, the date specified in such Notice of Termination, (ii) in the event of a discharge of the Executive without Cause or a resignation by the Executive other than for Good Reason, the date specified in the written notice to the Executive (in the case of discharge) or to the Bank (in the case of resignation), which date shall be no less than thirty (30) days from the date of such written notice, (iii) in the event of a resignation by the Executive for Good Reason, thirty (30) days after the expiration of the cure period set forth in Section 7(c), (iv) in the event of the Executive’s death, the date of the Executive’s death, and (v) in the event of termination of the Executive’s employment by reason of disability pursuant to Section 7(a), the date the Executive receives written notice of such termination.

(e) “**Good Reason**” shall mean any of the following, which has not been expressly consented to in advance by the Executive in writing: (i) assignment of duties to Executive by the CEO that are inconsistent with the Executive’s position, authority, duties, or responsibilities as President of Peoples Bank or Executive Vice President & Chief Revenue Officer of the Company, or any other action by the Bank which results in a substantial diminution of such position, authority, duties, or responsibilities; (ii) a reduction of 10% or more in the Executive’s then current Base Salary as determined under Section 3(a) hereof, unless such reduction is required by law or regulation, or such reduction is proportionate to a reduction in the base salary of all other executive officers of Peoples Bank; (iii) any substantial failure by the Bank to comply with any of the provisions of this Agreement; provided that, actions taken by the Bank under clause (i) of this section by reason of the Executive’s inability to perform the responsibilities contemplated by those sections because of a physical or mental injury or disease shall not be deemed “Good Reason;” provided, further that the expiration of the Term of this Agreement, or the provision of a notice of non-renewal of the Term of this Agreement (whether by the Bank or the Executive) pursuant to Section 1 hereof, whether or not a new, amended, or superseding agreement or arrangement is entered into, shall not constitute “Good Reason.”

(f) The Executive shall have a “**Termination of Employment**” if there is a termination of services provided by the Executive to the Bank, whether voluntarily or involuntarily, other than by reason of death or disability, as determined by the Board in accordance with Treas. Reg. §1.409A-1(h). In determining whether an Executive has experienced a Termination of Employment, the following provisions shall apply:

(i) To the extent the Executive provides services to the Company or Peoples Bank solely as an employee, except as otherwise provided in subsection (iii) below, a Termination of Employment shall occur when the Executive has experienced a termination of employment with the Employer (defined below). The Executive shall be considered to have experienced a termination of employment when the facts and circumstances indicate that the Executive and the Employer reasonably anticipate that either (A) no further services will be performed for the Employer after a certain date, or (B) that the level of bona fide services the Executive will perform for the Employer after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Executive (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Employer if the Executive has been providing services to the Employer less than 36 months).

If the Executive is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between the Executive and the Employer shall be treated as continuing intact, provided that the period of such leave does not exceed 6 months, or if longer, so long as the Executive retains a right to reemployment with the Employer under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds 6 months and the Executive does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of this Agreement as of the first day immediately following the end of such 6-month period. In applying the provisions of this paragraph, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that the Executive will return to perform services for the Employer.

(ii) If the Executive provides services to the Employer as an independent contractor, except as otherwise provided in subsection (iii) below, a Termination of Employment shall occur upon the expiration of the contract (or in the case of more than one contract, all contracts) under which services are performed for the Employer, provided that the expiration of such contract(s) is determined by the Board to constitute a good-faith and complete termination of the contractual relationship between the Executive and the Employer.

(iii) If the Executive provides services to the Employer as both an employee and an independent contractor, a Termination of Employment generally shall not occur until the Executive has ceased providing services for the Employer as both an employee and an independent contractor, as determined in accordance with the provisions set forth in subsections (i) and (ii) above, respectively. Similarly, if the Executive either (A) ceases providing services for the Employer as an independent contractor and begins providing services for the Employer as an employee, or (B) ceases providing services for the Employer as an employee and begins providing services for the Employer as an independent contractor, the Executive will not be considered to have experienced a Termination of Employment until the Executive has ceased providing services for the Employer in both capacities, as determined in accordance with the applicable provisions set forth in subsections (i) and (ii) above.

