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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended **December 31, 2024**

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 No.)
9204 Columbia Avenue **Munster, Indiana** (Address of principal executive offices)	**46321** (Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive- based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Based on the average bid and ask prices for the registrant's Common Stock at June 30, 2024, at that date, the aggregate market value of the registrant's Common Stock held by nonaffiliates of the registrant (assuming solely for the purposes of this calculation that all directors and executive officers of the registrant are "affiliates") was $101,196,455.

There were 4,324,485 shares of the registrant's Common Stock, without par value, outstanding at March 21, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents have been incorporated by reference into this Annual Report on Form 10-K:

1. Definitive Proxy Statement for the 2025 Annual Meeting of Shareholders. (Part III)

Finward Bancorp
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PART I

Item 1. Business General

Finward Bancorp, an Indiana corporation (the “Company”), was incorporated on January 31, 1994, and is the holding company for Peoples Bank, an Indiana-chartered commercial bank (the “Bank”). The 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 and the Company’s earnings are primarily dependent upon the earnings of the Bank.

The Bank is primarily engaged in the business of attracting deposits from the general public and the origination of loans, mostly upon the security of single family residences and commercial real estate, as well as, construction loans and various types of consumer loans, commercial business loans and municipal loans, within its primary market areas of Lake and Porter Counties, in Northwest Indiana, and Cook County, Illinois. In addition, the Company's Wealth Management Group provides estate and retirement planning, guardianships, land trusts, profit sharing and 401(k) retirement plans, IRA and Keogh accounts, investment agency accounts, and serves as the personal representative of estates and acts as trustee for revocable and irrevocable trusts.

The Company monitors and evaluates financial performance on a Company-wide basis and the majority of the Company’s revenue is from the business of banking. Accordingly, all of the Company’s operations are considered by management to be aggregated in one reportable operating segment.

The Bank’s deposit accounts are insured up to applicable limits by the Deposit Insurance Fund (“DIF”), which is administered by the Federal Deposit Insurance Corporation (“FDIC”), an agency of the federal government. As the holding company for the Bank, the Company is subject to comprehensive examination, supervision and regulation by the Board of Governors of the Federal Reserve System (“FRB”), while the Bank is subject to comprehensive examination, supervision and regulation by both the FDIC and the Indiana Department of Financial Institutions (“DFI”). The Bank is also subject to regulation by the FRB governing reserves required to be maintained against certain deposits and other matters. The Bank is also a member of the Federal Home Loan Bank (“FHLB”) of Indianapolis, which is one of the eleven regional banks comprising the system of Federal Home Loan Banks.

The Company maintains its corporate office at 9204 Columbia Avenue, Munster, Indiana, from which it oversees the operation of its 26 branch locations. For further information, see “Properties.” The Company’s Internet address is www.ibankpeoples.com.

Forward-Looking Statements

Certain of the statements made in this report are “forward-looking statements” within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements other than statements of historical fact, including statements regarding our financial position, business strategy, and the plans and objectives of our management for future operations, are forward-looking statements. You can identify these forward-looking statements through our use of words such as “may,” “will,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” “plan,” “point to,” “project,” “could,” “intend,” “target,” and other similar words and expressions relating to the future.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially, and adversely or positively, from the expectations of the Company that are expressed or implied by any forward-looking statement. Risks, uncertainties, and factors that could cause the Company's actual results to vary materially from those expressed or implied by any forward-looking statement include but are not limited to:

- The Bank's ability to demonstrate compliance with the terms of the previously disclosed consent order and memorandum of understanding entered into between the Bank and the Federal Deposit Insurance Corporation ("FDIC") and Indiana Department of Financial Institutions ("DFI"), or to demonstrate compliance to the satisfaction of the FDIC and/or DFI within prescribed time frames;
- The Bank's agreement under the memorandum of understanding to refrain from paying cash dividends without prior regulatory approval;
- changes in interest rates, market liquidity, and capital markets, as well as the magnitude of such changes, which may reduce net interest margins;
- the aggregate effects of inflation experienced in recent years, and the potential for a resurgence in inflation;
- current financial conditions within the banking industry, liquidity levels, concentrations in certain loan products or categories, net interest margin levels, and responses by the Federal Reserve, Department of the Treasury, and the Federal Deposit Insurance Corporation to address these issues;
- the use of proceeds of future offerings of securities;
- capital management activities, including possible future sales of new securities, or possible repurchases or redemptions by the Company of outstanding debt or equity securities;
- changes in asset quality and credit risk;
- our ability to sustain revenue and earnings growth;
- customer acceptance of the Company's products and services;
- customer borrowing, repayment, investment, and deposit practices;
- customer disintermediation;
- the introduction, withdrawal, success, and timing of asset/liability management strategies or of mergers and acquisitions and other business initiatives and strategies;
- competitive conditions;
- our ability to realize cost savings or revenues or to implement integration plans and other consequences associated with mergers, acquisitions, and divestitures;
- changes in fiscal, monetary, and tax policies;
- factors that may cause the Company to incur impairment charges on its investment securities;
- electronic, cyber, and physical security breaches;
- claims and litigation liabilities, including related costs, expenses, settlements, and judgments, or the outcome of matters before regulatory agencies, whether pending or commencing in the future;
- changes in accounting principles and interpretations;
- economic conditions;

- loss of key personnel;

- continuing risks and uncertainties relating to the COVID-19 pandemic and government responses thereto;

- the impact, extent, and timing of technological changes, capital management activities, and other actions of the Federal Reserve Board and legislative and regulatory actions and reforms; and

- other factors and risks described under the heading “Risk Factors” in Part I, Item 1A of this Form 10-K, as may be updated from time to time in our other filings with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

In addition to the above factors, we also caution that the actual amounts and timing of any future common stock dividends or share repurchases will be subject to various factors, including our capital position, financial performance, capital impacts of strategic initiatives, market conditions, and regulatory and accounting considerations, as well as any other factors that our Board of Directors deems relevant in making such a determination. Therefore, there can be no assurance that we will repurchase shares or pay any dividends to holders of our common stock, or as to the amount of any such repurchases or dividends.

Because such forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such statements. The foregoing list of important factors is not exclusive and you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report or, in the case of documents incorporated by reference, the dates of those documents. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of us. The “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of this Form 10-K lists some of the factors that could cause the Company’s actual results to vary materially from those expressed in or implied by any forward-looking statements. We direct your attention to this discussion. Other risks and uncertainties that could affect the Company’s future performance are set forth below in Item 1A, “Risk Factors.”

Lending Activities

General. The Company’s product offerings include residential mortgage loans, construction loans, commercial real estate loans, consumer loans, commercial business loans and loans to municipalities. The Company’s lending strategy stresses quality growth, product diversification, and competitive and profitable pricing. While lending efforts include both fixed and adjustable rate products, the focus has been on products with adjustable rates and/or shorter terms to maturity. It is management’s goal that all programs are marketed effectively to our primary market area.

The Company is primarily a portfolio lender. Mortgage banking activities are limited to the sale of fixed rate mortgage loans with contractual maturities generally exceeding fifteen years. These loans are sold, on a case-by-case basis, in the secondary market as part of the Company’s efforts to manage interest rate risk. All loan sales are made to Freddie Mac, US Bank or to the Federal Home Loan Bank of Indianapolis. All loans held for sale are recorded at the lower of cost or market value.

Under Indiana Law, an Indiana bank generally may not make any loan to a borrower or its related entities if the total of all such loans by the bank exceeds 15% of its unimpaired capital and unimpaired surplus (plus up to an additional 10% of unimpaired capital and unimpaired surplus, in the case of loans fully collateralized by readily marketable collateral); provided, however, that certain specified types of loans are exempted from these limitations or subject to different limitations. The maximum amount that the Bank could have loaned to one borrower and the borrower’s related entities at December 31, 2024, under the 15% of capital and surplus limitation, was approximately $29.2 million. At December 31, 2024, the Bank had no loans that exceeded the regulatory limitations.

At December 31, 2024, there were no concentrations of loans in any type of industry that exceeded 10% of total loans that were not otherwise disclosed as a loan category.

Loan Portfolio. The following table sets forth selected data relating to the composition of the Company's loan portfolio by type of loan at the end of each of the last two years. The amounts are stated in thousands (000's).

(Dollars in thousands)

	December 31, 2024	December 31, 2023
Loans secured by real estate:		
Residential real estate	$ 467,293	$ 484,948
Home equity	49,758	46,599
Commercial real estate	551,674	503,202
Construction and land development	82,874	115,227
Multifamily	212,455	219,917
Total loans secured by real estate	1,364,054	1,369,893
Commercial business	104,246	97,386
Consumer	551	610
Manufactured homes	26,708	30,845
Government	11,024	10,021
Loans receivable	1,506,583	1,508,755
Add:		
Net deferred loan origination costs	2,439	3,705
Loan clearing funds	(46)	135
Loans receivable, net of deferred fees and costs	$ 1,508,976	$ 1,512,595

Loan Maturity Schedule. The following table sets forth certain information at December 31, 2024, 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 repayments 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	$ 5,786	$ 24,265	$ 87,323	$ 349,919	$ 467,293
Home equity	8,953	216	5,211	35,378	49,758
Commercial real estate	26,982	150,826	373,227	639	551,674
Construction and land development	32,241	18,055	27,212	5,366	82,874
Multifamily	32,898	64,455	115,102	-	212,455
Commercial business	43,501	42,967	17,639	139	104,246
Consumer	237	314	-	-	551
Manufactured Homes	1	117	8,567	18,023	26,708
Government	-	9,769	1,255	-	11,024
Total loans receivable	$ 150,599	$ 310,984	$ 635,536	$ 409,464	$ 1,506,583

The following table sets forth the dollar amount of all loans due after one year from December 31, 2024, which have predetermined interest rates or have floating or adjustable interest rates. The amounts are stated in thousands (000's).

	Predetermined rates	Floating or adjustable rates	Total
Residential real estate	$ 355,155	$ 106,352	$ 461,507
Home equity	38,527	2,278	40,805
Commercial real estate	62,821	461,871	524,692
Construction and land development	13,200	37,433	50,633
Multifamily	93,028	86,529	179,557
Commercial business	34,042	26,703	60,745
Consumer	314	-	314
Manufactured Homes	26,707	-	26,707
Government	11,024	-	11,024
Total loans receivable	$ 634,818	$ 721,166	$ 1,355,984

Lending Area. The primary lending area of the Company encompasses Lake County in northwest Indiana and Cook County in northeast Illinois, where collectively a majority of loan activity is concentrated. 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.

Loan Origination Fees. All loan origination and commitment fees, as well as incremental direct loan origination costs, are deferred and amortized into income as yield adjustments.

Loan Origination Procedure. The primary sources for loan originations are referrals from commercial customers, real estate brokers and builders, solicitations by the Company's lending and retail staff, and advertising of loan programs and rates. The Company employs no staff appraisers. All appraisals are performed by fee appraisers that have been approved by the Board of Directors and who meet all federal guidelines and state licensing and certification requirements.

Designated officers have authorities, established by the Board of Directors, to approve loans. Loans from $3.0 million to $4.5 million are approved by the loan officers' loan committee (OLC). Loans from $4.5 million to $7.0 million are approved by the senior officers' loan committee (SOLC). Loans from $7.0 million to $15.0 million are approved by the executive officer's loan committee (EOLC). All loans in excess of $15.0 million, up to the legal lending limit of the Bank, must be approved by the Bank's Board of Directors or its Board Risk Management and Compliance Committee (all members of the Bank's Board of Directors and Board Risk Management and Compliance Committee are also members of the Company's Board of Directors and Board Risk Management and Compliance Committee, respectively). Certain loan renewals and extensions may not require approval by the Board of Directors or the Credit Committee as long as there is no material change, credit downgrade, significant change in borrower or guarantor status, material release or change in collateral value or the eligible loan renewal or extension is not outside the current concentration limits set by the Board of Directors. The maximum in-house legal lending limit as set by the Board of Directors is the lower of 10% of the Bank's risk-based capital or $15.0 million. Requests that exceed this amount will be considered on a case-by-case basis, after taking into consideration the legal lending limit, by specific Board or Board Committee action. The Bank will not extend credit to any of its executive officers, directors, or principal shareholders or to any related interest of that person, except in compliance with the insider lending restrictions of Regulation O under the Federal Reserve Act and in an amount that, when aggregated with all other extensions of credit to that person, exceeds $1.0 million unless: (1) the extension of credit has been approved in advance by a majority of the entire Board of Directors of the Bank, and (2) the interested party has abstained from participating directly or indirectly in the voting.

All loans secured by personal property must be covered by insurance in an amount sufficient to cover the full amount of the loan. All loans secured by real estate must be covered by insurance in an amount sufficient to cover the full amount of the loan or restore the property to its original state. First mortgage loans must be covered by a lender's title insurance policy in the amount of the loan.

The Current Lending Programs

Residential Mortgage Loans. The 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. During 2024, 75.2% of mortgage loans closed were conventional loans with borrowers having 20% or more equity in the property. This type of loan does not require private mortgage insurance because of the borrower's level of equity investment.

Fixed rate loans currently originated generally conform to Freddie Mac guidelines for loans purchased under the one-to-four family program. Loan interest rates are determined based on secondary market yield requirements and local market conditions. Fixed rate mortgage loans with contractual maturities generally exceeding fifteen years may be sold and/or classified as held for sale to control exposure to interest rate risk.

The Company's Adjustable Rate Mortgage Loans ("ARMs") include offerings that reprice annually or are "Mini-Fixed." The "Mini-Fixed" mortgage reprices annually after a three, five, seven or ten year period. ARM originations totaled $7.3 million for 2024 and $17.7 million for 2023. During 2024, ARMs represented 14.8% of total mortgage loan originations. The ability of the Company to successfully market ARM's depends upon loan demand, prevailing interest rates, volatility of interest rates, public acceptance of such loans and terms offered by competitors.

Construction Loans. Construction loans on residential properties are made primarily to individuals and contractors who are under contract with individual purchasers. These loans are personally guaranteed by the borrower. 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 periods 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 properties 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 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 so 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.

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.

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 an 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.

Home Improvement Loans and Equity Loans—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.

Manufactured Homes. The Company purchases fixed rate closed loans from a third party that are subject to 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 have a reserve account held at the Company; further detail regarding this reserve can be found in Note 3– Loans Receivable.

Commercial Business Loans. 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. Conservative 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, 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.

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

Non-Performing Assets, Asset Classification and Provision for Credit Losses

Loans are reviewed on a regular basis and are generally placed on a non-accrual status when, in the opinion of management, serious doubt exists as to the collectability of a loan. Loans are generally placed on non-accrual status when either principal or interest is 90 days or more past due. Consumer non-residential loans are generally charged off when the loan becomes over 120 days delinquent. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance, tax and insurance reserve or recorded as interest income, depending on the assessment of the ultimate collectability of the loan.

The Company's mortgage loan collection procedures provide that, when a mortgage loan is 15 days or more delinquent, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower. In certain instances, the Company will recast the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize his, her, or its financial affairs. If the loan continues in a delinquent status for 120 days, the Company will generally initiate foreclosure proceedings. Collection procedures for consumer loans provide that when a consumer loan becomes ten days delinquent, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower. In certain instances, the Company may grant a payment deferral. If a loan continues to be delinquent after 60 days and all collection efforts have been exhausted, the Company will initiate legal proceedings. Collection procedures for commercial business loans provide that when a commercial loan becomes ten days delinquent, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower pursuant to the commercial loan collection policy. In certain instances, the Company may grant a payment deferral or restructure the loan. Once it has been determined that collection efforts are unsuccessful, the Company will initiate legal proceedings.

Any property acquired as the result of foreclosure or by voluntary transfer of property made to avoid foreclosure is classified as foreclosed real estate until such time as it is sold or otherwise disposed of by the Company. Foreclosed real estate is recorded at fair value at the date of foreclosure. At foreclosure, any write-down of the property is charged to the Allowance for credit losses. Costs relating to improvement of property are capitalized, whereas holding costs are expensed. Valuations are periodically performed by management, and a valuation allowance is established by a charge to operations if the carrying value of a property exceeds its estimated fair value less selling costs.

Subsequent gains or losses on disposition, including expenses incurred in connection with the disposition, are charged to operations.

The following table sets forth information regarding the Company's non-performing assets as of December 31, for each period indicated. The amounts are stated in thousands (000's).

Loans that qualify as troubled loan modifications and accruing:

Real estate:	2024	2023
Residential	$ 1,113	$ 868
Total	$ 1,113	$ 868

Loans accounted for on a non-accrual basis:

	2024	2023
Real estate:		
Residential	$ 4,665	$ 1,693
Home Equity	483	468
Commercial Real Estate	1,280	833
Construction and land development	658	-
Multifamily	3,362	3,715
Commercial business	3,290	2,897
Consumer	-	2
Total	$ 13,738	$ 9,608

Accruing loans which are contractually past due 90 days or more:

	2024	2023
Real estate:		
Commercial	$ -	$ 712
Residential	-	1,131
Total	$ -	$ 1,843
Ratio of non-performing loans to total assets (1)	0.74%	0.61%
Ratio of non-performing loans to total loans (1)	0.91%	0.76%
(1) Non-performing loans include non-accrual loans and accruing loans which are contractually past due 90 days or more		
Collateralized debt obligations	$ 1,419	$ 1,357
Ratio of collateralized debt obligations to total assets	0.07%	0.06%

During 2024, gross interest income of $656 thousand would have been recorded on loans accounted for on a non-accrual basis if the loans had been current throughout the period. Interest on such loans included in income during the period amounted to $313 thousand.

Federal regulations require banks to classify their own loans and to establish appropriate general and specific allowances, subject to regulatory review. These regulations are designed to encourage management to evaluate loans on a case-by-case basis and to discourage automatic classifications. Loans classified as substandard or doubtful must be evaluated by management to determine loan loss reserves. Loans classified as loss must either be written off or reserved for by a specific allowance. Amounts reported in the allowance for credit losses are included in the calculation of the Company's total risk-based capital requirement (to the extent that the amount does not exceed 1.25% of total risk-based assets), but are not included in Tier 1 leverage ratio calculations and Tier 1 risk-based capital requirements.

Substandard loans include non-performing loans and 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 December 31, 2024 or 2023.

The Bancorp's substandard loans are summarized below:

(Dollars in thousands)

Loan Segment	December 31, 2024	December 31, 2023
Residential real estate	$ 4,754	$ 2,098
Home equity	490	479
Commercial real estate	1,598	2,544
Construction and land development	2,285	-
Multifamily	3,550	4,245
Commercial business	3,290	2,896
Consumer	-	2
Manufactured homes	54	-
Total	$ 16,021	$ 12,264

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 Bancorp's special mention loans are summarized below:

(Dollars in thousands)

Loan Segment	December 31, 2024	December 31, 2023
Residential real estate	$ 4,291	$ 3,084
Home equity	459	168
Commercial real estate	8,008	7,434
Construction and land development	3,675	6,902
Multifamily	5,329	-
Commercial business	3,528	1,610
Total	$ 25,290	$ 19,198

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. Purchased credit deteriorated ("PCD") loans have experienced more than insignificant credit deterioration since origination. PCD loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans held for investment. The sum of the loan’s purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through credit loss expense.

For acquired non-credit-deteriorated loans and leases, the difference between the fair value and unpaid principal balance of the loan at the acquisition date is amortized or accreted to interest income over the life of the loan. While credit discounts are included in the determination of the fair value for non-credit deteriorated loans, since these discounts are expected to be accreted over the life of the loans, they cannot be used to offset the allowance for credit losses that must be recorded at the acquisition date. As a result, an allowance for credit losses is determined at the acquisition date using the same methodology as other loans held for investment and is recognized as a provision for credit losses in the consolidated income statements. Any subsequent deterioration (improvement) in credit quality is recognized by recording a provision (recapture) for credit losses.

A loan is considered impaired 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. Typically, management does not individually classify smaller-balance homogeneous loans, such as residential mortgages or consumer loans, as impaired, unless they are troubled loan modifications.

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.

The table below presents the amortized cost basis and allowance for credit losses (“ACL”) allocated for collateral dependent loans in accordance with ASC 326, which are individually evaluated to determine expected credit losses.

(Dollars in thousands)	December 31, 2024					
	Real Estate	Equipment/Inventory	Accounts Receivable	Vehicles	Total	ACL Allocation
Residential real estate	$ 3,012	$ -	$ -	$ -	$ 3,012	$ 50
Home equity	219	-	-	-	219	-
Commercial real estate	1,598	-	-	-	1,598	43
Construction and land development	2,285	-	-	-	2,285	-
Multifamily	3,550	-	-	-	3,550	-
Commercial business	712	1,399	1,428	144	3,683	191
	$ 11,376	$ 1,399	$ 1,428	$ 144	$ 14,347	$ 284

At times, the Company will modify the terms of a loan to forego a portion of interest or principal or reduce the interest rate on the loan to a rate materially less than market rates, or materially extend the maturity date of a loan as part of a troubled loan modification.

Loan Modification Disclosures Pursuant to ASU 2022-02

The following table shows the amortized cost of loans at December 31, 2024, that were both experiencing financial difficulty and modified during the year ended December 31, 2024, 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 financial receivable is also presented below.

	For the year ended December 31, 2024				
(Dollars in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
Residential Real Estate	$ 528	$ 1,115	$ -	$ -	0.35%
Home Equity	41	-	-	-	0.01%
Total	$ 569	$ 1,115	$ -	$ -	0.11%

	For the year ended December 31, 2023				
(Dollars in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
Residential Real Estate	$ -	$ 868	$ -	$ -	0.18%
Total	$ -	$ 868	$ -	$ -	0.06%

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

The Company closely monitors the performance of loans and leases that have been modified for borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The performance of such modified loans is presented below.

	For the year ended December 31, 2024			
(Dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential Real Estate	$ 545	$ 570	$ -	$ 528
Home Equity	-	-	-	41
Total	$ 545	$ 570	$ -	$ 569

	For the year ended December 31, 2023			
(Dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential Real Estate	$ 868	$ -	$ -	$ -
Total	$ 868	$ -	$ -	$ -

The borrowers with term extension have had their maturity dates extended and as a result their monthly payments were reduced.

	For the year ended December 31, 2024			
(Dollars in thousands)	Principal forgiveness	Weighted average interest rate reduction	Weighted average term extention	Payment delay
Residential Real Estate	$ -	-%	7 months	6 months

	For the year ended December 31, 2023			
(Dollars in thousands)	Principal forgiveness	Weighted average interest rate reduction	Weighted average term extention	Payment delay
Residential Real Estate	$ -	-%	89 months	-

Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the loan or lease 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.

The table that follows sets forth the allowance for credit losses and related ratios for the periods indicated. The amounts are stated in thousands (000's).

	2024	2023
Balance at beginning of year	$ 18,768	$ 19,084
Loans charged-off:		
Real estate residential	(28)	(998)
Home Equity	-	(43)
Commercial real estate	-	(372)
Multifamily	(125)	-
Commercial business	(2,249)	(1,065)
Consumer	(66)	(93)
Total charge-offs	(2,468)	(2,571)
Recoveries:		
Residential real estate	44	149
Commercial real estate	5	3
Multifamily	31	131
Commercial business	310	264
Consumer	22	16
Total recoveries	412	563
Net charge-offs	(2,056)	(2,008)
Provision for credit losses	199	1,692
Balance at end of year	$ 16,911	$ 18,768
ACL to loans outstanding	1.12%	1.24%
ACL to nonperforming loans	123.10%	163.90%
Net charge-offs to average loans outstanding during the year	-0.14%	-0.13%
Nonaccruing loans to total loans	0.91%	0.64%

The following table shows the allocation of the allowance for credit losses at December 31, for the dates indicated. The dollar amounts are stated in thousands (000's). The percent columns represent the percentage of loans in each category to total loans.

	2024		2023	
	$	%	$	%
Residential real estate	4,480	31.0	3,984	32.1
Home equity	835	3.3	698	3.1
Commercial real estate	6,445	36.7	6,928	33.4
Construction and land development	2,651	5.5	4,366	7.6
Multifamily	1,003	14.1	955	14.6
Commercial business	1,185	6.9	1,584	6.5
Consumer	5	-	7	-
Manufactured homes	252	1.8	181	2.0
Government	55	0.7	65	0.7
Total	16,911	100.0	18,768	100.0

Investment Activities

The primary objective of the 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. Securities can be classified as trading, held-to-maturity (HTM), or available-for-sale (AFS) at the time of purchase. No securities are classified as trading or as held-to-maturity. AFS securities are those the Company may decide to sell if needed for liquidity, asset-liability management or other reasons. It has been the policy of the Company to invest its excess cash in U.S. government agency securities, mortgage-backed securities, collateralized mortgage obligations, municipal securities, and treasury securities. In addition, short-term funds are generally invested as interest bearing balances in financial institutions and federal funds. At December 31, 2024, the Company's investment portfolio totaled $333.6 million. In addition, the Company had $6.5 million in FHLB stock.

The table below shows the carrying values of the components of available for sale securities portfolio at December 31, on the dates indicated. The amounts are stated in thousands (000's).

(Dollars in thousands)	2024	2023
U.S. government sponsored entities	$ 8,061	$ 7,883
Collateralized mortgage obligations and residential mortgage-backed securities	109,325	123,464
Municipal securities	214,749	238,670
Collateralized debt obligations	1,419	1,357
Total securities available-for-sale	$ 333,554	$ 371,374

The contractual maturities and weighted average yields for the U.S government securities, collateralized mortgage obligations, residential mortgage-backed securities, municipal securities, collateralized debit obligations at December 31, 2024, 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		Variable Maturities		Total
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount
U.S. government sponsored entities:	$ -	-	$ 8,061	1.00%	$ -	-	$ -	-	$ -	-	$ 8,061
Collateralized mortgage obligations and residential mortgage- backed securities:	-	-	-	-	-	-	-	-	109,325	1.56%	109,325
Municipal securities:	-	-	2,740	2.38%	28,835	3.28%	183,174	2.99%	-	-	214,749
Collateralized debt obligations:	-	-	-	-	-	-	1,419	3.34%	-	-	1,419
Totals	$ -	-	$ 10,801	1.35%	$ 28,835	3.28%	$ 184,593	2.97%	$ 109,325	1.56%	$ 333,554

The Company currently holds two collateralized debt obligations and the securities' quarterly interest payments have been placed in "payment in kind" status. Payment in kind status results in a temporary delay in the payment of interest. As a result of a delay in the collection of the interest payments, management placed these securities in non-accrual status. At December 31, 2024, the cost basis of the two collateralized debt obligations on non-accrual status totaled $2.2 million.

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

Sources of Funds

General. Deposits are the major source of the Company's funds for lending and other investment purposes. In addition to deposits, the Company derives funds from maturing investment securities and certificates of deposit, dividend receipts from the investment portfolio, loan principal repayments, repurchase agreements, advances from the Federal Home Loan Bank of Indianapolis (FHLB) and other borrowings. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may be used on a short-term basis to compensate for reductions in the availability of other sources of funds. They may also be used on a longer-term basis for general business purposes. The Company uses repurchase agreements, as well as a line-of-credit and advances from the FHLB for borrowings. At December 31, 2024, the Company had $65.0 million in FHLB fixed rate advances $40.1 million in repurchase agreements. The Company had no other borrowed funds as of December 31, 2024.

Deposits. Retail and commercial deposits are attracted principally from within the Company's primary market area. The Company offers a broad selection of deposit instruments including non- interest bearing demand accounts, interest bearing demand accounts, savings accounts, money market deposit accounts, certificate accounts and retirement savings plans. Deposit accounts vary as to terms, with the principal differences being the minimum balance required, the time period the funds must remain on deposit and the interest rate. Certificate account offerings typically range in maturity from ten days to 42 months. The deregulation of federal controls on insured deposits has allowed the Company to be more competitive in obtaining funds and to be flexible in meeting the threat of net deposit outflows. The Company had $21.7 million in brokered deposit balances at December 31, 2024, which were obtained through prior acquisitions. The Company did not obtain any deposit funds through brokers during the year ended 2024.

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

	December 31, 2024		December 31, 2023	
	Amount	Rate %	Amount	Rate %
Noninterest bearing demand deposits	$ 293,508	-	$ 323,694	-
Interest bearing demand deposits	307,173	0.89	344,449	0.96
MMDA accounts	323,450	3.34	284,910	2.73
Savings accounts	288,708	0.05	343,008	0.05
Certificates of deposit	542,708	3.96	488,025	2.91
Total deposits	$ 1,755,547	2.40	$ 1,784,086	1.43

As of December 31, 2024, and 2023, approximately $498.0 million and $530.2 million, respectively, of our deposit portfolio was uninsured. The uninsured amounts are estimates based on the methodologies and assumptions used for the Bank's regulatory reporting requirements.

The following table sets forth the portion of the Bank's time deposits, by account, that exceed the FDIC insurance limit, by remaining time until maturity, as of December 31, 2024 (dollars in thousands).

3 months or less	$ 55,934
Over 3 months through 6 months	27,641
Over 6 months through 12 months	54,517
Over 12 months	3,308
Total	$ 141,400

Borrowings. Borrowed money is used on a short-term basis to compensate for reductions in the availability of other sources of funds and is generally accomplished through repurchase agreements, as well as, through a line of credit and advances from the FHLB. Repurchase agreements generally mature within one year and are generally secured by municipal securities, collateralized mortgage obligations and residential mortgage-backed securities, under the Company's control. FHLB advances with maturities ranging from one year to five years are used to fund securities and loans of comparable duration, as well as to reduce the impact that movements in short-term interest rates have on the Company's overall cost of funds. Fixed rate advances are payable at maturity, with a prepayment penalty.

On March 12, 2023, the Federal Reserve Board announced the creation of a new Bank Term Funding Program (the "BTFP"). The BTFP offered loans of up to one year to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasury securities, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets were valued at par for purposes of the collateral pledge under the BTFP. During the first quarter of 2023, the Company participated in the BTFP by accessing $80 million of low-cost capital under the program. As of December 31, 2023, the Company had pledged securities as collateral for the program with a par value of $105.3 million. During the quarter ending September 30, 2024, the Company terminated its involvement in the Bank Term Funding Program (the "BTFP") and paid off its outstanding balance of $60 million, in full, through a utilization of excess liquidity and FHLB advances. The Company's liquidity position remains strong with solid core deposit customer relationships, excess cash, debt securities, and access to diversified borrowing sources.

Fixed rate advances are payable at maturity, with a prepayment penalty. The advances were collateralized by mortgage loans with a carrying value totaling approximately $460.8 million at December 31, 2024. The Bank had no balance at December 31, 2023 and a balance of $65 million at December 31, 2024. In addition to the fixed rate advances, the Bank maintains a $25.0 million line of credit with the Federal Home Loan Bank of Indianapolis. The Bank did not have a balance on the line of credit at December 31, 2024 or December 31, 2023. The Bank did not have other borrowings at December 31, 2024, or December 31, 2023.

At December 31, 2024, the Bank had approximately $687.4 million available in credit lines with various money center banks, including the FHLB and Federal Reserve.

The following tables set forth certain information regarding borrowing and repurchase agreements by the Company at the end of and during the periods indicated. The amounts are stated in thousands (000's).

	At December 31,	
	2024	2023
Repurchase agreements:		
Balance	$ 40,116	$ 38,124
Securities underlying the agreements:		
Ending carrying amount	57,833	54,458
Ending fair value	57,833	54,458
Weighted average rate (1)	3.85%	3.64%

	For year ended December 31,	
	2024	2023
Highest month-end balance	$ 44,058	$ 48,947
Average outstanding balance	41,506	35,543
Weighted average rate on securities sold under agreements to repurchase (2)	3.51%	3.83%

(1) The weighted average rate for each period is calculated by weighing the principal balances outstanding for the various interest rates.

(2) The weighted average rate is calculated by dividing the interest expense for the period by the average daily balances of securities sold under agreements to repurchase for the period.

	(Dollars in thousands)	
	December 31, 2024	*December 31, 2023*
Federal Reserve Fixed rate advance with outstanding rate of 4.38%, matured March 22, 2024	$ -	$ 80,000
FHLB Fixed rate advance with outstanding rate of 4.85%, maturing May 16, 2025	10,000	-
FHLB Fixed rate advance with outstanding rate of 4.77%, maturing May 19, 2025	10,000	-
FHLB Fixed rate advance with outstanding rate of 3.38%, maturing August 7, 2028 (1)	10,000	-
FHLB Fixed rate advance with outstanding rate of 3.22%, maturing August 7, 2029 (1)	10,000	-
FHLB Fixed rate advance with outstanding rate of 3.84%, maturing February 28, 2029 (1)	15,000	-
FHLB Fixed rate advance with outstanding rate of 3.74%, maturing February 28, 2029 (1)	10,000	-
Total	$ 65,000	$ 80,000

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

Wealth Management Group

The Company's Wealth Management Group provides estate and retirement planning, guardianships, land trusts, profit sharing and 401(k) retirement plans, IRA and Keogh accounts, investment agency accounts, and serves as personal representative of estates and acts as trustee for revocable and irrevocable trusts. At December 31, 2024, the market value of the Wealth Management Group’s assets under management totaled $392.9 million, a increase of $5.8 million, compared to December 31, 2023. Property, other than cash deposits, held in a fiduciary or agency capacity is not included in the consolidated balance sheets since such property is not owned by the Company.

Analysis of Profitability and Key Operating Ratios

Financial Ratios and the Analysis of Changes in Net Interest Income.

The tables below set forth certain financial ratios of the Company for the periods indicated:

	Year ended December 31,	
	2024	2023
Return on average assets	0.58%	0.40%
Return on average equity	8.06%	6.28%
Average equity-to-average assets ratio	7.25%	6.41%
Dividend payout ratio	16.86%	53.55%

	At December 31,	
	2024	2023
Total stockholders’ equity to total assets	7.35%	6.99%

The average balance sheet amounts, the related interest income or expense, and average rates earned or paid are presented in the following table. The amounts are stated in thousands (000's).

	Year ended December 31, 2024			Year ended December 31, 2023		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:						
Interest bearing balances in financial institutions	$ 51,202	$ 2,967	5.79%	$ 37,615	$ 1,846	4.91%
Federal funds sold	912	38	4.17	1,341	58	4.33
Nontaxable Securities	214,939	5,587	2.60	226,896	6,117	2.70
Taxable Securities	138,656	3,071	2.21	142,594	3,000	2.10
Total investments	405,709	11,663	2.87	408,446	11,021	2.70
Loans:*						
Real estate mortgage loans	1,378,572	69,342	5.03	1,389,048	66,870	4.81
Commercial business loans	96,224	7,068	7.35	96,302	6,419	6.67
Consumer loans	29,410	1,105	3.76	33,660	1,473	4.38
Total loans	1,504,206	77,515	5.15	1,519,010	74,762	4.92
Total interest-earning assets	1,909,915	89,178	4.67	1,927,456	85,783	4.45
Allowance for credit losses	(18,529)			(18,106)		
Other assets	183,981			174,011		
Total assets	$ 2,075,367			$ 2,083,361		
Liabilities:						
NOW accounts	$ 307,173	$ 2,738	0.89%	$ 344,449	$ 3,294	0.96%
Money market demand accounts	323,450	10,813	3.34	284,910	7,777	2.73
Savings accounts	288,708	146	0.05	343,008	175	0.05
Certificates of deposit	542,708	21,465	3.96	488,025	14,192	2.91
Total interest-bearing deposits	1,462,039	35,162	2.40	1,460,392	25,438	1.74
Repurchase Agreements	41,506	1,600	3.85	35,543	1,294	3.64
Borrowed funds	85,927	3,969	4.62	98,848	4,496	4.55
Total interest-bearing liabilities	1,589,472	40,731	2.56	1,594,783	31,228	1.96
Demand deposit accounts	293,508			323,694		
Other liabilities	41,893			31,347		
Total liabilities	1,924,873			1,949,824		
Stockholders' equity	150,494			133,537		
Total liabilities and stockholders' equity	$ 2,075,367			$ 2,083,361		
Net interest income		$ 48,447			$ 54,555	
Net interest spread			2.11%			2.49%
Net interest margin**			2.54%			2.83%
Ratio of interest-earning assets to interest-bearing liabilities			1.20x			1.21x

* Non-accruing loans have been included in the average balances.
** Net interest income divided by average interest-earning assets.

The table below sets forth certain information regarding changes in interest income and interest expense of the Company for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to: (1) changes in volume (change in volume multiplied by old rate) and (2) changes in rate (change in rate multiplied by old volume). Changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate. The amounts are stated in thousands (000's).

	Year Ended December 31, 2024 vs. 2023 Increase / (Decrease) Due To		
	Volume	Rate	Total
Interest income:			
Loans receivable	$ (734)	$ 3,487	$ 2,753
Nontaxable securities	(315)	(215)	(530)
Taxable securities	58	13	71
Interest bearing balances in other financial institutions	747	374	1,121
Federal funds sold	(18)	(2)	(20)
Total interest-earning assets	(262)	3,657	3,395
Interest Expense:			
NOW accounts	(271)	(286)	(557)
Money market accounts	1,141	1,895	3,036
Savings accounts	(8)	(21)	(29)
Certificates of deposit	288	6,985	7,273
Repurchase agreements	227	79	306
Borrowed funds	(596)	70	(526)
Total interest-bearing liabilities	781	8,722	9,503
Net change in net interest income	$ (1,043)	$ (5,065)	$ (6,108)

Subsidiary Activities

Peoples Service Corporation, a wholly owned subsidiary of the Bank was incorporated under the laws of the State of Indiana. The subsidiary currently provides insurance and annuity investments to the Bank's wealth management customers.

NWIN, LLC is a wholly owned subsidiary of the Bank. NWIN, LLC was incorporated under the laws of the State of Nevada as an investment subsidiary. The investment subsidiary currently holds security investments, which are managed by a professional portfolio manager. In addition, the investment subsidiary is the parent of a real estate investment trust, NWIN Funding, Inc., that invests in real estate loans originated by the Bank.

NWIN Funding, Inc. is a subsidiary of NWIN, LLC, and was formed as an Indiana Real Estate Investment Trust (REIT). The formation of NWIN Funding, Inc. provides the Company with a vehicle that may be used to raise capital utilizing portfolio mortgages as collateral, without diluting stock ownership.

Columbia Development Company, LLC is a wholly owned subsidiary of the Bank and was incorporated under the laws of the State of Indiana. The subsidiary holds real estate properties that the Bank has acquired through the foreclosure process.

The consolidated financial statements include the Company, its wholly owned subsidiaries, the Bank and the Bank's wholly owned subsidiaries, Peoples Service Corporation, NWIN, LLC and Columbia Development Company, LLC. The Company's business activities include being a holding company for the Bank. The Company's earnings are dependent upon the earnings of the Bank. All significant inter-company accounts and transactions have been eliminated in consolidation.

Competition

The Company's primary market area for deposits, loans and financial services encompasses Lake and Porter Counties in Indiana and Cook and DuPage Counties in Illinois. All of the Company's banking centers and offices are located in its primary market area. Approximately ninety-four percent of the Company's business activities are within this area.

The Company faces strong competition in its primary market area for the attraction and retention of deposits and in the origination of loans. The Company's most direct competition for deposits has historically come from commercial banks, savings associations, and credit unions located in its primary market area. Particularly in times of high interest rates, the Company has had significant competition from mutual funds and other firms offering financial services. The Company's competition for loans comes principally from savings associations, commercial banks, mortgage banking companies, credit unions, insurance companies, and other institutional lenders.

The Company competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of the services it provides borrowers and other third-party sources. It competes for deposits by offering depositors a wide variety of savings accounts, checking accounts, competitive interest rates, convenient banking center locations, drive-up facilities, automatic teller machines, tax deferred retirement programs, digital banking, and other miscellaneous services.

The activities of the Company and the Bank in the geographic market served involve competition with other banks as well as with other financial institutions and enterprises, many of which have substantially greater resources than those available to the Company. In addition, non-bank financial services companies with which the Company and Bank compete, while subject to regulation by the CFPB, are generally not subject to the same type of extensive regulation by the federal and state banking agencies applicable to the Company and the Bank.

Employees and Human Capital Resources

We believe that the foundation of our success in the banking business lies with the quality of our employees, the development of our employees' skills and career goals, and our ability to provide a comprehensive rewarding experience and work environment for our employees. We encourage and support the development of our employees and, wherever possible, strive to fill positions from within the organization. As of December 31, 2024, the Bank had 293 full-time and 20 part-time employees. The employees are not represented by a collective bargaining agreement. Management believes its employee relations are good. The Company has four executive officers and has no other employees. The Company's officers also are full-time employees of the Bank, and are compensated by the Bank.

Regulation and Supervision

Bank Holding Company Regulation. The Company is registered as a bank holding company for the Bank and has elected to be a financial holding company under the Gramm-Leach-Bliley Act of 1999. As a bank holding company and financial holding company, the Company is subject to the regulation and supervision of the FRB under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Bank holding companies are required to file periodic reports with and are subject to periodic examination by the FRB.

Under the BHCA, without the prior approval of the FRB, the Company may not acquire direct or indirect control of more than 5% of the voting stock or substantially all of the assets of any company, including a bank, and may not merge or consolidate with another bank holding company. In addition, the Company is generally prohibited by the BHCA from engaging in any nonbanking business unless such business is determined by the FRB to be so closely related to banking as to be a proper incident thereto. Under the BHCA, the FRB has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the FRB's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

On September 17, 2024, the FDIC, Office of the Comptroller of the Currency, and the Department of Justice ("DOJ") announced new rules and policy statements impacting their bank merger review process. Among these actions, the FDIC approved a final statement of policy on bank merger transactions. The FDIC's statement of policy adopts a principles-based approach and clarifies its policies and expectations in the evaluation of bank merger transactions subject to FDIC approval under the Bank Merger Act. However, Acting FDIC Chairman Travis Hill has indicated the possibility of withdrawing the new statement of policy. Concurrent with the FDIC announcement, the DOJ withdrew from its 1995 Bank Merger Guidelines and announced that it would consider bank mergers under its 2023 Merger Guidelines, which are not industry specific, as well as under a separate, recently adopted bank merger addendum.