Notwithstanding the foregoing provisions in this subsection (iii), if the Executive provides services for the Employer as both an employee and a director, to the extent permitted by Treas. Reg. §1.409A-1(h)(5) the services provided by the Executive as a director shall not be taken into account in determining whether the Executive has experienced a Termination of Employment as

an employee, and the services provided by the Executive as an employee shall not be taken into account in determining whether the Executive has experienced a Termination of Employment as a director.

(iv) For the purpose of determining whether the Executive has experienced a Termination of Employment, the term “**Employer**” shall mean:

(A) The entity for which the Executive performs services and with respect to which the legally binding right to compensation deferred or contributed under this Agreement arises; and

(B) All other entities with which the entity described above would be aggregated and treated as a single employer under Code Section 414(b) (controlled group of corporations) and Code Section 414(c) (a group of trades or businesses, whether or not incorporated, under common control), as applicable. In order to identify the group of entities described in the preceding sentence, an ownership threshold of at least 50% shall be substituted for the 80% minimum ownership threshold that appears in, and otherwise must be used when applying, the applicable provisions of (A) Code Section 1563 for determining a controlled group of corporations under Code Section 414(b), and (B) Treas. Reg. §1.414(c)-2 for determining the trades or businesses that are under common control under Code Section 414(c).

Any reference in this Agreement to a “termination of employment,” severance from employment, separation from employment, resignation or discharge otherwise entitling the Executive to payment hereunder shall be deemed to mean a Termination of Employment; provided, however, that with respect to any benefit or payment described in this Agreement which is subject to Code Section 409A, no Termination of Employment shall occur unless a separation from service under Code Section 409A has occurred.

(g) “**Code**” means the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

(h) “**Covered Period**” means the period beginning upon the date that is three (3) months prior to the effective date of a Change of Control and ending on the second (2nd) anniversary of the effective date of such Change of Control.

(i) “**Severance Amount**” means, where such amount is otherwise payable pursuant to the terms of this Agreement, (i) for any Termination of Employment that occurs during the Term other than during a Covered Period (as described in Section 9(b)), an amount equal to one and one-half (1.5) times the Executive’s Base Salary as of the respective Date of Termination, and (ii) for any Termination of Employment that occurs during a Covered Period (as described in Section 9(c)), an amount equal to two (2) times the Executive’s Base Compensation.

(j) “**Base Compensation**” means the amount equal to the sum of (i) the greater of the Executive’s then-current Base Salary or the Executive’s Base Salary as of the day immediately preceding the effective date of a Change of Control, plus (ii) the greater of the Executive’s target annual bonus for the year including the Date of Termination or the

Executive's target annual bonus for the year including the day immediately preceding the effective date of the Change of Control.

9. **Obligations of the Bank Upon Termination.** The following provisions describe the obligations of the Bank to the Executive under this Agreement upon termination of his employment. However, except as explicitly provided in this Agreement, nothing in this Agreement shall limit or otherwise adversely affect any rights which the Executive may have under applicable law, under any other agreement with the Bank or any of its subsidiaries, or under any compensation or benefit plan, program, policy or practice of the Bank or any of its subsidiaries.

(a) **Death, Disability, Discharge for Cause, or Resignation Without Good Reason.** In the event of the death or disability of the Executive, or upon the Executive's Termination of Employment by reason of his discharge by the Bank for Cause, or upon the Executive's Termination of Employment by reason of his resignation other than for Good Reason, Peoples Bank shall pay to the Executive, or his heirs or estate in the event of the Executive's death, all Accrued Obligations in a lump sum in cash within thirty (30) days after the Date of Termination; *provided that*, any portion of the Accrued Obligations which consists of deferred compensation or incentive compensation shall be determined and paid in accordance with the terms of the relevant plan as applicable to the Executive.

(b) **Discharge Without Cause or Resignation with Good Reason (other than during a Covered Period).** In the event of the Executive's Termination of Employment occurring other than during a Covered Period (1) by reason of the discharge of the Executive by the Bank without Cause, or (2) by reason of the resignation of the Executive for Good Reason, and contingent upon the Executive timely executing an effective general release and waiver of all known and unknown claims in a form and substance acceptable to the Company (the "**Separation and Release Agreement**"), then Peoples Bank shall pay to the Executive, or his heirs or estate in the event of the Executive's death, in addition to the Accrued Obligations described in Section 9(a), the following benefits:

(i) Payment in a lump sum of the Severance Amount;