The Change in Bank Control Act ("CBCA") prohibits a person or group of persons from acquiring "control" of a bank holding company unless the FRB has been notified and has not objected to the transaction. Under a rebuttable presumption established by the FRB, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Company, would, under the circumstances set forth in the presumption, constitute acquisition of control of the Company. In addition, the CBCA prohibits any entity from acquiring 25% (the BHCA has a lower limit for acquirers that are existing bank holding companies) or more of a bank holding company's or bank's voting securities, or otherwise obtaining control or a controlling influence over a bank holding company or bank without the approval of the FRB. On April 1, 2021, the FRB's final rule clarifying the standards for determining whether one company has control over another became effective. The final rule establishes four categories of tiered presumptions of noncontrol that are based on the percentage of voting shares held by the investor (less than 5%, 5-9.9%, 10- 14.9% and 15-24.9%) and the presence of other indicia of control. As the percentage of ownership increases, fewer indicia of control are permitted without falling outside of the presumption of noncontrol. These indicia of control include nonvoting equity ownership, director representation, management interlocks, business relationship and restrictive contractual covenants. Under the final rule, investors can hold up to 24.9% of the voting securities and up to 33% of the total equity of a company without necessarily having a controlling influence. In addition, Indiana law requires DFI approval for changes in control of companies controlling Indiana banks, with "control" defined to mean the power to direct the management or policies of the holding company or the power to vote at least 25% of the company's voting securities.

Under the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), a bank holding company is expected to serve as a source of financial and managerial strength to its subsidiary bank(s). Pursuant to this requirement, a bank holding company should stand ready to use its resources to provide adequate capital funds to its subsidiary bank(s) during periods of financial stress or adversity. This support may be required by the FRB at times when the Company may not have the resources to provide it or, for other reasons, would not be inclined to provide it. Additionally, under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), a bank holding company is required to provide limited guarantee of the compliance by any insured depository institution subsidiary that may become "undercapitalized" (as defined in the statute) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency.

State Bank Regulation. As an Indiana commercial bank, the Bank is subject to federal regulation and supervision by the FDIC and to state regulation and supervision by the DFI. The Bank's deposit accounts are insured by the DIF, which is administered by the FDIC. The Bank is not a member of the Federal Reserve System.

Both federal and Indiana law extensively regulate various aspects of the banking business such as reserve requirements, truth-in-lending and truth-in-savings disclosures, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Current federal law also requires banks, among other things, to make deposited funds available within specified time periods.

Under FDICIA, insured state chartered banks are prohibited from engaging as principal in activities that are not permitted for national banks, unless: (i) the FDIC determines that the activity would pose no significant risk to the appropriate deposit insurance fund, and (ii) the bank is, and continues to be, in compliance with all applicable capital standards.

Branches and Acquisitions. Branching by the Bank requires the approval of the Federal Reserve and the DFI. Under current law, Indiana chartered banks may establish branches throughout the state and in other states, subject to certain limitations. Congress authorized interstate branching, with certain limitations, beginning in 1997. Indiana law authorizes an Indiana bank to establish one or more branches in states other than Indiana through interstate merger transactions and to establish one or more interstate branches through de novo branching or the acquisition of a branch. The Dodd-Frank Act permits the establishment of de novo branches in states where such branches could be opened by a state bank chartered by that state. The consent of the state is no longer required.

Transactions with Affiliates. Under Indiana law, the Bank is subject to Sections 22(h), 23A and 23B of the Federal Reserve Act, which restrict financial transactions between banks and affiliated companies, such as the Company. The statute limits credit transactions between a bank and its executive officers and its affiliates, prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices, and restricts the types of collateral security permitted in connection with a bank's extension of credit to an affiliate.

Capital Requirements. Federal regulations require FDIC insured depository institutions to meet several minimum capital standards: (i) a common equity Tier 1 capital to risk-based assets ratio of 4.50%; (ii) a Tier 1 capital to risk-based assets ratio of 6.00%; (iii) a total capital to risk-based assets ratio of 8.00%; and (iv) a 4.00% Tier 1 capital to total assets leverage ratio.

Common equity Tier 1 capital is generally defined as common shareholders’ equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock, and subordinated debt. Also included in Tier 2 capital is the ACL limited to a maximum of 1.25% of risk- weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income (“AOCI”), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt- out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, and residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

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.

The FRB and FDIC have authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution’s capital level is or may become inadequate in light of the particular risks or circumstances. As of December 31, 2024, the Bank met all applicable capital adequacy requirements as set forth in 12 C.F.R. § 324.

Bank holding companies are generally subject to consolidated capital requirements established by the FRB. The Dodd-Frank Act 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.

Federal law establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. The law requires that certain supervisory actions be taken against undercapitalized institutions, the severity of which depends on the degree of undercapitalization. The FDIC has adopted regulations to implement the prompt corrective action legislation as to insured state banks. An institution is deemed to be “well capitalized” if it has a total risk-based capital ratio of 10.00% or greater, a Tier 1 risk-based capital ratio of 8.00% or greater, a leverage ratio of 5.00% or greater, and a common equity Tier 1 ratio of 6.50% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.00% or greater, a Tier 1 risk-based capital ratio of 6.00% or greater, a leverage ratio of 4.00% or greater, and a common equity Tier 1 ratio of 4.50% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.00%, a Tier 1 risk-based capital ratio of less than 6.00%, a leverage ratio of less than 4.00%, or a common equity Tier 1 ratio of less than 4.50%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.00%, a Tier 1 risk-based capital ratio of less than 4.00%, a leverage ratio of less than 3.00%, or a common equity Tier 1 ratio of less than 3.00%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.00%.

Subject to a narrow exception, a receiver or conservator is required to be appointed for an institution that is “critically undercapitalized” within specified time frames. The regulations also provide that a capital restoration plan must be filed with the FDIC within 45 days of the date an institution is deemed to have received notice that it is “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized.” Compliance with the plan must be guaranteed by any parent holding company up to the lesser of 5% of the institution’s total assets when it was deemed to be undercapitalized or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The FDIC could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

Section 201 of the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the "Economic Growth Act") directed federal banking agencies to draft regulations establishing a new optional Community Bank Leverage Ratio ("CBLR"). The Economic Growth Act provides that the CBLR will apply to a "qualifying community bank" which the Economic Growth Act defines as a bank with consolidated assets of less than $10 billion and satisfying additional criteria designed to disqualify institutions with a higher risk profile. Under the Economic Growth Act, qualifying community banks that meet or exceed the CBLR and elect to follow the alternative regulatory capital structure will be deemed to have satisfied all generally applicable leverage capital and risk-based capital requirements and will be considered "well capitalized" under the FDIC prompt corrective action provisions. The Economic Growth Act directed the FRB, the FDIC, and the Office of the Comptroller of the Currency ("OCC") to jointly determine a community bank leverage ratio percentage, not less than 8% nor more than 10%, that must be maintained to be deemed to have satisfied all generally applicable leverage capital and risk-based capital requirements and be considered well capitalized. The Economic Growth Act also directed agencies to establish procedures for dealing with a qualifying bank that subsequently falls below the new ratio.

The final regulation implementing Section 201 became effective on January 1, 2021 (the "Final Rule"). Under the Final Rule, to be eligible to use the CBLR framework, a banking organization must not be an advanced approaches organization and must have (i) a leverage ratio of greater than 9%; (ii) total consolidated assets of less than $10 billion; (iii) total off-balance sheet exposures of 25% or less of total consolidated assets; and (iv) total trading assets plus trading liabilities of 5% or less of total consolidated assets. A qualifying institution may opt in and out of the CBLR framework on its quarterly call report. An institution that ceases to meet any qualifying criteria is provided with a two-quarter grace period to either comply with the CBLR requirements or comply with the general capital regulations, including the risk-based capital requirements.

Section 4012 of the Coronavirus Aid, Relief and Economic Security Act of 2021 (the "CARES Act") required that the CBLR be temporarily lowered to 8%. The federal regulators issued a rule implementing the lower ratio effective April 23, 2021. The rule also established a two-quarter grace period for a qualifying institution whose leverage ratio falls below the 8% CBLR requirement so long as the bank maintains a leverage ratio of 7% or greater. Another rule was issued to transition back to the 9% CBLR by increasing the ratio to 8.5% for calendar year 2022 and 9% thereafter. The Bank did not elect to opt in to the CBLR framework.

The following table shows that, at December 31, 2024, and December 31, 2023, the Bank's capital exceeded all applicable regulatory capital requirements as set forth in 12 C.F.R. § 324.

Bank Level Capital *(Dollars in thousands)*	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
December 31, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1 capital to risk-weighted assets	$ 179,625	11.26%	$ 71,771	4.50%	$ 103,670	6.50%
Tier 1 capital to risk-weighted assets	$ 179,625	11.26%	$ 95,695	6.00%	$ 127,594	8.00%
Total capital to risk-weighted assets	$ 194,499	12.19%	$ 127,594	8.00%	$ 159,492	10.00%
Tier 1 capital to adjusted average assets	$ 179,625	8.47%	$ 84,854	4.00%	$ 106,068	5.00%

Bank Level Capital *(Dollars in thousands)*	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
December 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1 capital to risk-weighted assets	$ 168,263	10.43%	$ 72,643	4.50%	$ 104,928	6.50%
Tier 1 capital to risk-weighted assets	$ 168,263	10.43%	$ 96,857	6.00%	$ 129,142	8.00%
Total capital to risk-weighted assets	$ 183,315	11.36%	$ 129,142	8.00%	$ 161,428	10.00%
Tier 1 capital to adjusted average assets	$ 168,260	7.78%	$ 86,561	4.00%	$ 108,201	5.00%

In December 2017, the Basel Committee on Banking Supervision published the last version of the Basel III accord, generally referred to as “Basel IV.” The Basel Committee stated that a key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets (“RWA”), which will be accomplished by enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk, which will facilitate the comparability of banks’ capital ratios; constraining the use of internally modeled approaches; and complementing the risk-weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor. The leadership of the FRB, Office of the Comptroller of the Currency (“OCC”), and FDIC, who are tasked with implementing Basel IV, supported the revisions. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company. In 2023, the federal banking agencies issued a proposed rule to implement the Basel IV standards. Among other things, the proposed rule would substantially change the existing calculation of risk-weighted assets and require banking organizations to use revised models for such calculations. The proposed rule, if adopted as proposed, would be applicable to banking organizations with $100 billion or more in total consolidated assets, and therefore would not apply to the Bank directly. However, many of the principles included in this proposed rulemaking could result in increased supervisory expectations and closer regulatory scrutiny for institutions that experience substantial growth. For example, the proposed rulemaking would add back the impact of accumulated other comprehensive income (loss) to the calculation of regulatory capital for institutions above $100 billion in assets. The federal banking agencies have discretion during the examination process to require institutions to have higher capital cushions to address a variety of supervisory concerns, which may include a high level of accumulated other comprehensive loss. On September 10, 2024, Michael Barr, the Vice Chair for Supervision of the Federal Reserve, stated his intention to recommend to the Federal Reserve Board that the Federal Reserve re-propose a rule to implement the Basel IV standards; however, the federal banking agencies to date have not agreed on the issuance of a re-proposal and, in consideration of the new Trump Administration and the expected changes in leadership of the agencies, including a new Vice Chair for Supervision of the Federal Reserve, the prospects and timing for further rulemaking on these matters are uncertain at this time. The impact of Basel IV on the Company will depend on the manner in which it is implemented by the federal banking regulators.

Banking regulators may change these capital requirements from time to time, depending on the economic outlook generally and the outlook for the banking industry. The Company is unable to predict whether and when any such further capital requirements would be imposed and, if so, to what levels and on what schedule.

Dividend Limitations. The Company is a legal entity separate and distinct from the Bank. The primary source of the Company’s cash flow, including cash flow to pay dividends on the Company’s Common Stock, is generally the payment of dividends to the Company by the Bank. Under Indiana law, the Bank may pay dividends of so much of 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 for the payment of a dividend 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.

The FDIC has the authority to prohibit the Bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice in light of the financial condition of the Bank. In addition, under FRB supervisory policy, a bank holding company generally should not maintain its existing rate of cash dividends on common shares unless (i) the organization’s net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the organization’s capital needs, assets, quality, and overall financial condition. The FRB expects bank holding companies to consult with it in advance of declaring dividends that could raise safety and soundness concerns (i.e., such as when the dividend is not supported by earnings or involves a material increase in the dividend rate) and in advance of repurchasing shares of common or preferred stock.

Federal Deposit Insurance. Deposits in the Bank are insured by the Deposit Insurance Fund of the FDIC up to a maximum amount, which is generally $250,000 per depositor, subject to aggregation rules. There is no unlimited insurance coverage for noninterest bearing transaction accounts. Rather, deposits held in noninterest bearing transaction accounts are aggregated with interest bearing deposits the owner may hold in the same ownership category, and the combined are insured up to at least $250,000. The Bank is subject to deposit insurance assessments by the FDIC pursuant to its regulations establishing a risk-related deposit insurance assessment system, based on the institution's capital levels and risk profile. Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk-weighted categories based on supervisory evaluations, regulatory capital levels, and certain other factors with less risky institutions paying lower assessments. An institution's initial assessment rate depends upon the category to which it is assigned. There are also adjustments to a bank's initial assessment rates based on levels of long-term unsecured debt, secured liabilities in excess of 25% of domestic deposits and, for certain institutions, brokered deposit levels. Pursuant to FDIC rules adopted under the Dodd-Frank Act (described below), initial assessments ranged from 5 to 35 basis points of the institution's total assets minus its tangible equity. The Bank paid net deposit insurance assessments of $1.8 million during the year ended December 31, 2024. For 2024, the deposit insurance assessment rate before applying one-time assessment credits was approximately 0.093% of insured deposits. No institution may pay a dividend if it is in default of the federal deposit insurance assessment.

Under the Dodd-Frank Act, the FDIC is authorized to set the reserve ratio for the Deposit Insurance Fund at no less than 1.35% of estimated insured deposits, which is increased from the previous ratio of 1.15%. The FDIC must offset the effect of the increase in the minimum designated reserve ratio from 1.15% to 1.35% on insured depository institutions of less than $10 billion and may declare dividends to depository institutions when the reserve ratio at the end of a calendar quarter is at least 1.5%, although the FDIC has the authority to suspend or limit such permitted dividend declarations. The FDIC has set the designated reserve ratio for the deposit insurance fund at 2% of estimated insured deposits, which the FDIC has established as a long-term goal. The FDIC adopted a plan to restore the fund to the 1.35% ratio by September 30, 2028 but did not change its assessment schedule.

Under the Dodd-Frank Act, the assessment base for deposit insurance premiums is calculated as average consolidated total assets minus average tangible equity. Tangible equity for this purpose means Tier 1 capital. Banks with less than $10 billion in assets (such as the Bank) are assigned an individual rate based on a formula using financial data and CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and sensitivity) ratings. Beginning in June 2023, the initial base assessment rates range from 5 to 35 basis points. Adjustments are made to the initial assessment rates based on long-term unsecured debt, depository institution debt, and brokered deposits. Assessment rates (inclusive of possible adjustments) currently range from 2.5 to 32 basis points of an institution's average total assets minus average tangible equity. The FDIC also provides for an assessment system for large depository institutions with over $10 billion in assets.

The FDIC has the authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe and unsound condition to continue operations or has violated any applicable law, regulation, order or any condition imposed in writing by, or written agreement with, the FDIC. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital.

Federal Home Loan Bank System. The Bank is a member of the Federal Home Loan Bank of Indianapolis, which is one of eleven regional Federal Home Loan Banks. Each Federal Home Loan Bank serves as a reserve or central bank for its members within its assigned region. It is funded primarily from funds deposited by member institutions and proceeds from the sale of consolidated obligations of the Federal Home Loan Bank system. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of trustees of the Federal Home Loan Bank. As a member, the Bank is required to purchase and maintain stock in the Federal Home Loan Bank of Indianapolis in an amount equal to the greater of 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year or 5% of our outstanding advances from the Federal Home Loan Bank. At December 31, 2024, the Bank was in compliance with this requirement.

At December 31, 2024, the Company owned $6.5 million of stock of the Federal Home Loan Bank of Indianapolis (“FHLBI”). The FHLBI stock entitles the Company to dividends from the FHLBI. The Company recognized dividend income of approximately $408 thousand in 2024. At December 31, 2024, the Company’s excess borrowing capacity based on collateral from the FHLBI was $461 million. Generally, the loan terms from the FHLBI are better than the terms the Company can receive from other sources making it cheaper to borrow money from the FHLBI.

Federal Reserve System. Under regulations of the FRB, the Bank is required to maintain reserves against its transaction accounts (primarily checking accounts) and non-personal money market deposit accounts. The effect of these reserve requirements is to increase the Bank’s cost of funds. The Bank is in compliance with its reserve requirements.

Community Reinvestment Act. Under the Community Reinvestment Act (“CRA”), the Bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC in connection with its examination of the Bank, to assess its record of meeting the credit needs of its community and to take that record into account in its evaluation of certain applications by the Bank. For example, the regulations specify that a bank’s CRA performance will be considered in its expansion (e.g., branching) proposals and may be the basis for approving, denying or conditioning the approval of an application for a merger or acquisition. As of the date of its most recent regulatory examination, the Bank was rated “satisfactory” with respect to its CRA compliance.

On October 24, 2023, the federal banking agencies jointly issued a final rule to strengthen and modernize the existing CRA regulations. Under the final rule, the agencies will evaluate a bank’s CRA performance based upon the varied activities that it conducts and the communities in which it operates. CRA evaluations and data collection requirements will be tailored based on bank size and type. The final rule significantly expands the assessment area that financial institutions must consider when evaluating their lending practices by including areas associated with mobile and online banking and includes new metrics and benchmarks to assess retail lending performance. In addition, the final rule emphasizes smaller loans and investments that can have a high impact and be more responsive to the needs of low- or moderate-income communities.

On March 29, 2024, a federal district court in Texas granted a preliminary injunction barring implementation of the final rule. The injunction extends the effective date of April 1, 2024, and all other implementation dates, on a day-for-day basis until the injunction is lifted. While the federal banking agencies are appealing the district court’s decision, to date the injunction remains in effect and implementation of the final rule is delayed indefinitely. Compliance with the majority of the final rule's provisions otherwise would not have been required until January 1, 2026 and the data reporting requirements of the final rule would not have taken effect until January 1, 2027.

Gramm-Leach-Bliley Act. Under the Gramm-Leach-Bliley Act ("Gramm-Leach"), bank holding companies are permitted to offer their customers virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. In order to engage in these new financial activities, a bank holding company must qualify and register with the FRB as a "financial holding company" by demonstrating that each of its bank subsidiaries is well capitalized, well managed and has at least a satisfactory rating under the CRA. As previously discussed, the Company has elected to become a financial holding company under Gramm-Leach.

Gramm-Leach established a system of functional regulation, under which the federal banking agencies regulate the banking activities of financial holding companies, the U.S. Securities and Exchange Commission regulates their securities activities and state insurance regulators regulate their insurance activities.

Under Gramm-Leach, federal banking regulators adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of Gramm-Leach affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

The Company does not disclose any nonpublic information about any current or former customers to anyone except as permitted by law and subject to contractual confidentiality provisions which restrict the release and use of such information.

Cybersecurity Guidelines. The federal banking agencies have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. The federal banking agencies also have issued a rule imposing cybersecurity notification requirements for banking organizations and their service providers. Specifically, the rule requires banking organizations to notify their primary federal regulator as soon as possible and no later than 36 hours after the discovery of a "computer-security incident" that rises to the level of a "notification incident," as those terms are defined under the final rules. Additional standards and/or regulations may be adopted or implemented by federal and state banking agencies in the future which may be applicable to community banking organizations such as the Company.

Recent cyberattacks against banks and other financial institutions that resulted in unauthorized access to confidential customer information have prompted the federal banking regulators to issue extensive guidance on cybersecurity. Among other things, financial institutions are expected to design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risks posed by compromised customer credentials, including security measures to authenticate customers accessing internet- based services. A financial institution also should have a robust business continuity program to recover from a cyberattack and procedures for monitoring the security of third-party service providers that may have access to nonpublic data at the institution. During 2024, the Company did not discover any material cybersecurity incidents.

Consumer Financial Protection Bureau. The Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB") within the Federal Reserve, which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of Gramm-Leach and certain other statutes. Many of the consumer financial protection functions formerly assigned to the federal banking and other designated agencies are now performed by the CFPB. The CFPB has a large budget and staff, and has the authority to implement regulations under federal consumer protection laws and enforce those laws against, and examine, financial institutions. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Smaller institutions are subject to rules promulgated by the CFPB but continue to be examined and supervised by the federal banking regulators for consumer compliance purposes. The CFPB has the authority to prevent unfair, deceptive or abusive practice in connection with the offering of consumer financial products. Additionally, this bureau is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data, and promote the availability of financial services to underserved consumers and communities.

Moreover, the Dodd-Frank Act authorized the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the CFPB has published several final regulations impacting the mortgage industry, including rules related to ability-to- pay, mortgage servicing, and mortgage loan originator compensation. The ability-to-repay rule makes lenders liable if they fail to assess ability to repay under a prescribed test, but also creates a safe harbor for so-called "qualified mortgages." Failure to comply with the ability-to-repay rule may result in possible CFPB enforcement action and special statutory damages plus actual, class action, and attorneys' fees damages, all of which a borrower may claim in defense of a foreclosure action at any time. The Dodd-Frank Act also permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations. Federal preemption of state consumer protection law requirements, traditionally an attribute of the federal savings association charter, also was modified by the Dodd-Frank Act and requires a case- by-case determination of preemption by the OCC and eliminates preemption for subsidiaries of a bank. Depending on the implementation of this revised federal preemption standard, the operations of the Bank could become subject to additional compliance burdens in the states in which it operates.

Mortgage Reform and Anti-Predatory Lending. Title XIV of the Dodd-Frank Act, the Mortgage Reform and Anti-Predatory Lending Act, includes a series of amendments to the Truth In Lending Act with respect to mortgage loan origination standards affecting, among other things, originator compensation, minimum repayment standards and pre-payments. With respect to mortgage loan originator compensation, except in limited circumstances, an originator is prohibited from receiving compensation that varies based on the terms of the loan (other than the principal amount). The amendments to the Truth In Lending Act also prohibit a creditor from making a residential mortgage loan unless it determines, based on verified and documented information of the consumer's financial resources, that the consumer has a reasonable ability to repay the loan. The amendments also prohibit certain pre-payment penalties and require creditors offering a consumer a mortgage loan with a pre- payment penalty to offer the consumer the option of a mortgage loan without such a penalty. In addition, the Dodd-Frank Act expands the definition of a "high-cost mortgage" under the Truth In Lending Act, and imposes new requirements on high-cost mortgages and new disclosure, reporting and notice requirements for residential mortgage loans, as well as new requirements with respect to escrows and appraisal practices.

Interchange Fees for Debit Cards. Under the Dodd-Frank Act, interchange fees for debit card transactions must be reasonable and proportional to the issuer's incremental cost incurred with respect to the transaction plus certain fraud related costs. Although institutions with total assets of less than $10 billion are exempt from this requirement, competitive pressures have required smaller depository institutions to reduce fees with respect to these debit card transactions.

Federal Securities Law and Nasdaq Listing. The shares of Common Stock of the Company have been registered with the SEC under the Exchange Act. The Company is subject to the periodic reporting, proxy solicitation, insider trading restrictions and other requirements of the Exchange Act and the rules of the SEC promulgated there under. If the Company has fewer than 1,200 record shareholders, it may deregister its shares under the Exchange Act and cease to be subject to the foregoing requirements.

Shares of the Company's Common Stock held by persons who are affiliates of the Company may not be resold without registration unless sold in accordance with the resale restrictions of Rule 144 under the Securities Act of 1933. If the Company meets the current public information requirements under Rule 144, each affiliate of the Company who complies with the other conditions of Rule 144 (including those that require the affiliate's sale to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of (i) 1% of the outstanding shares of the Company or (ii) the average weekly volume of trading in such shares during the preceding four calendar weeks.

Under the Dodd-Frank Act, the Company is required to provide its shareholders an opportunity to vote on the executive compensation payable to its named executive officers and on golden parachute payments in connection with mergers and acquisitions. These votes are non-binding and advisory. At least once every six years, the Company must also permit shareholders to determine on an advisory basis whether such votes should be held every one, two, or three years.

Shares of the Company's Common Stock are listed on the Nasdaq Capital Market under the trading symbol "FNWD," and the Company is subject to the rules of the Nasdaq for listed companies.

Federal Reserve Monetary Policies. The Company's earnings and growth, as well as the earnings and growth of the banking industry in general, are affected by the monetary and credit policies of monetary authorities, including the FRB. An important function of the FRB is to regulate the national supply of bank credit in order to combat recession and curb inflationary pressures. Among the instruments of monetary policy used by the FRB to implement these objectives are open market operations in U.S. government securities, changes in reserve requirements against member bank deposits, and changes in the Federal Reserve discount rate. These instruments are used in varying combinations to influence overall growth of bank loans, investments, and deposits, and may also affect interest rates charged on loans or paid for deposits. The monetary policies of the FRB have had a significant impact on the operating results of financial institutions in the past and are expected to continue to have effects in the future.

In view of continually changing conditions in the national economy and in money markets, as well as the effect of credit policies by monetary and fiscal authorities, including the FRB, it is difficult to predict the impact of possible future changes in interest rates, deposit levels, and loan demand, or their effect on the Company's business and earnings or on the financial condition of the Company's various customers.

Artificial Intelligence. State and federal regulatory agencies have begun adopting rules and guidelines regarding the use of artificial intelligence ("AI") technologies in connection with the provision of financial services. For example, the CFPB and other federal bank regulatory agencies have provided guidance that creditors may be subject to adverse action notice requirements under the Equal Credit Opportunity Act even if they rely on algorithmic underwriting models. Additionally, the California Privacy Protection Agency is currently in the process of finalizing regulations regarding the use of automated decision making. California also enacted new laws that further regulate the use of AI technologies and provide consumers with additional protections around companies' use of AI technologies, such as requiring companies to disclose certain uses of generative AI, and other states have also passed AI-focused legislation. In addition, the New York State Department of Financial Services issued an industry letter on combating cybersecurity risks associated with AI. Additionally, on January 23, 2025, President Trump issued an executive order aimed at reducing barriers to AI innovation in the U.S. economy. The executive order requires relevant persons and bodies within the federal government to develop an AI action plan to carry out this objective and revokes an AI-related executive order issued in 2023 by President Biden, as well as all corresponding policies, regulations, orders, directives, and other actions taken in response to such order.

Other Future Legislation and Change in Regulations. Various other legislation, including proposals to expand or contract the powers of banking institutions and bank holding companies, is from time to time introduced. This legislation may change banking statutes and the operating environment of the Company and the Bank in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot accurately predict whether any of this potential legislation will ultimately be enacted, and, if enacted, the ultimate effect that it, or implementing regulations, would have upon the financial condition or results of operations of the Company or the Bank.

Federal Taxation

For federal income tax purposes, the Bank reports its income and expenses on the accrual method of accounting. The Company and the Bank file a consolidated federal income tax return for each fiscal year ending December 31.

State Taxation

The Bank is subject to Indiana's Financial Institutions Tax ("FIT"), which is imposed at a flat rate on "adjusted gross income," subject to scheduled decreases as described herein. For 2024, this rate was 4.9%. Additionally, the Bank is subject to Illinois state tax which is imposed at a flat rate of 9.5%. "Adjusted gross income," for purposes of the FIT begins with taxable income as defined by Section 63 of the Internal Revenue Code of 1986, as amended (the "Code") and, thus, incorporates federal tax law to the extent that it affects the computation of taxable income. Federal taxable income is then adjusted by several Indiana and Illinois modifications. Other applicable state taxes include generally applicable sales and use taxes plus real and personal property taxes.

Accounting for Income Taxes

At December 31, 2024, the Company has consolidated total deferred tax assets of $36.5 million and consolidated total deferred tax liabilities of $6.9 million, resulting in a consolidated net deferred tax asset of $29.5 million.

Item 1A. Risk Factors

An investment in our common stock involves risks. Before making any decision whether to invest in our common stock, you should carefully consider the risks described below, together with all of the other information included in this report. These risks are not the only ones we will face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business operations, financial condition, and results of operations. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. Also, please read "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to Our Business

As a financial institution, the Company is subject to a number of risks relating to its daily business.

As a financial institution, we are subject to a number of risks relating to our daily business. Although we undertake a variety of efforts to manage and control those risks, many of the risks are outside of our control. Among the risks we face are the following:

- *Credit Risk* – the risk that loan customers or other parties will be unable to perform their contractual repayment obligations.
- *Market Risk* – the risk that changes in market rates and prices will adversely affect our financial condition and results of operations.
- *Liquidity Risk* – the risk that the Company or the Bank will have insufficient cash or access to cash to meet its operating needs.
- *Operational Risk* – the risk of financial and reputational loss resulting from fraud, inadequate or failed internal processes, cyber-security breaches, people and systems, or external events.
- *Economic Risk* – the risk that the economy in our markets could decline, resulting in increased unemployment, decreased real estate values, and increased loan charge-offs.
- *Compliance Risk* – the risk of additional action by our regulators or additional regulation that could hinder our ability to do business profitably.
- *Regulatory Risk* – the risk presented by the need to comply with all laws, rules, and regulations from multiple regulatory agencies, including but not limited to the FDIC, the Consumer Financial Protection Bureau, the IDFI, the FRB, the SEC, and the U.S. Department of Labor.
- *Fiduciary Risk* – the risk of failing to act in our fiduciary capacity in the best interests of the grantors and beneficiaries of trust accounts and benefit plans.

The Company is subject to liquidity risk in its operations, which could adversely affect the ability to fund various obligations.

Liquidity risk is the possibility of being unable to meet obligations as they come due, pay deposits when withdrawn, capitalize on growth opportunities as they arise, or pay dividends because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Liquidity is derived primarily from retail deposit growth and retention, principal and interest payments on loans and investment securities, net cash provided from operation, and access to other funding sources. Liquidity is essential to our business. We must maintain sufficient funds to respond to the needs of depositors and borrowers. An inability to raise funds through deposits, borrowings, the sale or pledging as collateral of loans and other assets could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn, failures of other financial institutions which reduces overall market confidence in the banking and financial services industry, or regulatory action that limits or eliminates our access to alternate funding sources. Our ability to borrow could also be impaired by factors that are nonspecific to us, such as severe disruption of the financial markets or negative expectations about the prospects for the financial services industry, as evidenced by the recent failures of certain depository institutions and the resulting market turmoil and volatility stemming from such failures.

Unrealized losses in the Company's investment portfolio could affect liquidity.

As market interest rates increased during 2022 and continued into the early months of 2023, the Company experienced increased unrealized losses within its investment portfolio. The Company's investment portfolio consists of federal funds, interest bearing balances in other financial institutions, U.S. government securities, federal agency obligations, obligations of state and local municipalities, and corporate securities. All of the instruments held in the Company's investment portfolio are designated as available-for-sale, and many of these instruments are particularly sensitive to interest rate fluctuations, especially long-term fixed-income securities, including U.S. Treasury notes and bonds and corporate and municipal bonds. As of December 31, 2024, the Company held approximately $214.7 million of municipal securities within the investment portfolio, which comprised approximately 64.4% of the portfolio, and approximately $109.3 million of collateralized mortgage obligations and residential mortgage-backed securities within the portfolio, which comprised approximately 32.8% of the portfolio. From December 31, 2023 to December 31, 2024, the investment portfolio experienced unrealized losses of approximately $9.0 million. The increase in unrealized losses is reflected in Accumulated Other Comprehensive Income (Loss) (AOCI) on the Company's balance sheet and reduces the Company's book capital and tangible common equity ratio. However, unrealized losses do not affect the Company's regulatory capital ratios.

Management continues to actively monitor the investment portfolio and may sell securities from the portfolio before maturity in order to take advantage of restructuring opportunities. That said, it is unlikely the Company will be required to sell the securities before recovery of their amortized cost bases, which may be at maturity. However, the Company's access to liquidity sources could be affected by unrealized losses if securities within the investment portfolio must be sold at a loss or tangible capital ratios decline from an increase in unrealized losses or realized credit losses.

Above average interest rate risk associated with fixed-rate loans may have an adverse effect on our financial position or results of operations.

Peoples Bank's loan portfolio includes a significant amount of loans with fixed rates of interest. At December 31, 2024, $712.7 million, or 47.3% of the Bank's total loans receivable had fixed interest rates. The Bank offers adjustable rate mortgage (ARM) loans and fixed-rate loans. Unlike ARM loans, fixed-rate loans carry the risk that, because they do not reprice to market interest rates, their yield may be insufficient to offset increases in the Bank's cost of funds during a rising interest rate environment. Accordingly, a material and prolonged increase in market interest rates could be expected to have a greater adverse effect on the Bank's net interest income compared to other institutions that hold a materially larger portion of their assets in ARM loans or fixed-rate loans that are originated for committed sale in the secondary market.

Higher loan losses could require the Company to increase its allowance for credit losses through a charge to earnings.

When we loan money, we incur the risk that our borrowers will not repay their loans. We reserve for loan losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of loan losses inherent in our loan portfolio. The process for determining the amount of the allowance is critical to our financial results and condition. It requires subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might underestimate the loan losses inherent in our loan portfolio and have loan losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions. For example, in a rising interest rate environment, borrowers with adjustable rate loans could see their payments increase. There may be a significant increase in the number of borrowers who are unable or unwilling to repay their loans, resulting in our charging off more loans and increasing our allowance. In addition, when real estate values decline, the potential severity of loss on a real estate-secured loan can increase significantly, especially in the case of loans with high combined loan-to-value ratios. Our Allowance for credit losses at any particular date may not be sufficient to cover future loan losses. We may be required to increase our Allowance for credit losses, thus reducing earnings.

Commercial business lending may expose the Company to increased lending risks.

At December 31, 2024, the Bank's commercial business loan portfolio amounted to $104.2 million, or 6.9% of total loans. Subject to market conditions and other factors, the Bank intends to expand its commercial business lending activities within its primary market areas. Commercial business lending is inherently riskier than residential mortgage lending. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation value of these assets in the event of a borrower default is often an insufficient source of repayment because accounts receivable may be uncollectible and inventories and equipment may be obsolete or of limited use, among other things.

Commercial real estate lending may expose the Company to increased lending risks.

At December 31, 2024, the Bank's commercial real estate loan portfolio amounted to $551.7 million, or 36.6% of total loans. Commercial real estate lending is inherently riskier than residential mortgage lending. Because payments on loans secured by commercial properties often depend upon the successful operation and management of the properties, repayment of such loans may be affected by adverse conditions in the real estate market or the economy, among other things.

Our mortgage lending profitability could be significantly reduced if we are not able to resell mortgages at a reasonable gain on sale or experience other problems with the secondary market process or we are unable to retain our mortgage loan sales force due to regulatory changes.

Currently, we sell a large portion of the mortgage loans we originate. The profitability of our mortgage banking operations depends in large part upon our ability to aggregate a high volume of loans and to sell them in the secondary market at a gain. Thus, we are dependent upon the existence of an active secondary market and our ability to profitably sell loans into that market.

Our ability to sell mortgage loans readily is dependent upon the availability of an active secondary market for single-family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by Fannie Mae, Freddie Mac, and Ginnie Mae (the "Agencies") and other institutional and non-institutional investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Some of the largest participants in the secondary market, including the Agencies, are government-sponsored enterprises whose activities are governed by federal law. Any future changes in laws that significantly affect the activity of such government-sponsored enterprises could, in turn, adversely affect our operations.

In September 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the U.S. government. Although to date, the conservatorship has not had a significant or adverse effect on our operations, and during 2010 and 2012 the Federal Housing Finance Agency indicated that the Treasury Department is committed to funding Fannie Mae and Freddie Mac to levels needed in order to sufficiently meet their funding needs, it is currently unclear whether further changes would significantly and adversely affect our operations. In addition, our ability to sell mortgage loans readily is dependent upon our ability to remain eligible for the programs offered by the Agencies and other institutional and non-institutional investors. Our ability to remain eligible may also depend on having an acceptable peer-relative delinquency ratio for the Federal Housing Administration ("FHA") and maintaining a delinquency rate with respect to Ginnie Mae pools that are below Ginnie Mae guidelines.

Any significant impairment of our eligibility with any of the Agencies could materially and adversely affect our operations. Further, the criteria for loans to be accepted under such programs may be changed from time-to- time by the sponsoring entity which could result in a lower volume of corresponding loan originations. The profitability of participating in specific programs may vary depending on a number of factors, including our administrative costs of originating and purchasing qualifying loans and our costs of meeting such criteria.

Our mortgage lending profitability could be significantly reduced as changes in interest rates could affect mortgage origination volume and pricing for selling mortgages on the secondary market.

Currently, we sell a large portion of the mortgage loans we originate. The profitability of our mortgage banking operations depends in large part upon our ability to originate and sell mortgages to the secondary market at a gain. A higher interest rate environment can negatively affect the volume of loan originations and refinanced loans reducing the dollar amount of loans available to be sold to the secondary market. Higher interest rates can also negatively affect the premium received on loans sold to the secondary market as competitive pressures to originate loans can reduce pricing.

Our information systems may experience an interruption or breach in security.

The Bank relies heavily on internal and outsourced digital technologies, communications, and information systems to conduct its business. As our reliance on technology systems increases, the potential risks of technology-related operation interruptions in our customer relationship management, general ledger, deposit, loan, or other systems or the occurrence of cyber incidents also increases. Cyber incidents can result from deliberate attacks or unintentional events including (i) unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruptions; (ii) denial-of- service attacks on websites; or (iii) intelligence gathering and social engineering aimed at obtaining information. The occurrence of operational interruption, cyber incident, or a deficiency in the cyber security of our technology systems (internal or outsourced) could negatively impact our financial condition or results of operations.

We have policies and procedures expressly designed to prevent or limit the effect of a failure, interruption, or security breach of our systems and maintain cyber security insurance. However, such policies, procedures, or insurance may prove insufficient to prevent, repel, or mitigate a cyber incident. Significant interruptions to our business from technology issues could result in expensive remediation efforts and distraction of management. Although we have not experienced any material losses related to a technology-related operational interruption or cyber-attack, there can be no assurance that such failures, interruptions, or security breaches will not occur in the future or, if they do occur, that the impact will not be substantial.

The occurrence of any failures, interruptions, or security breaches of our technology systems could damage our reputation, result in a loss of customer business, result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of proprietary information, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition, results of operations, or stock price. As cyber threats continue to evolve, we may also be required to spend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and employee and/or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation or financial performance. Misconduct by our employees could include, but is not limited to, hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers, or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition, and results of operations.

We depend on outside third parties for processing and handling of our records and data.

The Bank relies on software developed by third party vendors to process various transactions. In some cases, we have contracted with third parties to run their proprietary software on our behalf. These systems include, but are not limited to, general ledger, payroll, employee benefits, loan and deposit processing, and securities portfolio management. While we perform a review of controls instituted by the vendors over these programs in accordance with industry standards and perform our own testing of user controls, we must rely on the continued maintenance of these controls by the outside party, including safeguards over the security of customer data. In addition, we maintain backups of key processing output daily in the event of a failure on the part of any of these systems. Nonetheless, we may incur a temporary disruption in the ability to conduct our business or process our transactions or incur damage to our reputation if the third party vendor fails to adequately maintain internal controls or institute necessary changes to systems. Such disruption or breach of security may have a material adverse effect on our financial condition and results of operations.

We continually encounter technological change.

The banking and financial services industry continually undergoes technological changes, with frequent introductions of new technology-driven products and services. In addition to better meeting customer needs, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide products and services that enhance customer convenience and that create additional efficiencies in our operations. Many of our competitors have greater resources to invest in technological improvements, and we may not effectively implement new technology-driven products and services or do so as quickly as our competitors, which could reduce our ability to effectively compete. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to attract and retain skilled people.

The Bank's success depends on its ability to attract and retain skilled people. Competition for the best people in most activities in which we engage can be intense, and we may not be able to hire people or retain them. The unexpected loss of services of certain of our skilled personnel could have a material adverse impact on our business because of their skills, knowledge of our market, years of industry experience, customer relationships, and the difficulty of promptly finding qualified replacement personnel.

Loss of key employees may disrupt relationships with certain customers.

Our customer relationships are critical to the success of our business, and loss of key employees with significant customer relationships may lead to the loss of business if the customers were to follow that employee to a competitor. While we believe our relationships with key personnel are strong, we cannot guarantee that all of our key personnel will remain with the organization, which could result in the loss of some of our customers and could have a negative impact on our business, financial condition, and results of operations.

We may need to raise additional capital in the future, and such capital may not be available when needed or at all.

We may need to raise additional capital in the future to fund acquisitions and to provide us with sufficient capital resources and liquidity to meet our commitments, regulatory capital requirements, and business needs, particularly if our asset quality or earnings were to deteriorate significantly. We periodically explore acquisition opportunities with other financial institutions, some of which may be in a less favorable financial condition than we are. Any future acquisition, particularly the acquisition of a significantly troubled institution or an institution of comparable size to us, may require us to raise additional capital in order to obtain regulatory approval and/or to remain well capitalized.

Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. Economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements, and borrowings from the discount window of the Federal Reserve.

We cannot guarantee that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition, and results of operations and may restrict our ability to grow.

We may be exposed to risk of environmental liabilities with respect to real property to which we take title.

In the course of our business, we may own or foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties (including liabilities for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination), or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property.

We are exposed to intangible asset risk in that our goodwill may become impaired.

As of December 31, 2024, we had $24.3 million of goodwill and other intangible assets. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, or slower growth rates could result in impairment of goodwill. If we were to conclude that a future write-down of our goodwill is necessary, then we would record the appropriate charge, which could be materially adverse to our operating results and financial position. For further discussion, see Notes 1 and 5, "*Summary of Significant Accounting Policies*" and "*Goodwill and Other Intangible Assets*," to the Consolidated Financial Statements included in Item 8 this report.