(ii) To the extent the Executive or any of the Executive's eligible dependents may be covered as of the Date of Termination under the terms of any medical, dental or vision plans maintained for active employees of the Bank or any affiliate, the Bank shall provide the Executive and those dependents with applicable group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), provided that the Executive is eligible for an timely elects such coverage under COBRA. For a period of eighteen (18) months following such Date of Termination, the Executive shall be required to pay, with respect to such COBRA coverage, the same amount as the Executive would pay if the Executive continued in employment with the Bank during such period and thereafter the Executive shall be responsible for the full cost of such continued COBRA coverage, if any. Such coverage shall be provided only to the extent that it does not result in any additional tax or other penalty being imposed on the Bank or any affiliate. In the event the Executive or any of the Executive's dependents is or becomes eligible for coverage under the terms of any other medical, dental or vision plan, the Bank's obligations under this Section 9(b)(ii) shall cease with respect to

the Executive and eligible dependents. The Executive and the Executive's dependents must notify the Bank of any subsequent employment and eligibility for such coverage;

(iii) the amount, if any, of a pro-rata annual performance bonus (as described in Section 4 above) for the year including the Date of Termination based on actual achievement of established performance metrics and pro-rated based on the number of days during the calendar year prior to the Date of Termination; and

(iv) Outplacement services, at the expense of Peoples Bank, from a provider reasonably selected by Peoples Bank unless otherwise waived in writing by the Executive.

The amount payable under paragraph (b)(i) above shall be paid on the first payroll date following sixty (60) days after the Executive's Date of Termination, the benefits provided under paragraph (b)(ii) above shall only be provided, and the amount payable under (b)(iii) above shall be paid on the later of the first payroll date following sixty (60) days after the Executive's Date of Termination or the date on which annual performance bonuses are determined and paid for other senior executive officers of the Bank, in each case, only if the Executive: (A) signs the Separation and Release Agreement and any revocation period applicable to the Separation and Release Agreement has lapsed without any such revocation before the sixtieth (60th) day after the Executive's Date of Termination; and (B) does not breach any provision herein or in any separate agreements (including but not limited to the Separation and Release Agreement) with the Bank. No payment under this Section 9(b) shall be due or payable to the Executive (and no benefit shall be provided to the Executive under Section 9(b)(ii)) if he fails to timely deliver to the Bank an executed Separation and Release Agreement, he revokes any portion thereof, any applicable revocation period has not lapsed within sixty (60) days of his Date of Termination or the Executive breaches any provision herein or any separate agreements with the Bank.

(c) Termination in Connection with a Change of Control. In the event of the Executive's Termination of Employment occurring during a Covered Period (1) by reason of the discharge of the Executive by the Bank without Cause, or (2) by reason of the resignation of the Executive for Good Reason, and contingent upon the Executive timely executing an effective Separation and Release Agreement, then Peoples Bank shall pay to the Executive, in addition to the compensation and benefits described in Section 9(a), the following benefits:

- (i) Payment in a lump sum of the Severance Amount;
- (ii) The COBRA benefit provided in Section 9(b)(ii); and
- (iii) The outplacement benefit provided in Section 9(b)(iv).

The amount payable under paragraph (c)(i) above shall be paid on the first payroll date following sixty (60) days after the Executive's Date of Termination, and the benefits provided under paragraph (c)(ii) above shall only be provided, in each case, only if the Executive: (A) signs the Separation and Release Agreement and any revocation period applicable to the Separation and Release Agreement has lapsed without any such revocation before the sixtieth (60th) day after the Executive's Date of Termination; and (B) does not breach any provision herein or in any separate agreements (including but not limited to the Separation and Release Agreement) with the Bank. No payment under this Section 9(c) shall be due or payable to the

Executive (and no benefit shall be provided to the Executive under Section 9(c)(ii)) if he fails to timely deliver to the Bank an executed Separation and Release Agreement, he revokes any portion thereof, any applicable revocation period has not lapsed within sixty (60) days of his Date of Termination or the Executive breaches any provision herein or any separate agreements with the Bank.

(d) **Continuing Obligations After Termination.** If the Executive's employment with the Bank terminates for any reason, the Bank's obligations and the Executive's obligations under Sections 9 through 18 shall continue after termination of the employment relationship.

(e) **Six Month Delay.** To the extent the Executive is a "specified employee" (as defined below) as of his Termination of Employment, any payments of "deferred compensation" (as that term is defined in Code Section 409A) due to the Executive as a result of his Termination of Employment shall begin no sooner than six months after the Executive's Termination of Employment; *provided that*, any payments not made during the six month period described in this subsection (e) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six month period. For purposes of this Agreement, the term "specified employee" shall have the meaning set forth in Treasury Reg. Section 1.409A-1(i) and shall include, without limitation, (1) an officer of the Company or Peoples Bank having annual compensation greater than \$130,000 (as adjusted for inflation under the Code), (2) a five percent owner of the Company or Peoples Bank, or (3) a one percent owner of the Company or Peoples Bank having annual compensation of more than \$150,000. The determination of whether the Executive is a "specified employee" shall be made by the Bank in good faith applying the applicable Treasury regulations.

10. **Code Section 280G Treatment.** In the event it should be determined that any payment or distribution of any type to or for the benefit of the Executive made by the Bank, any person who acquires ownership or effective control of the Bank or ownership of a substantial portion of the Bank's assets in connection with a "change in control" (within the meaning of Code Section 280G) or any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "**Total Payments**"), would otherwise exceed the amount that could be received by the Executive without the imposition of an excise tax under Code Section 4999 (the "**Safe Harbor Amount**"), then the Total Payments shall be reduced to the extent necessary so that no amount of the Total Payments is subject to an excise tax under Section 4999 (the "**Reduced Amount**"); *provided*, that such amounts shall not be so reduced if, without such reduction, the Executive would be entitled to receive and retain, on a net after tax basis (including, without limitation, after any excise taxes payable under Code Section 4999), an amount of the Total Payments which is greater than the amount, on a net after tax basis, that the Executive would be entitled to retain upon receipt of the Reduced Amount. All determinations under this Section 10 shall be made by an independent registered public accounting firm selected by the Bank, and reasonably acceptable to the Executive, and paid for by the Bank (the "**Accounting Firm**"). To the extent a reduction is required under this Section 10, reduction shall occur in the following order: reduction of cash payments; cancellation of accelerated vesting of stock awards; reduction of employee benefits. In the event that accelerated vesting of stock awards is to be reduced, such accelerated vesting shall be cancelled in the reverse order of the grant date of the Executive's stock awards. Any modification, reduction or elimination of

payments necessary to accomplish the foregoing shall be done in accordance with applicable provisions of Code Section 409A. In addition, the Accounting Firm shall make a reasonable determination of the value, if any, to be assigned to the restrictive covenants in effect for the Executive pursuant to Section 17 of this Agreement (or other applicable agreement), and the amount of the potential parachute payment under Code Section 280G shall be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the regulations thereunder. The Bank and Executive shall furnish the Accounting Firm with such information and documents as the Accounting Firm may reasonably request in order to make its determinations under this Section 10. Nothing in this Section 10 shall require the Company to be responsible for, or have any liability or obligation with respect to, any excise tax liability under Code Section 4999.

11. **No Set-Off or Mitigation.** The Bank's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, bankers right of set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Bank may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.
12. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the successors and assigns of the Company and Peoples Bank. The Company and Peoples Bank shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its assets, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Bank and the Company would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Bank and the Company in accordance with the operation of law, and such successor shall be deemed the "Company" or "Peoples Bank," as appropriate, for purposes of this Agreement.
13. **Notices.** All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or by recognized commercial delivery service or if mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Board or the Bank, to:

Peoples Bank
9204 Columbia Avenue
Munster, Indiana 46321
Attention: Corporate Secretary

If to the Executive, to:

Todd M. Scheub
932 Alderbrook Court
Crown Point, IN 46307

Such addresses may be changed by written notice sent to the other party at the last recorded address of that party.

14. Tax Withholding. The Bank shall provide for the withholding of any taxes required to be withheld by federal, state, or local law with respect to any payment in cash, shares of stock, and/or other property made by or on behalf of the Bank to or for the benefit of the Executive under this Agreement or otherwise. The Bank may, at its option: (i) withhold such taxes from any cash payments owing from the Bank to the Executive; (ii) require the Executive to pay to the Bank in cash such amount as may be required to satisfy such withholding obligations; and/or (iii) make other satisfactory arrangements with the Executive to satisfy such withholding obligations.