Damage to our reputation could damage our business.

Our business depends upon earning and maintaining the trust and confidence of our customers, investors, and employees. Damage to our reputation could cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, compliance failures, litigation, regulatory outcomes, or governmental investigations. In addition, a failure to deliver appropriate standards of service and quality, or a failure or perceived failure to treat customers and clients fairly, can result in customer dissatisfaction, litigation, privacy breach, and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs, and harm to our reputation. Adverse publicity about the Company, whether or not true, may result in harm to our existing business, customer relationships and prospects. Should any events or factors that can undermine our reputation occur, there is no assurance that the additional costs and expenses that we may need to incur to address the issues giving rise to the reputational harm would not adversely affect our earnings and results of operations.

Potential acquisitions may disrupt our business and dilute stockholder value.

We periodically evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. We generally seek merger or acquisition partners that are culturally similar and possess either significant market presence or have potential for improved profitability through financial management, economies of scale, or expanded services. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality issues of the target company;
- potential disruption to our business;
- potential diversion of our management's time and attention away from day-to-day operations;
- the possible loss of key employees, business, and customers of the target company;
- difficulty in estimating the value of the target company; and
- potential problems in integrating the target company's data processing and ancillary systems, customers, and employees with ours.

As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving the payment of cash or the issuance of our debt or equity securities may occur at any time. Acquisitions typically involve the payment of a premium over book, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. To the extent we were to issue additional shares of common stock in any such transaction, our current shareholders would be diluted and such an issuance may have the effect of decreasing our stock price, perhaps significantly. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations. In addition, merger and acquisition costs incurred by the Company may temporarily increase operating expenses.

The Company and Bank are subject to extensive regulation and oversight, including with respect to the Order and MOU.

On November 7, 2023, the Bank entered into a Stipulation and Consent to the Issuance of a Consent Order with its bank regulatory agencies, the FDIC and DFI, consenting to the issuance of a consent order (the "Order") relating to the Bank's compliance with the Bank Secrecy Act and its implementing regulations (collectively, the "BSA"). In consenting to the issuance of the Order, the Bank did not admit or deny any charges of unsafe or unsound banking practices or violations of law or regulation relating to its BSA compliance. See "*Management*'*s Discussion and Analysis of Financial Condition and Results of Operations – Regulatory Developments Regarding the Company and the Bank* " below for certain disclosures regarding the Order and MOU. The Order has resulted and is expected to continue to result in additional non-interest BSA compliance expenses for the Bank and the Company. It also may have the effect of limiting or delaying the Bank's and the Company's ability to obtain regulatory approval for certain expansionary activities, to the extent desired by the Company. Our failure to comply with the Order or MOU may result in additional regulatory action, including civil money penalties against the Bank and its officers and directors or enforcement through court proceedings, which could have a material and adverse effect on our business, results of operations, financial condition, cash flows, and stock price.

Regulatory changes to diversity, equity, and inclusion ("DEI") and environmental, social, and governance ("ESG") practices may adversely impact our reputation, compliance costs, and business operations.

In light of the recent executive order titled "Ending Illegal Discrimination and Restoring Merit-Based Opportunity" which revokes previous mandates promoting DEI and directs federal agencies to combat "illegal DEI" practices in the private sector, many companies, including the Company, must reassess their ESG strategies to ensure compliance with the evolving regulatory environment. The order signals a shift in federal oversight and enforcement priorities, potentially affecting internal policies, hiring practices, supplier diversity programs, and corporate governance frameworks.

The executive order rescinds prior directives, such as Executive Order 11246, which required affirmative action and non-discriminatory practices by federal contractors. As a result, federal agencies may reevaluate existing contracts, scrutinize hiring and promotion policies, and take enforcement actions against companies perceived to be engaging in practices that do not align with the revised federal standards. Additionally, new guidance or rulemaking stemming from the executive order could impose restrictions on voluntary DEI initiatives, training programs, or supplier diversity efforts. These developments may necessitate changes to our internal policies, reporting obligations, and public disclosures, creating operational and compliance challenges.

Failure to align our DEI and ESG efforts with the current legal framework could result in reputational damage, legal challenges, and adverse impacts on our operations. Government investigations, enforcement actions, or private litigation challenging our DEI- and ESG-related policies could lead to financial penalties, increased legal costs, and potential restrictions on our ability to engage in government contracting. Moreover, various private third-party organizations continue to evaluate companies based on ESG and DEI practices. Unfavorable ratings from these entities could influence investor decisions, limit access to capital, and generate negative sentiment among stakeholders.

While the executive order aims to eliminate specific DEI programs, investors, customers, and other stakeholders may still expect transparency and commitment to broader ESG goals, including workforce diversity, community engagement, and responsible corporate governance. Companies that scale back DEI initiatives to comply with federal mandates may face backlash from institutional investors, advocacy groups, and employees who view such actions as a retreat from social responsibility commitments. Additionally, inconsistencies between federal and state-level DEI policies may create further complexities, as certain states continue to mandate affirmative action or corporate diversity disclosures. Moreover, the rapid pace of change in legal frameworks, regulatory guidance, and enforcement priorities resulting from the recent Presidential transition yields considerably increased uncertainty and compounds the difficulty of establishing and maintaining compliance.

Adapting to the recent regulatory changes is crucial to maintaining our reputation, ensuring operational continuity, and meeting stakeholder expectations in the evolving ESG landscape. Noncompliance or perceived noncompliance with the executive order and related regulatory guidance could expose us to increased regulatory scrutiny, litigation risks, and limitations on business opportunities. At the same time, misalignment with investor and stakeholder expectations regarding ESG and DEI commitments could impair our brand value, reduce employee engagement and retention, and negatively impact our stock performance. Given these factors, we must carefully assess and adjust our policies, disclosures, and risk mitigation strategies to navigate the shifting legal and business environment effectively.

Risks Related to the Banking Industry

Our business may be adversely affected by conditions in the financial markets and economic conditions generally.

Our financial performance depends to a large extent on the business environment in our geographically concentrated eight-county market area of Lake, Porter, LaPorte, and Newton counties in Indiana, and Cook, DuPage, Lake, and Will counties in Illinois, the nearby suburban metropolitan Chicagoland market, the states of Indiana and Illinois, and the U.S. as a whole. In particular, the current environment impacts the ability of borrowers to pay interest on and repay principal of outstanding loans as well as the value of collateral securing those loans. A favorable business environment is generally characterized by economic growth, low unemployment, efficient capital markets, low inflation, high business and investor confidence, strong business earnings, and other factors. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors.

In the recent past, our market area, the suburban metropolitan Chicagoland market, the states of Indiana and Illinois, and the U.S. as a whole experienced mixed economic conditions. While overall economic growth was favorable and unemployment rates remained low compared to past economic cycles, the aggregate effects of inflation experienced from 2021 to 2023 coupled with continued elevated interest rate levels negatively impacted many sectors of the economy.

While economic conditions have remained relatively stable in spite of these headwinds, significant challenges remain, including the continued aggregate effect of inflation levels experienced in recent years and uncertainty related to government spending levels and federal budget deficits, as well as the potential effect of changes in trade policy and tariffs under the new Trump administration. As a result, there can be no assurance that economic conditions will continue on their current course. Market stress could have a material adverse effect on the credit quality of our loans, and therefore, our financial condition and results of operations as well as other potential adverse impacts including:

- There could be an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility, and widespread reduction of business activity generally.
- There could be an increase in write-downs of asset values by financial institutions, such as the Bank.
- There could be the loss of collateral value on commercial and real estate loans that are secured by real estate located in our market area. A further significant decline in real estate values in our market would mean that the collateral for many of our loans would provide less security. As a result, we would be more likely to suffer losses on defaulted loans because our ability to fully recover on defaulted loans by selling the real estate collateral would be diminished.

- Our ability to assess the creditworthiness of customers could be impaired if the models and approaches they use to select, manage, and underwrite credits become less predictive of future performance.

- The process we use to estimate losses inherent in our loan portfolio requires difficult, subjective, and complex judgments. This process includes analysis of economic conditions and the impact of these economic conditions on borrowers' ability to repay their loans. The process could no longer be capable of accurate estimation and may, in turn, impact its reliability.

- The Bank could be required to pay significantly higher FDIC premiums in the future if losses further deplete the Deposit Insurance Fund.

- We could face increased competition due to intensified consolidation of the financial services industry. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition, and results of operations.

Future economic conditions in our market area will depend on factors outside of our control, such as political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government, military, and fiscal policies, and inflation.

We face strong competition in all phases of our business from other banks, financial institutions, and non-banks.

The banking and financial services business in our market areas is highly competitive. Our competitors include large regional banks, local community banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market mutual funds, credit unions, neo-banks (a digital or mobile-only bank that exists without any physical bank branches), and other non- bank financial and digital service providers, many of which have greater financial, marketing, and technological resources than us. Many of these competitors are not subject to the same regulatory restrictions that we are and may be able to compete more effectively as a result.

Also, technology and other changes have lowered barriers to entry and made it possible for customers to complete financial transactions using neo-banks, non-banks, and financial technology ("FinTech") companies that historically have involved banks at one or both ends of the transaction. These entities now offer products and services traditionally provided by community banks and often at lower costs. The wide acceptance of Internet- based commerce has resulted in a number of alternative payment processing systems, deposit, and lending platforms in which banks play only minor roles. For example, consumers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. Use of emerging alternative payment platforms, such as Apple Pay or Bitcoin or other cryptocurrencies, can alter consumer credit card behavior and consequently impact our interchange fee income.

The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The effects of disintermediation can also impact the lending business because of the fast growing body of FinTech companies that use software to deliver mortgage lending and other financial services. A related risk is the migration of bank personnel away from the traditional bank environments into neo-banks, FinTech companies, and other non-banks.

Increased competition in our market may result in a decrease in the amounts of our loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower. Any of these results could have a material adverse effect on our ability to maintain our earnings record, grow our loan portfolios, and obtain low-cost funds. If increased competition causes us to significantly discount the interest rates we offer on loans or increase the amount we pay on deposits, our net interest income could be adversely impacted. If increased competition causes us to relax our underwriting standards, we could be exposed to higher losses from lending activities. Additionally, many of our competitors are larger in total assets and capitalization, have greater access to capital markets, and offer a broader range of financial services than we can offer.

The Company also is experiencing an increase in competition to acquire other banks, due to the overall strength of financial institutions and their high capital levels. In addition, credit unions and FinTech companies are now actively pursuing small bank acquisitions. Increased competition for bank acquisitions may slow the Company's ability to grow earning assets at comparable historical growth rates.

We are subject to federal regulations that seek to protect the Deposit Insurance Fund and the depositors and borrowers of the Bank, and our federal regulators may impose restrictions on our operations that are detrimental to holders of the Company's common stock.

We are subject to extensive regulation, supervision, and examination by the FRB, IDFI, and FDIC, our primary regulators. Such regulation and supervision governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of the insurance fund and the depositors and borrowers of the Bank rather than for holders of the Company's common stock. Our regulators may subject us to supervisory and enforcement actions, such as the imposition of certain restrictions on our operations, requirements that we take remedial action, the classification of our assets and the determination of the level of our Allowance for credit losses, that are aimed at protecting the insurance fund and the depositors and borrowers of the Bank but that are detrimental to holders of the Company's common stock. Any change in our regulation or oversight, whether in the form of regulatory policy, regulations, legislation, or supervisory action, may have a material impact on our operations.

Acquisitions and the addition of branch facilities may not produce revenue enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties and dilution to existing shareholder value.

We regularly explore opportunities to establish branch facilities and acquire other banks or financial institutions. New or acquired branch facilities and other facilities may not be profitable. We may not be able to correctly identify profitable locations for new branches. The costs to start up new branch facilities or to acquire existing branches, and the additional costs to operate these facilities, may increase our noninterest expense and decrease earnings in the short term. It may be difficult to adequately and profitably manage growth through the establishment of these branches. In addition, we can provide no assurance that these branch sites will successfully attract enough deposits to offset the expenses of operating these branch sites. Any new or acquired branches will be subject to regulatory approval, and there can be no assurance that we will succeed in securing such approvals.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default by our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations or earnings. In addition, failures of other financial institutions, including regional and community banks, could decrease customer confidence in the banking industry as a whole and community banks in particular. Reduced confidence in the financial institutions sector could result in customer disintermediation and the loss of deposit and borrowing relationships, among other effects, which could result in a material adverse effect on the Company's financial condition and results of operations.

Risks Related to the Company's Common Stock

An investment in the Company's common stock is not an insured deposit.

The Company's common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund, or by any other public or private entity. Investment in the Company's common stock is inherently risky for the reasons described in this "*Risk Factors*" section and elsewhere in this prospectus and is subject to the same market forces that affect the price of common stock in any public company. As a result, if you acquire the Company's common stock, you could lose some or all of your investment.

The price of our common stock may fluctuate, sometimes significantly, and this may make it difficult for you to resell our common stock at times or at prices you find attractive.

Although our common stock is listed on the Nasdaq Capital Market, our stock price constantly changes, and we expect our stock price to continue to fluctuate in the future. Our stock price is impacted by a variety of factors, some of which are beyond our control. These factors include:

- variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of management, securities analysts, and investors;
- increases in loan losses, non-performing loans, and other real estate owned;
- changes in the U.S. corporate tax rates;
- changes in expectations as to our future financial performance;
- announcements of new products, strategic developments, new technology, acquisitions, and other material events by us or our competitors;
- ability to fund the Company's assets through core deposits and/or wholesale funding;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- actual or anticipated sales of our equity or equity-related securities;
- our past and future dividend practices;
- our creditworthiness;
- interest rates;
- the credit, mortgage, and housing markets, and the markets for securities relating to mortgages or housing;
- developments with respect to financial institutions generally; and
- economic, financial, geopolitical, regulatory, congressional, or judicial events that affect us or the financial markets.

In addition, the stock market in general has experienced price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies and particularly those in the financial services and banking sector, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results.

The trading volume in the Company's common stock is less than that of other larger financial institutions.

Although the Company's common stock is listed on the Nasdaq Capital Market, the trading volume in the common stock may be less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity, and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. During any period of lower trading volume of the Company's common stock, significant sales of shares of the Company's common stock, or the expectation of these sales, could cause the Company's common stock price to fall.

The Company's Articles of Incorporation, Indiana law, and certain banking laws may have an anti-takeover effect.

Provisions of the Company's Articles of Incorporation, the Indiana Business Corporation Law, and the federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire the Company, even if doing so would be perceived to be beneficial by the Company's shareholders. The combination of these provisions could have the effect of inhibiting a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of the Company's common stock.

The Company may issue additional securities, which could dilute the ownership percentage of holders of the Company's common stock.

The Company may issue additional securities to, among other reasons, raise additional capital or finance acquisitions, and, if it does, the ownership percentage of holders of the Company's common stock could be diluted potentially materially.

We may not be able to pay dividends in the future in accordance with past practice.

The Company has traditionally paid a quarterly dividend to common shareholders. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on our earnings, capital requirements, financial condition, and other factors considered relevant by the Company's board of directors. The board may, at its discretion, reduce or eliminate dividends or change its dividend policy in the future.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

The Company recognizes the importance of maintaining a cybersecurity risk management system designed to reduce the risks that cybersecurity threats pose to financial institutions. As such, the Company has adopted proactive and defensive safeguards intended to better protect the Company's information assets and supporting infrastructures from technology-related attacks. The Company's Board of Directors and management oversee its information security and cybersecurity risk management programs. As further discussed below, the Company has established various programs, policies and procedures which are designed to proactively protect information assets. However, not all incidents can be prevented. As a result, the Company has also established a policy and cybersecurity incident response plan governing how to respond to security incidents, with the objective of minimizing any potential impacts. As of December 31, 2024, the Company is not aware of any cybersecurity incidents that have materially affected or are reasonably likely to materially affect Peoples Bank, including its business strategies, results of operations or financial condition.

Risk Assessment and Management

The Company maintains a variety of programs and policies to support the management of cybersecurity risk within the organization with a focus on prevention, detection and response processes. These programs and policies leverage frameworks and controls from the National Institute of Standards and Technology as well as various other regulatory requirements and industry-specific standards. The Company also participates in the federally recognized Financial Services Information Sharing and Analysis Center and requires its employees and contractors to complete various education and training programs related to information security.

The Company's Information Technology ("IT") team along with a Virtual Chief Information Security Officer ("vCISO") provider has the primary responsibility for establishing appropriate policies and procedures that are responsive to cybersecurity threats and other information security risks. The Company's vCISO, as part of the Company's Risk Management division, provides independent risk management oversight to the IT team. In addition to the Board oversight discussed below, the Company's Internal Audit function independently oversees, reviews and validates these activities and reports to the Board of Directors on the effectiveness of governance, risk management and internal controls.

The Company has established an Enterprise Risk Management Framework which informs the Company's risk management programs. As part of this framework, the vCISO maintains the Company's Cybersecurity Risk Management Program, which is designed to identify, assess, manage, monitor and report cybersecurity risks as part of the Company's independent risk management function. The vCISO is responsible for defining the risk management practices set forth in the Cybersecurity Program.

In light of the complexity and evolving nature of the cybersecurity landscape, the Company periodically re-assesses the maturity of its cybersecurity programs, policies and procedures, including in some instances by engaging the assistance of external experts. The Company also conducts exercises to test its incident response plans and threat assessments, some of which also involve assistance from external consultants.

The Company also maintains a Third Party Risk Management Program to perform similar functions related to risks associated with the Company's relationships with third parties. This assists the Company in its management of its relationships with third parties, which includes considerations for identifying, analyzing and monitoring the cybersecurity risks that third parties may present to Peoples Bank. The Company also maintains a third-party incident response program to govern its response in the event of third-party cybersecurity events.

Board of Directors Oversight

The Risk Management and Compliance Committee of the Company's Board of Directors takes primary responsibility for overseeing the Company's information security programs at the Board level. The Risk Management and Compliance Committee's primary purpose is to assist the Board of Directors in its oversight of plans and operations related to information technology, cybersecurity, data privacy and third-party technology strategy.

The Company's Risk Management and Compliance Committee of the Board of Directors oversees the Company's Enterprise Risk Management Framework and policies, including oversight of risks related to information security. The Risk Management and Compliance Committee receives periodic reports from the Enterprise Risk Management Committee.

The full Board of Directors receives reports from the Risk Management and Compliance Committee about the Company’s cybersecurity programs as a result of the above-described oversight. In the event of a material cybersecurity incident, the Company’s incident response procedures include notifications to the Risk Management and Compliance Committee and full Board of Directors, when appropriate and necessary.

Management Oversight

The Company’s Enterprise Risk Management Committee (“ERM”) is a management committee that reviews and discusses critical information security risks that impact the Company, identifies solutions to address these risks and has oversight of the Company’s information technology and information security policies. The ERM Committee provides cybersecurity reports periodically to the Risk Management Committee and is comprised of the Company’s vCISO, information technology and enterprise risk management leaders, including the Virtual Chief Information Security Officer (“vCISO”), Chief Information Officer, and Chief Risk Officer. The ERM Committee’s membership enables the ERM Committee to be informed about and monitor the prevention, detection, mitigation and remediation of cybersecurity incidents, if any, in accordance with the Company’s incident response plans.

The Company’s vCISO is responsible for information security policies and the coordination of information security efforts across the organization. The vCISO has over 10 years of experience in various information security roles, including working with banking, healthcare, and manufacturing organizations. Prior to his current role, the vCISO served in both network security and IT audit roles, conducting services for banks of various sizes and complexities. The vCISO maintains their Certified Information Security Manager (CISM), Certified Banking Security Manager (CBSM), Certified Banking Security Technology Professional (CBSTP), and Certified Banking Cybersecurity Manager (CBCM) certifications and received his Bachelor of Science in Network Security and Administration. The Company’s vCISO reports to the Chief Risk Officer. The vCISO also reports directly to the ERM Committee.

The vCISO remains informed about developments in cybersecurity, including potential threats and emerging risk management techniques, reporting such information to the Chief Information Officer and ERM Committee periodically. The vCISO advises on processes for the regular monitoring of information systems. This includes the deployment of advanced security measures and system audits to identify potential vulnerabilities. In the event of a cybersecurity incident, the IT team is equipped with a well-defined incident response plan. This plan includes immediate actions designed to mitigate the impact of any incident, and long-term strategies for remediation and prevention of future incidents.

Item 2. Properties

The Company maintains its corporate office at 9204 Columbia Avenue, Munster, Indiana, from which it oversees the operation of the Bank’s 26 banking locations. The Company owns 100% of its single corporate office property location.

As of December 31, 2024, the Bank operated 14 branches in Northwest Indiana, with 13 of the branches located in Lake County and 1 branch located in Porter County, Indiana, and 12 branches located in Cook County, Illinois. The Bank owns 20 of its branch properties and leases 6 of its branch properties under the terms of long-term leases with a third-party. All of the Bank’s branches are equipped with automated teller machines and have drive-through facilities. The net book value of the Bank’s property, premises and equipment totaled $47.3 million at December 31, 2024, including $16.7 million right of use asset balance associated with the Company's 2024 sale-leaseback transaction.

On February 22, 2024, the Bank closed its previously announced sale-leaseback transaction with MountainSeed Real Estate Services, LLC (the “Buyer”), pursuant to which the Bank sold to the Buyer five properties owned and operated as branch locations (the “Properties”) for an aggregate purchase price of $17.2 million, including customary closing adjustments. Under the Sale Agreement, the Bank also entered into triple net lease agreements (the “Lease Agreements”) with the Buyer under which the Bank leases each of the Properties, and pursuant to which the Bank is responsible for the insurance, real estate taxes, and maintenance and repairs for each of the properties. Each of the Lease Agreements became effective upon the closing of the sale-leaseback transaction and have an initial term of 15 years. The Bank’s obligations under the Lease Agreements are guaranteed by the Company.

The Bank outsources its core processing activities to Fidelity National Information Services, Inc., or FIS Corporation located in Jacksonville, Florida. FIS provides real time services for loans, deposits, retail delivery systems, card solutions, digital banking, and wealth management.

Item 3. 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 4. Mine Safety Disclosures

Not applicable

Item 4.5 Information About Our Executive Officers

Pursuant to General Instruction G(3) of Form 10-K, the following information is included as an unnumbered item in this Part I in lieu of being included in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders:

The executive officers of the Company are as follows:

Executive Officer	Age at December 31, 2024	Position
Benjamin J. Bochnowski	44	President, Chief Executive Officer of Finward Bancorp, Chief Executive Officer of Peoples Bank
Robert T. Lowry	63	Executive Vice President, Chief Operating Officer
Todd M. Scheub	57	Executive President, Chief Revenue Officer of Finward Bancorp, President of Peoples Bank
Benjamin L. Schmitt	44	Executive Vice President, Chief Financial Officer, and Treasurer

The following is a description of the principal occupation and employment of the executive officers of the Company during at least the past five years:

Benjamin J. Bochnowski currently serves as President and Chief Executive Officer of the Company and the Chief Executive Officer of the Bank. Mr. Bochnowski joined the Company in 2010, became Executive Vice President and Chief Operating Officer of the Company in 2013, and was promoted to President and Chief Operating Officer in 2015. He became the Chief Executive Officer in 2016. He was appointed to the Board of the Indiana Department of Financial Institutions by the Governor of Indiana in 2019. He served as the Chairman of the Indiana Bankers Association in 2024. He also serves on the Board of Directors of One Region, a non-profit business organization focused on population growth, and Allies for Community Business, a community-based micro-lending fund serving Chicago and the surrounding metropolitan area.

Robert T. Lowry is Executive Vice President, Chief Operating Officer of the Company and the Bank. He is responsible for managing the overall day-to-day operations, which includes transformational change, facilities, commercial credit, as well as loan and deposit operations. Mr. Lowry has been with the Bank since 1985 and has previously served as the Bank's Chief Financial Officer, Treasurer, Controller, Internal Auditor and Assistant Controller. Mr. Lowry is a Certified Public Accountant (inactive) and a Chartered Global Management Accountant. Mr. Lowry holds a Master's of Business Administration Degree from Indiana University and is a graduate of America's Community Bankers National School of Banking. Mr. Lowry has taught online courses for the American Bankers Association that focused on capital and liquidity management, interest rate risk and investments. Mr. Lowry is currently serving on the board of the Food Bank of Northwest Indiana and is a past board chairman and chair of the executive committee. In addition, Mr. Lowry volunteered for the IRS Volunteer Income Tax Assistance (VITA) program. He is a member of the American Institute of Certified Public Accountants and the Indiana CPA Society.

Todd M. Scheub is Executive Vice President, Chief Revenue Officer of the Company and President of the Bank. He is responsible for the Bank's Wealth Management group, Retail Banking group, Marketing, Commercial, and Retail lending groups. Mr. Scheub joined the Bank in 1996 and has previously held positions in the commercial lending group. He provides oversight to the sales group in wealth management, retail banking, business and retail lending as well as chairing the Senior Officer's Loan Committee and the Executive Officer's Loan Committee. Additionally he provides oversight to the Bank's Marketing group. He is the liaison to the solutions group, risk management, executive management, and the Board of Directors on all items related to the Bank's sales groups. Mr. Scheub holds a Bachelor of Science Degree in Business and a Master's Degree in Business Administration from Indiana University Northwest. He also graduated from America's Community Bankers National School of Banking. Mr. Scheub is a Board Member at Lake County Economic Alliance, and the Indiana University Northwest Business School Advisory Board.

Benjamin L. Schmitt is Executive Vice President, Chief Financial Officer and Treasurer of the Company and the Bank. Mr. Schmitt joined the Company and Bank in 2024. He previously served as President of Rally Consulting LLC from August 2023 to February 2024, where he advised on special projects and managed strategic efforts of commercial and community banking clients. Prior to that, Mr. Schmitt served as Managing Director within the financial services investment banking group at Piper Sandler Companies from January 2020 to June 2023, where he advised banking clients on capital raising, merger and acquisition transactions, and other strategic advisory assignments. Previously, he worked at Sandler O'Neill & Partners, L.P. in a similar capacity serving banking clients, as Director from January 2013 to January 2020, and held other investment banking advisory positions at Sandler O'Neill from September 2004 to December 2012. Mr. Schmitt began his career as an investment analyst from 2003 to 2004 at Mercer Investment Consulting. Mr. Schmitt received his Bachelor of Business Administration degree in Finance with Honors from the University of Iowa Tippie College of Business.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock is listed on the Nasdaq Capital Market under the symbol "FNWD." As of December 31, 2024, the Company had 4,313,698 shares of common stock outstanding and 519 stockholders of record. This does not reflect the number of persons or entities who may hold their stock in nominee or "street" name through brokerage firms.

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 is reviewed annually by the Board of Directors. No shares were repurchased during the year ended December 31, 2024 under the stock repurchase program.

Period	Total Number of Shares Purchased (1)	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 (2)
January 1, 2024 – January 31, 2024	-	N/A	-	48,828
February 1, 2024 – February 28, 2024	-	N/A	-	48,828
March 1, 2024 – March 31, 2024	2,816	$24.11	-	48,828
April 1, 2024 – April 30, 2024	-	N/A	-	48,828
May 1, 2024 – May 31, 2024	76	$24.48	-	48,828
June 1, 2024 – June 30, 2024	472	$24.55	-	48,828
July 1, 2024 – July 31, 2024	-	N/A	-	48,828
August 1, 2024 – August 31, 2024	-	N/A	-	48,828
September 1, 2024 – September 30, 2024	-	N/A	-	48,828
October 1, 2024 –October 31, 2024	-	N/A	-	48,828
November 1, 2024 – November 30, 2024	121	$31.00	-	48,828
December 1, 2024 – December 31, 2024	-	N/A	-	48,828

(1) The number of shares above consist of 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 2015 Stock Option and Incentive Plan. For the year ended December 31, 2024, 3,485 shares were reacquired at an average per share price of $24.42 pursuant to these tax withholding transactions.

(2) 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.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company's earnings are dependent upon the earnings of the Bank. The Bank's earnings are primarily dependent upon net interest margin. The net interest margin is the difference between interest income earned on loans and investments and interest expense paid on deposits and borrowings stated as a percentage of average interest earning assets. The net interest margin is perhaps the clearest indicator of a financial institution's ability to generate core earnings. Fees and service charges, wealth management operations income, gains and losses from the sale of assets, provisions for credit losses, income taxes and operating expenses also affect the Company's profitability.

A summary of the Company’s significant accounting policies are detailed in Note 1 to the Company’s consolidated financial statements included in this report. Preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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 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.

At December 31, 2024, the Company had total assets of $2.1 billion and total deposits of $1.8 billion. The Company's deposit accounts are insured up to applicable limits by the Deposit Insurance Fund (DIF) that is administered by the Federal Deposit Insurance Corporation (FDIC), an agency of the federal government. At December 31, 2024, stockholders' equity totaled $151.4 million, with book value per share at $35.10. Net income for 2024 was $12.1 million, or $2.84 diluted earnings per common share. The return on average assets was 0.58%, while the return on average stockholders’ equity was 8.06%.

Regulatory Developments Regarding the Company and the Bank

Consent Order

On November 7, 2023, the Bank entered into a Stipulation and Consent to the Issuance of a Consent Order (the “Stipulation”) with the FDIC and the Indiana Department of Financial Institutions (“DFI”), consenting to the issuance of a consent order (the “Order”) relating to the Bank’s compliance with the Bank Secrecy Act and its implementing regulations (collectively, the “BSA”). In consenting to the issuance of the Order, the Bank did not admit or deny any charges of unsafe or unsound banking practices or violations of law or regulation relating to its BSA compliance. The Order is based on findings of the FDIC and DFI during their joint examination commencing in February 2023 (the “Examination”). Since the completion of the Examination, the board of directors and management of the Company and the Bank have aggressively taken an active role in working to address the findings contained in the Examination and have proactively taken steps to comply with the requirements of the Order prior to its effectiveness, as further discussed below.

Under the terms of the Order, the Bank or its board of directors is required to take certain affirmative actions to comply with the Bank’s obligations under the BSA. These affirmative actions include, but are not limited to, the following: strengthening the board of directors’ oversight of the Bank’s BSA activities; developing, adopting, and implementing a revised BSA compliance program; developing a revised system of internal controls designed to ensure full compliance with the BSA; retaining management qualified to oversee the Bank’s BSA compliance program, including retaining a qualified BSA officer; assessing BSA staffing needs and identifying staff positions and personnel for BSA compliance; developing, adopting, and implementing a revised BSA training program; developing, adopting, and implementing a revised suspicious activity reporting program; implementing a board-approved customer due diligence program, and reviewing and enforcing enhanced customer due diligence and risk assessment procedures; eliminating or correcting certain violations of BSA law and regulations, and correcting BSA program weaknesses; ensuring that all reports required by the BSA are accurately and properly filed; and developing and implementing a written plan to review past account and transaction activity to determine whether suspicious activity was properly identified and reported.

Prior to implementation, certain of the actions required by the Order are subject to review by, and approval or non-objection from, the FDIC and the DFI. The Order will remain in effect and enforceable until it is modified, terminated, suspended, or set aside by the FDIC and DFI.

Numerous actions have been taken to date by the Bank to strengthen its BSA and anti-money laundering compliance practices, policies, procedures, and controls. In this regard, the Bank began developing corrective actions prior to the entry of the Order and expects that it will be able to undertake and implement all required actions within the time periods specified in the Order. These actions include, without limitation, the formation of a Risk Management and Compliance Committee of the board of directors, consisting solely of independent directors, to assist the board in overseeing compliance efforts; enhancing the Bank’s risk management and compliance programs through restructuring reporting lines; improving technology and increasing BSA compliance staff, including hiring senior personnel; making additional investments into processes and system upgrades to strengthen anti-money laundering controls; enhancing education and training of the Bank’s employees responsible for BSA and anti-money laundering compliance; conducting a look-back review of accounts and transaction activity to identify and properly report suspicious activity; and appointing a new Senior Vice President, General Counsel, Corporate Secretary, and Chief Risk Officer of the Company and the Bank with oversight responsibility over the Bank’s enhanced risk management infrastructure, including BSA compliance.

The Bank has incurred and will continue to incur additional non-interest expenses associated with the implementation of the corrective actions set forth in the Order. However, these expenses are not expected to have a material impact on the results of operations or financial condition of the Company or the Bank.

Memorandum of Understanding

On August 9, 2024, the Bank entered into a memorandum of understanding (“MOU”) 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 these regulatory actions 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 Company’s or the Bank’s ability or plans to expand and engage in business combinations.

Financial Condition

During the year ended December 31, 2024, total assets decreased by $47.6 million (2.3%), to $2.1 billion, with interest-earning assets decreasing by $55.8 million (2.9%). At December 31, 2024, interest-earning assets totaled $2.0 billion and represented 92.3% of total assets. Loans totaled $1.5 billion and represented 79.3% of interest-earning assets, 73.2% of total assets and 85.7% of total deposits. The loan portfolio, which is the Company's largest asset, is a significant source of both interest and fee income.

(Dollars in thousands)	December 31, 2024		December 31, 2023	
	Balance	% Loans	Balance	% Loans
Residential real estate	$ 467,293	31.0%	$ 484,948	32.1%
Home equity	49,758	3.3	46,599	3.1
Commercial real estate	551,674	36.6	503,202	33.4
Construction and land development	82,874	5.5	115,227	7.6
Multifamily	212,455	14.1	219,917	14.6
Commercial business	104,246	6.9	97,386	6.5
Consumer	551	-	610	-
Manufactured Homes	26,708	1.8	30,845	2.0
Government	11,024	0.7	10,021	0.7
Gross loans receivable	1,506,583	100.0%	1,508,755	100.0%
Plus:				
Net deferred loans origination costs	2,439		3,705	
Loan clearing funds	(46)		135	
Loans receivable, net of deferred fees and costs	$ 1,508,976		$ 1,512,595	
Adjustable rate loans / loans receivable	$ 793,920	52.7%	$ 745,635	49.4%

Our total commercial real estate portfolio (which is comprised of loans secured by office space, medical office space, and mixed-use retail/office space) totaled $551.7 million as of December 31, 2024, compared to $503.2 million as of December 31, 2023. Given prevailing market conditions such as continued elevated interest rate levels, reduced occupancy as a result of the increase in hybrid work arrangements, and lower commercial real estate valuations, 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 36.6% of the total loan portfolio at December 31, 2024 and 33.4% at December 31, 2023. A further breakdown of the composition of the commercial real estate loan portfolio as of December 31, 2024 and December 31, 2023 is shown in the table below:

Commercial Real Estate (CRE)*

(Dollars in thousands)	December 31, 2024			December 31, 2023		
	# Loans	**$ Amount**	**% of Total Net Loans**	**# Loans**	**$ Amount**	**% of Total Net Loans**
CRE Owner Occupied (CRE OO)						
Food Services & Drinking Places	65	$ 30,481	2.0%	67	$ 31,171	2.1%
Gasoline Stations & Fuel Dealers	28	28,957	1.9	34	28,346	1.9
Ambulatory Health Care Services	33	28,891	1.9	23	25,673	1.7
Repair and Maintenance	34	16,050	1.1	32	11,135	0.7
Specialty Trade Contractors	31	13,265	0.9	16	13,412	0.9
Merchant Wholesalers, Durable Goods	13	12,332	0.8	28	8,527	0.6
Personal and Laundry Services	31	10,673	0.7	32	11,352	0.8
Truck Transportation	12	10,350	0.7	30	11,461	0.8
Professional, Scientific, and Technical Services	26	10,266	0.7	10	10,499	0.7
Other	195	85,344	5.7	183	68,385	4.5
Total CRE Owner Occupied (CRE OO)	468	$ 246,609	16.4%	455	$ 219,961	14.6%
CRE Non Owner Occupied (CRE NOO)						
Strip Centers - Lessors	165	$ 140,360	9.3%	157	$ 124,096	8.2%
Hotels	18	48,659	3.2	16	42,527	2.8
Industrial Properties - Lessors	60	43,581	2.9	54	41,208	2.7
Office Properties - Lessors	57	38,472	2.6	59	38,895	2.6
Special Use - Lessors	10	11,527	0.8	12	10,863	0.7
Big Box Retail - Lessors	2	8,201	0.5	2	8,538	0.6
MiniWarehouses - Lessors	17	8,011	0.5	16	7,934	0.5
Other	14	6,254	0.4	14	9,180	0.6
Total CRE Non Owner Occupied (CRE NOO)	343	$ 305,065	20.2%	330	$ 283,241	18.8%
Total Commercial Real Estate (OO & NOO)	811	$ 551,674	36.6%	785	$ 503,202	33.4%
Total Gross Loans		**$ 1,506,583**			**$ 1,508,755**	

* North American Industry Classification System (NAICS) classification coding for CRE loans began in 2023.

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 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 year ended December 31, 2024, the Bank originated $36.8 million in new fixed rate mortgage loans for sale, compared to $38.0 million during the year ended December 31, 2023. During the year ended December 31, 2024, the Bank originated $27.4 million in new 1-4 family loans retained in its portfolio, compared to $41.6 million during the year ended December 31, 2023. These retained loans are primarily construction loans and adjustable-rate loans with a fixed-rate period of 7 years or less, and the Bank continues to sell longer-duration fixed rate mortgages into the secondary market. Net gains realized from the mortgage loan sales totaled $1.1 million for the year ended December 31, 2024, and 2023. At December 31, 2024, the Company had $1.3 million in loans that were classified as held for sale, compared to $340 thousand at December 31, 2023.

Non-performing loans include those loans that are 90 days or more past due and accruing and those loans that have been placed on non-accrual status. At December 31, 2024, all non-performing loans are also accounted for on a non-accrual basis, except for twenty-nine residential real estate loans totaling $8 thousand which represent loans serviced by third parties that remained accruing and more than 90 days past due.

The Bancorp's nonperforming loans are summarized below:

(Dollars in thousands)

Loan Segment	December 31, 2024	December 31, 2023
Residential real estate	$ 4,665	$ 2,824
Home equity	483	468
Commercial real estate	1,280	1,545
Construction and land development	658	-
Multifamily	3,362	3,715
Commercial business	3,290	2,897
Consumer	-	2
Total	$ 13,738	$ 11,451
Nonperforming loans to total loans	0.91%	0.76%
Nonperforming loans to total assets	0.67%	0.54%

Substandard loans include non-performing loans and 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 December 31, 2024 or December 31, 2023.

The Bancorp's substandard loans are summarized below:

(Dollars in thousands) Loan Segment	December 31, 2024	December 31, 2023
Residential real estate	$ 4,754	$ 2,098
Home equity	490	479
Commercial real estate	1,598	2,544
Construction and land development	2,285	-
Multifamily	3,550	4,245
Commercial business	3,290	2,896
Consumer	-	2
Manufactured homes	54	-
Total	$ 16,021	$ 12,264

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 Bancorp's special mention loans are summarized below:

(Dollars in thousands) Loan Segment	December 31, 2024	December 31, 2023
Residential real estate	$ 4,291	$ 3,084
Home equity	459	168
Commercial real estate	8,008	7,434
Construction and land development	3,675	6,902
Multifamily	5,329	-
Commercial business	3,528	1,610
Total	$ 25,290	$ 19,198

A loan is considered collateral dependent 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.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. Purchased loans with evidence of credit quality deterioration since origination are considered purchased credit impaired. Expected future cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable (“accretable yield”). The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference and represents probable losses in the portfolio. In determining the acquisition date fair value of purchased credit impaired loans, and in subsequent accounting, the Company aggregates these purchased loans into pools of loans by common risk characteristics, such as credit risk rating and loan type. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will generally result in a provision for credit losses.

At times, the Company will modify the terms of a loan to forego a portion of interest or principal or reduce the interest rate on the loan to a rate materially less than market rates, or materially extend the maturity date of a loan as part of a concession to a borrower experiencing financial difficulty. The valuation basis for these modified loans is based on the present value of expected future cash flows; unless consistent cash flows are not present, then the fair value of the collateral securing the loan is the basis for valuation.

The following table shows the amortized cost of loans at December 31, 2024, that were both experiencing financial difficulty and modified during the year ended December 31, 2024, 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 financial receivable is also presented below.

	For the year ended December 31, 2024				
(Dollars in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
Residential Real Estate	$ 528	$ 1,115	$ -	$ -	0.35%
Home Equity	41	-	-	-	0.01%
Total	$ 569	$ 1,115	$ -	$ -	0.11%

	For the year ended December 31, 2023				
(Dollars in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
Residential Real Estate	$ -	$ 868	$ -	$ -	0.18%
Total	$ -	$ 868	$ -	$ -	0.06%

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

The Company closely monitors the performance of loans and leases that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table shows the performance of such modified loans is presented below.

	For the year ended December 31, 2024			
(Dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential Real Estate	$ 545	$ 570	$ -	$ 528
Home Equity	-	-	-	41
Total	$ 545	$ 570	$ -	$ 569

	For the year ended December 31, 2023			
(Dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential Real Estate	$ 868	$ -	$ -	$ -
Total	$ 868	$ -	$ -	$ -

The borrowers with term extensions have had their maturity dates extended and as a result their monthly payments were reduced.

	For the year ended December 31, 2024			
(Dollars in thousands)	Principal forgiveness	Weighted average interest rate reduction	Weighted average term extention	Payment delay
Residential Real Estate	$ -	-%	7 months	6 months

	For the year ended December 31, 2023			
(Dollars in thousands)	Principal forgiveness	Weighted average interest rate reduction	Weighted average term extention	Payment delay
Residential Real Estate	$ -	-%	89 months	-

Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the loan or lease 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.

At December 31, 2024, management is of the opinion that there are no loans, except certain of those discussed above, 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, non-accrual or a troubled loan modification. 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 provision for credit losses represents a charge to earnings necessary to establish an allowance for credit losses that, in management's evaluation, is appropriate to provide coverage for current expected credit losses in the loan and lease portfolio. The allowance for credit losses is increased by the provision for credit losses and is decreased by charge-offs, net of recoveries on prior charge-offs. 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 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 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.

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 $2.9 million and $3.5 million as of December 31, 2024, and 2023, respectively, and is included in net deferred loan origination cost.