15. Arbitration. To the maximum extent permitted by applicable law, any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration at a mutually agreed site in accordance with the laws of the State of Indiana. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The costs and expenses of the arbitrator(s) shall be borne equally by the parties. The award of the arbitrator(s) shall be binding upon the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

16. No Assignment. Except as otherwise expressly provided herein, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or other charge.

17. Non-Solicitation, Non-Competition. The Executive acknowledges and agrees that, during his employment with the Company and/or Peoples Bank, Executive has and will come into contact with, and will have access to, develop, and learn, Confidential Information regarding some, most, or all of the customers, clients, and/or prospective customers and clients of the Company and/or Peoples Bank including, but not limited to, information regarding their contacts and representatives, preferences and requirements, and their financial arrangements with the Company and/or Peoples Bank. Executive further acknowledges and agrees that, during such employment, Executive has had and will have access to and the benefit of goodwill developed by the Company and/or Peoples Bank with such customers, clients, and prospective customers and clients. Executive understands and acknowledges that the misuse of any such Confidential Information, and the loss of any such relationships and/or goodwill will cause significant and irreparable harm to the Company and Peoples Bank. Accordingly, Executive covenants and agrees that:

a. During his employment with either the Company and/or Peoples Bank, and for a period of eighteen (18) months following the Date of Termination, he shall not directly or indirectly, for himself or for any third party, solicit, induce, recruit, or cause another person in the employ of the Company (or Peoples Bank): (i) who has access to, or

possesses, Confidential Information or other knowledge regarding the Company (or Peoples Bank) that could give a competitor of the Company (or Peoples Bank) an unfair advantage; (ii) who, within the one year period preceding Executive's separation from employment, has serviced or established goodwill with the Company's (or Peoples Bank's) customers or clients or acquired Confidential Information about those customers or clients; or (iii) who reported directly or indirectly to the Executive during the Executive's last year of employment, to terminate his/her employment for the purpose of joining, associating, or becoming employed with another person, business organization or other entity that is in competition with any product or service provided by the Company (or Peoples Bank), or any other business or activity of the Company (or Peoples Bank).

b. During his employment with either the Company and/or Peoples Bank, he shall not directly or indirectly, for himself or for any third party, solicit, divert or accept business from any customer or prospective customers of the Bank. Executive further agrees that, for eighteen (18) months following the Date of Termination, he shall not, on behalf of any person or entity other than Peoples Bank, directly or indirectly:

(i) solicit or divert (or attempt to solicit or divert) Competitive Business from any customer of the Bank with whom he had actual contact, or over which he had responsibility, at any time in the two (2) years preceding the Date of Termination;

(ii) solicit or divert (or attempt to solicit or divert) Competitive Business from any customer of the Bank about whom he obtained Confidential Information;

(iii) solicit or divert (or attempt to solicit or divert) Competitive Business from any identified prospective customer of the Bank with whom he had actual contact, or over which he had responsibility, at any time in the two (2) years preceding the Date of Termination; or

(iv) solicit or divert (or attempt to solicit or divert) Competitive Business from any identified prospective customer of the Bank about whom he obtained Confidential Information.

(c) During his employment with either the Company and/or Peoples Bank, and for a period of twelve (12) months following the Date of Termination, he shall not, directly or indirectly:

(i) Engage in or pursue any Competitive Activities;

(ii) Whether as an employee, consultant, or independent contractor, provide services similar to those which the Executive provided to the Company and/or Peoples Bank during the two (2) year period prior to the Date of Termination to any Competitor; or

(iii) Hold any ownership interest in any Competitor other than a passive ownership, solely for investment purposes, of less than five-percent (5%) of the outstanding ownership interest in any publicly-traded company.

(d) For purposes of this Section, the terms:

(i) “**Competitive Activities**” shall mean the provision of any depository, lending, or other commercial banking services of the sort similar to those which Executive provided to the Company and/or Peoples Bank during the two (2) year period prior to the Date of Termination by, for, or on behalf of any person or entity located within 25 miles of the Peoples Bank headquarters location in Munster, Indiana;

(ii) “**Competitive Business**” shall mean the marketing, sale or provision of products or services that directly compete against the products or services (a) with which Executive was involved during his last two (2) years of employment with the Bank; or (b) which the Bank is developing, producing, marketing, selling or servicing (or plans to develop, produce, market, sale or service) and about which Executive gained any Confidential Information in the course of his employment with the Bank;

(iii) “**Competitor**” shall mean any person or entity other than the Company and/or Peoples Bank that engages in Competitive Activities.