The Bancorp's allowance to total loans and non-performing loans are summarized below:
(Dollars in thousands)

	December 31, 2024	December 31, 2023
Allowance for credit losses	$ 16,911	$ 18,768
Total loans	$ 1,508,976	$ 1,512,595
Non-performing loans	$ 13,738	$ 11,451
ACL-to-total loans	1.12%	1.24%
ACL-to-non-performing loans (coverage ratio)	123.1%	163.9%

The December 31, 2024, balance in the ACL account is considered adequate by management after evaluation of the loan portfolio, past experience and current economic and market conditions. While management may periodically allocate portions of the allowance for specific problem loans, the whole allowance is available for any loan charge offs that occur. The allocation of the ACL reflects performance and growth trends within the various loan categories, as well as consideration of the facts and circumstances that affect the repayment of individual loans, and loans which have been pooled as of the evaluation date, with particular attention given to non-performing loans and loans which have been classified as substandard, doubtful or loss. Management has allocated reserves to both performing and non-performing loans based on current information available.

During 2024, net sales of foreclosed real estate totaled $72 thousand and net gain from the 2024 sales totaled $1 thousand.

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 securities, U.S. treasury securities, federal agency obligations, obligations of state and local municipalities and corporate securities. The securities portfolio totaled $333.6 million at December 31, 2024, compared to $371.4 million at December 31, 2023, an decrease of $37.8 thousand or 10.2%. The decrease is attributable to increased unrealized losses within the portfolio and a sale of $15.1 million in securities during the quarter ended March 31, 2024. At December 31, 2024, the securities portfolio represented 17.5% of interest-earning assets and 16.2% of total assets compared to 19.0% of interest-earning assets and 17.6% of total assets at December 31, 2023.

As of December 31, 2024, the Company’s two investments in collateralized debt obligations were in “payment in kind” status. Payment in kind status results in a temporary delay in the payment of interest. As a result of a delay in the collection of the interest payments, management placed these securities on non-accrual status. At December 31, 2024, the cost basis of the two collateralized debt obligations on non-accrual status totaled $2.2 million.

The carrying value of the Company's investment portfolio and other short-term investments and stock balances at December 31, 2024 and 2023 were as follows:

(Dollars in thousands)	December 31, 2024		December 31, 2023	
	Balance	% Securities	Balance	% Securities
U.S. government sponsored entities	$ 8,061	2.4%	$ 7,883	2.1%
Collateralized mortgage obligations and residential mortgage-backed securities	109,325	32.8	123,464	33.2
Municipal securities	214,749	64.4	238,670	64.3
Collateralized debt obligations	1,419	0.4	1,357	0.4
Total securities available-for-sale	$ 333,554	100.0%	$ 371,374	100.0%

(Dollars in thousands)	December 31, 2024	December 31, 2023	YTD Change $	%
Interest bearing deposits in other financial institutions	$ 52,047	$ 67,647	$ (15,600)	-23.1%
Fed funds sold	654	419	235	56.1%
Federal Home Loan Bank stock	6,547	6,547	-	-

The net decrease in interest bearing deposits in other financial institutions is primarily the result of the timing of investments in interest earning assets relative to the inflow and outflow of deposits, repurchase agreements and borrowed funds.

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:

(Dollars in thousands)	December 31, 2024	December 31, 2023	YTD Change $	%
Checking	$ 591,487	$ 653,529	$ (62,042)	-9.5%
Savings	275,121	302,782	(27,661)	-9.1
Money market	333,705	324,993	8,712	2.7
Certificates of deposit	560,253	532,117	28,136	5.3
Total deposits	$ 1,760,566	$ 1,813,421	$ (52,855)	-2.9%

On December 31, 2024, balances for certificates of deposit totaled $560.3 million, compared to $532.1 million on December 31, 2023, an increase of $28.1 million or 5.3%. The decrease in core deposits and increase in certificate of deposit balances is generally related to customer preferences for higher yielding deposits.

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:

(Dollars in thousands)	December 31, 2024 Balance	December 31, 2023 Balance	YTD Change $	%
Repurchase agreements	$ 40,116	$ 38,124	$ 1,992	5.2%
Borrowed funds	65,000	80,000	(15,000)	-18.8
Total borrowed funds	$ 105,116	$ 118,124	$ (13,008)	-11.0%

Repurchase agreements increased as part of normal account fluctuations within that product line. Borrowed funds decreased due to cyclical inflows and outflows of interest-earning assets and interest-bearing liabilities.

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, funds are managed so that future profits will not be significantly impacted as funding costs increase.

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 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.

During 2024, cash and cash equivalents decreased $15.4 million compared to an increase of $54.7 million for 2023. The primary sources of cash and cash equivalents were proceeds from the sale of loans originated for sale, proceeds from a real estate sale leaseback transaction, proceeds from the sale of securities, proceeds from the maturity and paydown of securities. The primary uses of cash and cash equivalents were the payment of dividends, change in deposits, repayment of borrowed funds, and loan originations. During 2024, net cash from operating activities totaled $10.0 million, compared to $24.2 million for 2023. Cash provided from operating activities was primarily a result of net income, sale of loans originated for sale, proceeds from a real estate sale leaseback transaction, and net change in other assets, accrued expenses, and other liabilities, offset by loans originated for sale and gain on sale of loans held-for-sale. Net cash inflows from investing activities totaled $42.8 million during 2024, compared to outflows of $15.0 million during 2023. Cash inflows from investing activities were primarily related to the net change in loans receivable and purchase of securities, offset against the proceeds from the sales and maturities of securities and certificates of deposit in other financial institutions. Net cash outflows from financing activities totaled $68.0 million in 2024, compared to net cash inflows of $15.5 million in 2023. The net cash flows from financing activities were primarily a result of net change in deposits, repayment of borrowed funds, proceeds from FHLB advances and the net change in repurchase agreements.

Management strongly believes that safety and soundness is enhanced by maintaining a high level of capital. Stockholders' equity totaled $151.4 million at December 31, 2024, compared to $147.3 million at December 31, 2023, an increase of $4.1 million (2.8%). The increase was primarily the result of net income of $12.1 million and a decrease in net unrealized losses on available for sale securities of $6.5 million and cash dividends of $2.1 million. At December 31, 2024, book value per share was $35.10 compared to $34.28 for 2023.

The following table shows that, at December 31, 2024, the Bank's capital exceeded all applicable regulatory capital requirements set forth in 12 C.F.R. § 324.

Bank Level Capital
(Dollars in thousands)

December 31, 2024	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1 capital to risk-weighted assets	$179,625	11.26%	$71,771	4.50%	$103,670	6.50%
Tier 1 capital to risk-weighted assets	$179,625	11.26%	$95,695	6.00%	$127,594	8.00%
Total capital to risk-weighted assets	$194,499	12.19%	$127,594	8.00%	$159,492	10.00%
Tier 1 capital to adjusted average assets	$179,625	8.47%	$84,854	4.00%	$106,068	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 Indiana Department of Financial Institutions (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 “– Regulatory Developments Regarding the Company and the Bank – Memorandum of Understanding” 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. The aggregate amount of dividends that the Bank was eligible to declare in 2024, without the need for qualifying for an exemption or prior DFI approval, was its 2024 net income. On December 20, 2024, the Board of Directors of the Company declared a fourth quarter dividend of $0.12 per share. The Company’s fourth quarter dividend was paid on February 3, 2025 to shareholders of record as of January 21, 2025.

Results of Operations –
Comparison of 2024 to 2023

Net income for 2024 was $12.1 million, compared to $8.4 million for 2023, an increase of $3.8 million (44.8%). The increase was primarily due to higher noninterest income, which was driven by a one-time gain on the sale-leaseback transaction and a one-time gain on tax credit investment and also a decrease in the provision expense for credit losses. This earnings increase was offset by lower net interest income and higher non-interest expense. The earnings represent a return on average assets of 0.58% for 2024, compared to 0.40% for 2023. The return on average equity was 8.06% for 2024, compared to 6.28% for 2023.

Net interest income for 2024, was $48.4 million, a decrease of $6.1 million (11.2%) from $54.6 million for 2023. The decreased net interest margin is primarily the result of elevated short-term interest rates relative to long-term interest rates as part of the Federal Reserve’s response to high inflation and other factors. The compression seen earlier in 2024 has slowed and has begun to reverse in late 2024 due to the Federal Reserve’s actions to reduce Federal Funds rates by 100 basis points, which will reprice our interest-bearing liabilities at lower rates. The weighted-average yield on interest-earning assets was 4.67% for 2024, compared to 4.45% for 2023. The weighted-average cost of funds was 2.56% for 2024, compared to 1.96% for 2023. The impact of the 4.67% return on interest earning assets and the 2.56% cost of funds resulted in a net interest spread of 2.21% for 2024, compared to a net interest spread of 2.49% for 2023. During 2024, total interest income increased by $3.4 million (4.0%) while total interest expense increased by $9.5 million (30.4%). The net interest margin was 2.54% for 2024, compared to 2.83% for 2023. The Company’s tax equivalent net interest margin for 2024, was 2.68% compared to 2.98% for 2023. Comparing the net interest margin on a tax equivalent basis more accurately compares the returns on tax-exempt loans and securities to those on taxable interest-earning assets. 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%.

The increase in interest earning asset income for the year ended December 31, 2024, compared to the year ended December 31, 2023, is primarily related to increased reinvestment rates in 2024 for loans, securities, and excess cash balances, as a result of the Federal Reserve’s elevated Federal Funds rate levels and increasing long term market rates throughout most of 2024. The increase in interest bearing liability expense is primarily the result of the Company adjusting deposit and repurchase agreement pricing to align with the current interest rate cycle, along with increased borrowing costs as a result of the Federal Reserve rate increases and long term market rates.

The following table shows the change in noninterest income for the year ending December 31, 2024, and December 31, 2023.

(Dollars in thousands, except per share data)	Year Ended December 31,		YTD 12/31/2024 vs. 12/31/2023	
	2024	2023	$ Change	% Change
Noninterest income:				
Fees and service charges	5,312	6,024	(712)	-11.8%
Wealth management operations	2,855	2,484	371	14.9
Gain on tax credit investment	1,236	-	1,236	0.0
Gain on sale of loans held-for-sale, net	1,138	1,081	57	5.3
Loss on sale of securities, net	(531)	(48)	(483)	1006.3
Increase in cash value of bank owned life insurance	812	766	46	6.0
Gain on real estate	11,661	276	11,385	4125.0
Gain (Loss) on sale of foreclosed real estate	1	(13)	14	-107.7
Other	163	176	(13)	-7.4
Total noninterest income	22,647	10,746	11,901	110.7%

The decrease in fees and service charges is primarily the result of decreased FHA mortgage fees, debit card income, and swap fees earned resulting from the current economic and rate environment. The increase in wealth management operations is the result of higher fee income year over year due to customer base growth and market conditions. We expect demand for fixed rate mortgage loans held-for-sale in the secondary market to be lower as borrowing rates on loans remain elevated. The gain on sale of real estate in 2024 was the result of an announced sale leaseback transaction executed on February 22, 2024 involving five of the Bank’s branch locations. The gain on tax credit investment was the result of a long term, non-controlling interest in a partnership established to facilitate tax credit investments. The increase in total noninterest income in 2024 was primarily due to the gain on the sale-leaseback transaction and the gain on tax credit investment.

The following table shows the change in noninterest expense for the year ending December 31, 2024, and December 31, 2023.

(Dollars in thousands, except per share data)	Year Ended December 31,		YTD 12/31/2024 vs. 12/31/2023	
	2024	2023	$ Change	% Change
Noninterest expense:				
Compensation and benefits	27,737	27,655	82	0.3%
Occupancy and equipment	8,250	6,382	1,868	29.3
Data processing	4,672	4,734	(62)	-1.3
Marketing	799	840	(41)	-4.9
Federal deposit insurance premiums	1,790	2,003	(213)	-10.6
Professional and outside services	5,405	4,279	1,126	26.3
Technology	2,243	1,654	589	35.6
Other	7,246	7,684	(438)	-5.7
Total noninterest expense	58,142	55,231	2,911	5.3%

The increase in noninterest expense is primarily the result of increased occupancy and equipment driven by the Bank’s sale leaseback transaction and professional and outside service expenses associated with BSA resolution and other ongoing improvements made to ongoing bank operations.

Income tax expense for the year ended December 31, 2024, totaled $1.3 million, compared to income tax benefit of $335 thousand for the year ended December 31, 2023, an increase of $1.7 million (495.5%). The combined effective federal and state tax rates for the Company was 9.85% for the year ended December 31, 2024, compared to (4.16%) for the year ended December 31, 2023. The Company's higher current effective tax rate is a result of higher earnings relative to tax preferred income.

Critical Accounting Policies

Critical accounting policies are those accounting policies that management believes are most important to the portrayal of the Company’s financial condition and that require management’s most difficult, subjective or complex judgments. The Company’s most critical accounting policies are summarized below. Other accounting policies, including those related to the fair values of financial instruments and the status of contingencies, are summarized in Note 1 to the Company’s consolidated financial statements.

Allowance for credit losses – The Company maintains an Allowance for credit losses (“ACL”) to absorb probable incurred credit losses that arise from the loan portfolio. The ACL is increased by the provision for credit losses, and decreased by charge-offs net of recoveries. The determination of the amounts of the ACL and provisions for loan losses is based upon 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. The methodology used to determine the current year provision and the overall adequacy of the ACL includes a disciplined and consistently applied quarterly process that combines a review of the current position with a risk assessment worksheet. Factors that are taken into consideration in the analysis include an assessment of national and local economic trends, a review of current year loan portfolio growth and changes in portfolio mix, and an assessment of trends for loan delinquencies and loan charge-off activity. Particular attention is given to non-accruing loans and accruing loans past due 90 days or more, and loans that have been classified as substandard, doubtful, or loss. Changes in the provision are directionally consistent with changes in observable data.

Commercial and industrial, and commercial real estate loans that exhibit credit weaknesses and loans that have been classified as impaired are subject to an individual review. Where appropriate, ACL allocations are made to these loans based on management’s assessment of financial position, current cash flows, collateral values, financial strength of guarantors, industry trends, and economic conditions. ACL allocations for homogeneous loans, such as residential mortgage loans and consumer loans, are based on historical charge-off activity and current delinquency trends. Management has allocated general reserves to both performing and non- performing loans based on historical data and current information available.

Risk factors for non-performing and internally classified loans are based on an analysis of either the projected discounted cash flows or the estimated collateral liquidation value for individual loans defined as substandard or doubtful. Estimated collateral liquidation values are based on established loan underwriting standards and adjusted for current mitigating factors on a loan-by-loan basis. Aggregate substandard loan collateral deficiencies are determined for residential, commercial real estate, commercial business, and consumer loan portfolios. These deficiencies are then stated as a percentage of the total substandard balances to determine the appropriate risk factors.

Risk factors for performing and non-classified loans are based on a weighted average of net charge-offs for the most recent three years, which are then stated as a percentage of average loans for the same period. Historical risk factors are calculated for residential, commercial real estate, commercial business, and consumer loans. The three year weighted average historical factors are then adjusted for current subjective risks attributable to: regional and national economic factors; loan growth and changes in loan composition; organizational structure; composition of loan staff; loan concentrations; policy changes and out of market lending activity.

The risk factors are applied to these types of loans to determine the appropriate level for the ACL. Adjustments may be made to these allocations that reflect management's judgment on current conditions, delinquency trends, and charge-off activity. Based on the above discussion, management believes that the ACL is currently adequate, but not excessive, given the risk inherent in the loan portfolio.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The primary assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or magnitude as the prices of goods and services.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk and Interest Rate Sensitivity

<u>General</u>

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 December 31, 2024, the Company has identified interest rate risk as our primary source of market risk.

<u>Interest Rate Risk</u>

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, the asset liability committee of the Company, or 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 economic value of equity (EVE) 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 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 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, 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 based on our balance sheet as of December 31, 2024 (dollars in millions):

	EVE	%Change	NII	%Change
-400	$ 388	*-8.8%*	$ 62.4	*1.4%*
-300	$ 413	*-3.0%*	$ 62.2	*0.9%*
-200	$ 434	*1.9%*	$ 61.6	*0.0%*
-100	$ 438	*2.9%*	$ 61.4	*-0.3%*
Base	$ 425	*0.0%*	$ 61.6	*0.0%*
+100	$ 402	*-5.5%*	$ 61.4	*-0.3%*
+200	$ 362	*-14.8%*	$ 60.8	*-1.3%*
+300	$ 308	*-27.5%*	$ 59.3	*-3.7%*
+400	$ 252	*-40.7%*	$ 57.6	*-6.6%*

If interest rates across the yield curve were to uniformly decrease, this analysis suggests that the Bank may be positioned for relatively neutral to positive improvements in net interest income over the next twelve months. If interest rates across the yield curve were to uniformly increase, this analysis suggests we would experience a reduction 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.

Item 8. Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors, and Audit Committee
Finward Bancorp
Munster, Indiana

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Finward Bancorp (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

As discussed in Note 1 to the consolidated financial statements, the Company's loan portfolio totaled $1.5 billion as of December 31, 2024, and the associated allowance for credit losses ("ACL") on loans was $16.9 million. As discussed in Notes 1 and 3 to the consolidated financial statements, the Company measures expected credit losses for loans on a collective pooled basis when similar risk characteristics exist using relevant available information, from internal and external sources, relating to past events, current conditions, reasonable and supportable forecasts. Historical peer provides the basis for the estimation of expected credit losses. Management also considers further adjustments to historical loss information for current conditions and reasonable and supportable forecasts that differ from the conditions that exist for the period over which historical information is evaluated as well as other changes in qualitative factors not inherently considered in the quantitative analyses. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan pools.

We have identified the ACL, and more specifically the qualitative adjustments applied in the ACL, as a critical audit matter. The principal consideration for our determination is the high degree of judgment and subjectivity in auditing the assumptions utilized by management in calculating the qualitative reserve component. This required a high degree of judgement due to the nature and extent of audit evidence and effort required to address this matter.

The primary procedures we performed related to this critical audit matter included:

- Obtained an understanding and evaluated the design of controls over the Company's process for establishing the qualitative adjustments used in the ACL, including the key assumptions used to develop the qualitative adjustments applied to the ACL
- Evaluated the relevancy and reliability of key data and assumptions used to derive the qualitative factors, including considering the key data's completeness and accuracy within the model
- Evaluated the mathematical accuracy of the application of qualitative factors within the model.
- Evaluated the reasonableness of the overall ACL amount, including the qualitative component, and whether the recorded ACL appropriately reflects expected credit losses on the loan portfolio. We reviewed historical loss statistics and peer-bank information and considered whether they corroborate or contradict the Company's measurement of the ACL.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2021.