18. Confidentiality.

- (a) The Executive acknowledges and agrees that (i) by virtue of his employment, he has been and will be given access to, and will help analyze, formulate, or otherwise use, Confidential Information (defined below), (ii) the Bank has devoted (and will devote) substantial time, money, and effort to develop Confidential Information and maintain the proprietary and confidential nature thereof, and (iii) Confidential Information is proprietary and confidential and, if any Confidential Information were disclosed or became known by persons engaging in a business in any way competitive with the Bank’s business, such disclosure would result in hardship, loss, irreparable injury, and damage to the Bank, the measurement of which would be difficult, if not impossible, to determine. Accordingly, the Executive agrees that the preservation and protection of Confidential Information is an essential part of his duties of employment and that, as a result of his employment with the Bank hereunder, he has a duty of fidelity, loyalty, and trust to the Bank in safeguarding Confidential Information. The Executive further agrees that he will use his best efforts, exercise utmost diligence, and take all steps necessary to protect and safeguard Confidential Information, whether such information derives from the Executive, other employees of the Bank, the Bank’s customers or prospective customers, or vendors or suppliers of the Bank, and that he will not, directly or indirectly, use, disclose, distribute, or disseminate to any other person or entity or otherwise employ Confidential Information, either for his own benefit or for the benefit of another, except as required in the ordinary course of his employment by the Bank. The Executive shall follow all Bank policies and procedures to protect all Confidential Information and shall take any additional precautions necessary under the circumstances to preserve and protect against the prohibited use or disclosure of any Confidential Information.
- (b) The confidentiality obligations contained in this Agreement shall continue as long as Confidential Information remains confidential (except that the obligations shall

continue, if Confidential Information loses its confidential nature through improper use or disclosure, including but not limited to any breach of this Agreement) and shall survive the termination of this Agreement and/or termination of the Executive's employment with the Bank.

- (c) From time to time, the Bank may, for its own benefit, choose to place certain Confidential Information in the public domain. The fact that Confidential Information may be made available to the public in a limited form and under limited circumstances does not change the confidential and proprietary nature of such information, and does not release the Executive from his obligations with respect to such Confidential Information.
- (d) For purposes of Sections 17 and 18, the term “**Confidential Information**” means the following:
 - (i) materials, records, documents, data, statistics, studies, plans, writings, and information (whether in handwritten, printed, digital, or electronic form) relating to the Bank's business that are not generally known or available to the Bank's business, trade, or industry, or to individuals who work therein, other than through a breach of this Agreement; or
 - (ii) trade secrets of the Bank (as defined in Indiana Code §24-2-3-2, as amended, or any successor statute).
 - (iii) Confidential Information also includes, but is not limited to: (1) information about the Bank's employees; (2) information about the Bank's compensation policies, structure, and implementation; (3) hardware, software, and computer programs and technology used by the Bank; (4) Bank customer and prospective customer identities, lists, and databases, including private information related to customer history, loan activity, account balances, and financial information; (5) strategic, operating, and marketing plans; (6) lists and databases and other information related to the Bank's vendors; (7) policies, procedures, practices, and plans related to pricing of products and services; and (8) information related to the Bank's acquisition and divestiture strategy. Information or documents that are generally available or accessible to the public shall be deemed Confidential Information, if the information is retrieved, gathered, assembled, or maintained by the Bank in a manner not available to the public or for a purpose beneficial to the Bank.
 - (iv) Notwithstanding the foregoing, Confidential Information shall not include information that (1) is or becomes generally available to the public other than through Executive's breach of this Agreement; or (2) was known to the Executive prior to the commencement of Executive's employment with the Company and/or Peoples Bank.
- (e) *D TSA Notice*. Notwithstanding the foregoing, and for the avoidance of doubt, (1) Executive will not be in breach of this Agreement, and will not be held criminally or civilly liable under any federal or state trade secret law (A) for the disclosure of a trade secret that is made in confidence to a federal, state or local government officials or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (B) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (2) if Executive files a lawsuit for retaliation by the Company or Peoples Bank for reporting a suspected violation of law, Executive

may disclose the trade secret to Executive attorney and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, if Executive receives any subpoena or become subject to any legal obligation that might require Executive to disclose Confidential Information, Executive will, to the extent not prohibited by law, provide prompt written notice of that fact to the Bank, including a copy of the subpoena and any other documents describing the legal obligations. In the event the Bank objects to the disclosure of Confidential Information by way of a legal proceeding, Executive agrees not to disclose any Confidential Information while such legal process is pending, unless Executive is legally ordered to do so.

19. **Execution in Counterparts.** This Agreement may be executed by the parties hereto in two (2) or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

20. **Governing Law.** This Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of Indiana, without regard to the conflict of laws provisions of such laws, *provided however* that Section 15 of this Agreement shall be subject to and governed by the Federal Arbitration Act.

21. **Severability.** If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair, or invalidate the remainder of this Agreement. Furthermore, if the scope of any restriction or requirement contained in this Agreement is too broad to permit enforcement of such restriction or requirement to its full extent, then such restriction or requirement shall be enforced to the maximum extent permitted by law, and the Executive consents and agrees that any court of competent jurisdiction may so modify such scope in any proceeding brought to enforce such restriction or requirement. Nothing herein shall be construed as requiring the Bank to make any payment which would be prohibited under 12 C.F.R. 359. In the event a payment required under the terms of this Agreement cannot lawfully be made because of the limitations of 12 C.F.R. 359, the obligation to make such payment shall be deferred until such time as the limitations of 12 C.F.R. 359 shall no longer apply. Upon deferring any payment required under this Agreement due to the limitations of 12 C.F.R. 359, the Bank shall provide the Executive with a legal opinion of counsel addressing the exact provisions of 12 C.F.R. 359 which pose the barrier to payment.

22. **Prior Understandings.** This Agreement embodies the entire understanding of the parties hereto and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof, including but not limited to the Prior Agreement (or any predecessors thereto). No change, alteration, or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for convenience of reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

23. **Code Section 409A.** Upon the inclusion of any amount into the Executive's income as a result of the failure of this Agreement to comply with the requirements of Code Section

409A, a payment not to exceed the amount that shall be included in income shall be made as soon as is administratively practicable following the discovery of the failure of the Agreement to comply with Code Section 409A. This Agreement is intended to comply with the requirements of Code Section 409A to the extent applicable, and the Company shall administer and interpret this Agreement in accordance with such requirements or any applicable exceptions. If any provision contained in the Agreement conflicts with the requirements of Code Section 409A (or the exceptions intended to apply under the Agreement), the Agreement shall be deemed to be reformed to comply with the requirements of Code Section 409A (or the applicable exceptions thereto), and the Company shall have the right to amend the Agreement, as necessary for compliance. In no event whatsoever shall the Company (or Peoples Bank) be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or damages for failing to comply with Code Section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the Company and Peoples Bank have caused this Agreement to be executed by its duly authorized officer and the Executive has signed this Agreement, effective as of the date first written above.

FINWARD BANCORP

By: /s/ Benjamin J. Bochnowski
Name: Benjamin J. Bochnowski
Title: President and Chief Executive Officer

PEOPLES BANK

By: /s/ Benjamin J. Bochnowski
Name: Benjamin J. Bochnowski
Title: Chief Executive Officer

/s/ Todd M. Scheub
Todd M. Scheub

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Benjamin J. Bochnowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Finward Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2026

/s/ Benjamin J. Bochnowski

Benjamin J. Bochnowski

President and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Benjamin L. Schmitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Finward Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2026

/s/ Benjamin L. Schmitt

Benjamin L. Schmitt

Executive Vice President, Chief Financial
Officer and Treasurer

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Finward Bancorp (the "Company") for the quarterly period ended March 31, 2026, as filed with the Securities and Exchange Commission (the "Report"), each of Benjamin Bochnowski, President and Chief Executive Officer of the Company, and Benjamin L. Schmitt, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 13, 2026

/s/ Benjamin Bochnowski

Benjamin Bochnowski

President and Chief Executive Officer

/s/ Benjamin L. Schmitt

Benjamin L. Schmitt

Executive Vice President, Chief Financial
Officer and Treasurer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Finward Bancorp and will be retained by Finward Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.