Indianapolis, Indiana

March 31, 2025

Consolidated Balance Sheets

(Dollars in thousands)	December 31, 2024	December 31, 2023
ASSETS		
Cash and non-interest bearing deposits in other financial institutions	$ 17,883	$ 17,942
Interest bearing deposits in other financial institutions	52,047	67,647
Federal funds sold	654	419
Total cash and cash equivalents	70,584	86,008
Securities available-for-sale	333,554	371,374
Loans held-for-sale	1,253	340
Loans receivable, net of deferred fees and costs	1,508,976	1,512,595
Less: Allowance for credit losses	(16,911)	(18,768)
Net loans receivable	1,492,065	1,493,827
Federal Home Loan Bank stock	6,547	6,547
Accrued interest receivable	7,721	8,045
Premises and equipment	47,259	38,436
Foreclosed real estate	-	71
Cash value of bank owned life insurance	33,514	32,702
Goodwill	22,395	22,395
Other intangible assets	1,860	3,272
Other assets	43,947	45,262
Total assets	$ 2,060,699	$ 2,108,279
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 263,324	$ 295,594
Interest bearing	1,497,242	1,517,827
Total	1,760,566	1,813,421
Repurchase agreements	40,116	38,124
Borrowed funds	65,000	80,000
Accrued expenses and other liabilities	43,603	29,389
Total liabilities	1,909,285	1,960,934
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: December 31, 2024 - 4,313,698 December 31, 2023 - 4,298,773	-	-
Additional paid-in capital	70,034	69,555
Accumulated other comprehensive loss	(58,084)	(51,613)
Retained earnings	139,464	129,403
Total stockholders' equity	151,414	147,345
Total liabilities and stockholders' equity	$ 2,060,699	$ 2,108,279

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(Dollars in thousands, except per share data)	Year Ended December 31, 2024	2023
Interest income:		
Loans receivable	$ 77,515	$ 74,762
Securities	8,658	9,118
Other interest earning assets	3,005	1,903
Total interest income	89,178	85,783
Interest expense:		
Deposits	35,162	25,438
Repurchase agreements	1,600	1,294
Borrowed funds	3,969	4,496
Total interest expense	40,731	31,228
Net interest income	48,447	54,555
Provision (benefit) for credit losses	(503)	2,025
Net interest income after provision (benefit) for credit losses	48,950	52,530
Noninterest income:		
Fees and service charges	5,312	6,024
Wealth management operations	2,855	2,484
Gain on tax credit investment	1,236	-
Gain on sale of loans held-for-sale, net	1,138	1,081
Loss on sale of securities, net	(531)	(48)
Increase in cash value of bank owned life insurance	812	766
Gain on real estate	11,661	276
Gain (Loss) on sale of foreclosed real estate	1	(13)
Other	163	176
Total noninterest income	22,647	10,746
Noninterest expense:		
Compensation and benefits	27,737	27,655
Occupancy and equipment	8,250	6,382
Data processing	4,672	4,734
Marketing	799	840
Federal deposit insurance premiums	1,790	2,003
Professional and outside services	5,405	4,279
Technology	2,243	1,654
Other	7,246	7,684
Total noninterest expense	58,142	55,231
Income before income tax expense	13,455	8,045
Income tax expense (benefit)	1,325	(335)
Net income	$ 12,130	$ 8,380
Earnings per common share:		
Basic	$ 2.85	$ 1.96
Diluted	$ 2.84	$ 1.96
Dividends declared per common share	$ 0.48	$ 1.05

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

(Dollars in thousands)	Year Ended December 31, 2024	2023
Net income	$ 12,130	$ 8,380
Net change in net unrealized gains and losses on securities available-for-sale:		
Unrealized gain (loss) arising during the period	(9,042)	16,630
Less: reclassification adjustment for losses included in net income	531	48
Net securities gain (loss) during the period	(8,511)	16,678
Tax effect	2,040	(3,991)
Other comprehensive income, net of tax	(6,471)	12,687
Comprehensive income net of tax	$ 5,659	$ 21,067

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands, except per share data)	*Common Stock*	*Additional Paid-in Capital*	*Accumulated Other Comprehensive Loss*	*Retained Earnings*	*Total Equity*
Balance at January 1, 2023	$ -	$ 69,032	$ (64,300)	$ 125,543	$ 130,275
Net income	-	-	-	8,380	8,380
Other comprehensive income, net of tax	-	-	12,687	-	12,687
Net surrender value of 5,684 restricted stock awards	-	(196)	-	-	(196)
Stock-based compensation expense	-	719	-	-	719
Cash dividends, $1.05 per share	-	-	-	(4,520)	(4,520)
Balance at December 31, 2023	$ -	$ 69,555	$ (51,613)	$ 129,403	$ 147,345
Balance at January 1, 2024	$ -	$ 69,555	$ (51,613)	$ 129,403	$ 147,345
Net income	-	-	-	12,130	12,130
Other comprehensive loss, net of tax	-	-	(6,471)	-	(6,471)
Net surrender value of 3,485 restricted stock awards	-	(86)	-	-	(86)
Stock-based compensation expense	-	565	-	-	565
Cash dividends, $0.48 per share	-	-	-	(2,069)	(2,069)
Balance at December 31, 2024	$ -	$ 70,034	$ (58,084)	$ 139,464	$ 151,414

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(Dollars in thousands)	Year Ended December 31, 2024	Year Ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,130	$ 8,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(36,779)	(37,939)
Sale of loans originated for sale	36,955	40,217
Depreciation and amortization, net of accretion	7,291	7,163
Deferred tax benefit	645	(673)
Stock based compensation expense	565	719
Cash payments for lease liabilities	(1,360)	(69)
Loss on sale of securities, net	531	48
Gain on tax credit investment	(1,236)	-
Gain on sale of loans held-for-sale, net	(1,091)	(1,084)
Gain on sale of real estate	(11,661)	(276)
Gain on sale of foreclosed real estate	(1)	13
Increase of cash value of bank owned life insurance	(812)	(766)
Gain on derivatives	(47)	3
Provision (benefit) for credit losses	(503)	2,025
Change in:		
Interest receivable	324	(624)
Interest payable	(2,445)	2,729
Other assets	3,502	3,002
Accrued expenses and other liabilities	3,797	1,343
Total adjustments	(2,325)	15,831
Net cash provided by operating activities	9,805	24,211
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of certificates of deposit in other financial institutions	-	2,456
Proceeds from maturities and pay downs of securities available-for-sale	12,653	14,332
Proceeds from sales of securities available-for-sale	14,697	476
Purchase of securities available-for-sale	-	(123)
Net change in loans receivable	764	(6,378)
Proceeds from loans held for sale previously classified as loans receivable	-	4,530
Purchase of premises and equipment	(3,074)	(1,148)
Proceeds from sale of premises and equipment	17,677	799
Proceeds from sale of foreclosed real estate	72	77
Net cash provided by investing activities	42,789	15,021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	(52,855)	38,404
Proceeds from borrowed funds	150,000	80,000
Repayment of borrowed funds	(165,000)	(120,000)
Net surrender value of restricted stock awards	(86)	(196)
Change in repurchase agreements	1,992	22,621
Dividends paid	(2,069)	(5,335)
Net cash provided by (used in) financing activities	(68,018)	15,494
Net change in cash and cash equivalents	(15,424)	54,726
Cash and cash equivalents at beginning of period	86,008	31,282
Cash and cash equivalents at end of period	$ 70,584	$ 86,008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 43,178	$ 28,528
Income taxes	415	241
Noncash activities:		
Transfer of loans receivable to loans held for sale	$ -	$ 4,530
Transfers from loans to foreclosed real estate	-	135
Dividends declared not paid	518	517
Initial recoginition of ASU 2016-13	-	9,295
Right-of-use asset obtained in exchange for lease liability	16,140	-

See accompanying notes to consolidated financial statements

NOTE 1 - *Summary of Significant Accounting Policies*

Principles of Consolidation – The consolidated financial statements include Finward Bancorp (the "Company") 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's business activities include being a holding company for the Bank. The Company's earnings are dependent upon the earnings of the Bank. Peoples Service Corporation provides insurance and annuity investments to the Bank's wealth management customers. NWIN, LLC is located in Las Vegas, Nevada and serves as the Bank's investment subsidiary and parent of a real estate investment trust, NWIN Funding, Inc. NWIN Funding, Inc. was formed as an Indiana Real Estate Investment Trust. The formation of NWIN Funding, Inc. provides the Company with a vehicle that may be used to raise capital utilizing portfolio mortgages as collateral, without diluting stock ownership. In addition, NWIN Funding, Inc. receives favorable state tax treatment for income generated by its operations. Columbia Development Company is a limited liability company that serves to hold certain real estate properties that are acquired through foreclosure. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates – Preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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 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.

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.

Cash Flow Reporting – For purposes of the statements of cash flows, the Company considers cash on hand, noninterest bearing deposits in other financial institutions, all interest bearing deposits in other financial institutions with original maturities of 90 days or less, and federal funds sold to be cash and cash equivalents. The Company reports net cash flows for customer loan and deposit transactions and short-term borrowings with maturities of 90 days or less.

Securities – The Company classifies securities into held-to-maturity, available-for-sale, or trading categories. Held- to-maturity securities are those which management has the positive intent and the Company has the ability to hold to maturity, and are reported at amortized cost. Available-for-sale securities are those the Company may decide to sell if needed for liquidity, asset-liability management or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains and losses reported in other comprehensive (loss) income, net of tax. At December 31, 2024, and 2023, all of the Company's securities were classified as available-for-sale. The Company does not have a held to maturity or trading portfolio. Realized gains and losses resulting from the sale of securities recorded on the trade date are computed by the specific identification method. Interest and dividend income, adjusted by amortization of premiums or discounts on a level yield method, are included in earnings.

The full amount of the loss will be charged to earnings if the Company intends to sell an impaired security or it is more likely than not that the Company would be required to sell an impaired security before recovering its amortized cost basis. Changes in the allowance for credit losses would be recorded as a provision for credit losses. Losses would be charged against the allowance when management believes the security is uncollectible or management intends to sell or is required to sell the security. See Note 2—Securities for additional information.

Loans Held-for-Sale – Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held-for-sale can be sold with servicing rights retained or released. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing rights. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans and Loan Interest Income – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, and net deferred loan fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments. The accrual of interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than when they reach 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Generally, interest accrued but not received for loans placed on non-accrual status is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for credit losses – The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes uncollectability of the loan is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is measured on a collective (segment) basis when similar risk characteristics exist. Segments generally reflect underlying collateral categories as well taking into consideration the risk ratings and unguaranteed balance of small business loans. Management considers various economic scenarios in its forecast when evaluating economic indicators and weighs the various scenarios to arrive at the forecast that most reflects management's expectation of future conditions. After a two-year forecast period, a two-year reversion period adjusts loss experience to the historical average on a straight-line basis. Model results are supplemented by qualitative adjustments for risk factors relevant in assessing the expected credit losses within the portfolio segments. These adjustments may increase or decrease the estimate of expected credit losses based upon the assessed level of risk for each qualitative factor.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, adjusted for undiscounted selling costs as appropriate. When the discounted cash flow method is used to determine the allowance for credit losses, management does not adjust the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company also maintains an allowance for credit losses on off-balance sheet credit exposures for unfunded loan commitments. This allowance is reflected as a component of other liabilities which represents management's current estimate of expected losses in the unfunded loan commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life based on management's consideration of past events, current conditions and reasonable and supportable economic forecasts. Management tracks the level and trends in unused commitments and takes into consideration the same factors as those considered for purposes of the allowance for credit losses on outstanding loans.

A description of each segment of the loan portfolio, including the corresponding credit risk, is included below:

Residential real estate – We offer fixed and adjustable rate residential real estate loans with terms of up to 30 years. We also offer a variety of lot loan options to consumers to purchase the lot on which they intend to build their home. We also offer traditional home equity loans and lines of credit. Our underwriting criteria for, and the risk associated with, home equity loans and lines of credit are generally the same as those for first mortgage loans.

Home Equity – Home equity loans typically have terms of 20 years or less. We generally limit the extension of credit to 90% of the available equity of each property. These loans carry risk associated with local employment and declining real estate values.

Commercial real estate – Commercial real estate loans are extensions of credit secured by owner occupied and non-owner occupied collateral. Commercial real estate loans generally have terms of 10 years or less, although payments may be structured on a longer amortization basis. We attempt to reduce credit risk in the commercial real estate portfolio by emphasizing loans on owner-occupied industrial, office, and retail buildings where the loan-to-value ratio, established by independent appraisals, does not generally exceed 80% of cost of appraised value. We also generally require that a borrower's cash flow exceed 120% of monthly debt service obligations. Commercial real estate loans are generally viewed as having more risk of default than residential real estate loans. They are also typically larger than residential real estate loans and consumer loans and depend on cash flows from the owner's business or the property to service the debt. Underwriting generally involves intensive analysis of the financial strength of the borrower and guarantor, liquidation value of the subject collateral, and any available secondary sources of repayment, with the greatest emphasis given to a borrower's capacity to meet cash flow coverage requirements as set forth by Bank policies. Such repayment of owner occupied loans is commonly derived from the successful ongoing operations of the business occupying the property. These typically include small businesses and professional practices. Commercial real estate loans may also include government guaranteed loans secured by collateral in the form of residential real estate. Repayment of such loans generally comes from the generation of cash flow as the result of the borrower's business operations.

Construction and land development – Construction and land development loans are generally limited to a term of 9 to 24 months, although payments may be structured on a longer amortization basis. Most loans will mature and require payment in full upon completion and either the sale of the property or refinance into a permanent loan. We believe that construction and land development loans generally carry a higher degree of risk than long-term financing of stabilized, rented, and owner-occupied properties because repayment depends on the ultimate completion of the project and usually on the subsequent sale of the property. We attempt to reduce risk associated with construction and land development loans by obtaining personal guaranties and by keeping the maximum loan to value ratio at or below 80% of the lesser of cost or appraised value, depending on the project type. Generally we do not have interest reserves built into loan commitments but require periodic cash payments for interest from the borrower's cash flow.

Multifamily – Multifamily loans are a subset of commercial real estate loans and generally carry similar terms and underwriting requirements. These loans are broken out as a separate segment due to unique risk characteristics that they exhibit. While similar in nature to other non-owner occupied commercial real estate, they are significantly impacted by the individual credit capacity of many more individual tenants than other commercial real estate as well as the condition and capacity of the local residential housing markets. The underlying real estate also has a lack of suitable alternative uses.

Commercial business – Commercial business loans are typically made to small and middle-market established businesses involved in professional services, accommodation and food services, health care, financial services, wholesale trade, manufacturing, distribution, retailing, and non-profits. Most clients are privately owned with markets that range from local to national in scope. Many of the loans to this segment are secured by liens on corporate assets and personal guarantees of the principals. The regional economic strength or weakness impacts the relative risk in this loan category. There is little concentration in any one business sector, and loan risks are generally diversified among many borrowers. Risks associated with commercial and industrial loans include monitoring the condition of the collateral which often consists of inventory, accounts receivable, and other non-real estate assets. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service this debt.

Consumer – Consumer loans are underwritten based on the borrower’s income, current debt level, past credit history, and the availability and value of collateral. Consumer rates are both fixed and variable, with negotiable terms. Our installment loans typically amortize over periods up to seven years. Although we typically require monthly principal and interest payments on our loan products, we will offer consumer loans at interest only with a single maturity date when a specific source of repayment is available. Consumer loans are generally considered to have greater risk than our first and second mortgages on real estate because they may be unsecured, or, or if they are secured, the value of the collateral may be difficult to assess and more likely to decrease in value than real estate.

Manufactured homes – The Bancorp purchases fixed rate closed loans from a third party that are subject to Bancorp’s underwriting requirements and secured by manufactured homes. The maturity date on these loans can range up to 25 years. In addition, these loans have a reserve account held at the Bancorp.

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

Troubled Loan Modifications – A troubled loan modification of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule. All modified loans are evaluated to determine whether the loan should be reported as a troubled loan modification (TLM). A loan is a TLM when the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a type of loan modification to the borrower by modifying or renewing a loan under terms that the Company would not otherwise consider. To make this determination, the Company must determine whether (a) the borrower is experiencing financial difficulties and (b) the Company granted the borrower a modification for principal forgiveness, interest rate reduction, other-than-insignificant payment delay or other-than-insignificant term extension. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Some of the factors considered by management when determining whether a borrower is experiencing financial difficulties are: (1) is the borrower currently in default on any of its debts, (2) has the borrower declared or is the borrower in the process of declaring bankruptcy, and (3) is there doubt as to whether the borrower will continue to be a going concern based on factors including but not limited to projections of insufficient cash flows to service debt in accordance with contractual terms and anticipated inability to obtain funding from other sources at a market rate.

Federal Home Loan Bank Stock – The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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

Premises and Equipment – Owned land is carried at cost. Owned premises and equipment are carried at cost less accumulated depreciation. Premises and related components are depreciated using the straight-line method with useful lives ranging from 15 to 39 years. Furniture and equipment are depreciated using the straight-line method with useful lives ranging from 2 to 10 years. The Bank leases six branches through long term lease agreements whereby the Bank is also responsible for insurance costs, real estate taxes, and maintenance and repairs for each of the properties. Lease right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

Foreclosed Real Estate – Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Long-term Assets – Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Bank Owned Life Insurance – The Company has purchased life insurance policies on certain key executives. In accordance with accounting for split-dollar life insurance, Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Intangibles – The Company records the assets acquired, including identified intangible assets, and the liabilities assumed in acquisitions at their fair values. These fair values often involve estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques that may include estimates of attrition, inflation, asset growth rates or other relevant factors. In addition, the determination of the useful lives over which an intangible asset will be amortized is subjective. Under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, goodwill and indefinite-lived assets recorded are reviewed for impairment on an annual basis, as well as on an interim basis if events or changes indicate that the asset might be impaired. An impairment loss is recognized for any excess of carrying value over fair value of the goodwill or the indefinite-lived intangible asset.

Repurchase Agreements – Substantially all repurchase agreement liabilities represent amounts advanced by various customers that are not covered by federal deposit insurance and are secured by securities owned by the Company.

Income Taxes – Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

At December 31, 2024 and 2023, the Company evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained under examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions at December 31, 2024 and 2023.

Loan Commitments and Related Financial Instruments – Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

As part of mortgage banking operations, the Company enters into commitments to originate loans whereby the interest rate on these loans is determined prior to funding (“interest rate lock commitments”). Similar to loans held for sale, the fair value of rate lock commitments is subject to change primarily due to changes in interest rates. The interest rate lock commitments on mortgage loans intended to be sold are recorded at fair value with changes in fair value recorded in current earnings as part of gain on sale of loans held-for-sale, net.

Earnings Per Common Share – Basic earnings per common share is net income divided by the weighted- average number of common shares outstanding during the period. The restricted shares issued provide for dividend and voting rights and are therefore considered participating securities. Accordingly, all restricted stock is included in basic earnings per share.

Comprehensive (Loss) Income – Comprehensive (loss) income consists of net income and other comprehensive (loss) income. Other comprehensive (loss) income includes unrealized gains and losses on securities available-for- sale.

Loss Contingencies – Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe such matters currently exist that will have a material effect on the consolidated financial statements.

Restrictions on Cash – As part of derivative contracts entered into by the Company, cash balances of $ 5.1 million were pledged as collateral at December 31, 2024. At December 31, 2024, the Company’s correspondent cash accounts exceeded federally insured limits by $ 6.8 million. Additionally, the Company had approximately $46.2 million of cash held by the FRB and the FHLB, which is not federally insured.

Fair Value of Financial Instruments – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular instruments. Changes in assumptions or in market conditions could significantly affect the estimates.

Operating Segments – The Company has identified one reporting unit and one operating segment, community banking, which encompasses commercial and consumer banking services to serve a similar base of clients utilizing company-wide offerings of similar products and services managed through similar processes and platforms offered to individuals, businesses, municipalities and other entities. See Note 19 - Segment Reporting for more details.

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Trust Assets – Assets of the Company’s wealth management department, other than cash on deposit at the Company, are not included in these consolidated financial statements because they are not assets of the Company.

Adoption of New Accounting Pronouncements –

In June 2022, the FASB issued ASU No. 2022-03 “Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.” These amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This guidance is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. ASU 2022-03 did not have a material impact on our consolidated financial statements.

In March 2023, the FASB issued Accounting Standards (ASU) No. 2023-02 “Investments Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. This guidance is effective for public business entities for fiscal years including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted in any interim period. ASU 2023-02 did not have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires all public entities to provide enhanced disclosures about significant segment expenses. Provisions in the amendment include: (1) Requirement that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"); (2) Requirement that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss; (3) Requirement that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280 in interim periods; (4) Clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements; (5) Requirement that a public entity disclose the title and position of the CODM and explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources; and (6) Requirement that a public entity that has a single reportable segment provide all the disclosures by the amendments in the update and all existing segment disclosures in ASC 280.

The amendments in the update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. For public business entities, amendments in the update should be applied retrospectively to all periods presented in the financial statements, and upon transition the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company adopted this standard effective January 1, 2024, and did not have a material impact on the consolidated financial statements.

Upcoming Accounting Pronouncements -

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendment in Response to the SEC’s Disclosure Update and Simplification Initiative. The ASU incorporates several disclosure and presentation requirements currently residing in the SEC Regulations S-X and S-K. The amendments will be applied prospectively and are effective when the SEC removes the related requirements from Regulations S-X or S-K. Any amendments the SEC does not remove by June 30, 2027 will not be effective. As we are currently subject to these SEC requirements, this ASU is not expected to have a material impact on our consolidated financial statements or related disclosures.

Income Taxes. In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid and to improve the effectiveness of income tax disclosures. This accounting standards update will be effective for us for fiscal year 2025, with early adoption permitted. We are currently evaluating the impact of this accounting standard, but do not expect it to have a material impact on our consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures, which requires public business entities 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 consolidated financial statements.

In November 2024, the FASB issued ASU 2024-04, Debt-Debt With Conversion and Other Options, which clarifies the requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features or convertible debt instruments that are not currently convertible, should be accounted for as an induced conversion. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods beginning after December 15, 2025. 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 2 – Securities

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

	(Dollars in thousands)			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2024				
US government sponsored entities	$ 8,884	$ -	$ (823)	$ 8,061
Collateralized mortgage obligations and residential mortgage-backed securities	135,974	-	(26,649)	109,325
Municipal securities	262,954	-	(48,205)	214,749
Collateralized debt obligations	2,156	-	(737)	1,419
Total securities available-for-sale	$ 409,968	$ -	$ (76,414)	$ 333,554

	(Dollars in thousands)			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2023				
US government sponsored entities	$ 8,884	$ -	$ (1,001)	$ 7,883
Collateralized mortgage obligations and residential mortgage-backed securities	149,410	-	(25,946)	123,464
Municipal securities	278,813	60	(40,203)	238,670
Collateralized debt obligations	2,170	-	(813)	1,357
Total securities available-for-sale	$ 439,277	$ 60	$ (67,963)	$ 371,374

The cost basis, estimated fair value of available-for-sale securities, and carrying amount, if different, at December 31, 2024, by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	(Dollars in thousands) Available-for-sale	
December 31, 2024	Cost Basis	Estimated Fair Value
Due in one year or less	$ -	$ -
Due from one to five years	11,953	10,801
Due from five to ten years	32,560	28,835
Due over ten years	229,481	184,593
Collateralized mortgage obligations and residential mortgage-backed securities	135,974	109,325
Total	$ 409,968	$ 333,554

Sales of available-for-sale securities were as follows:

	(Dollars in thousands)	
	December 31, 2024	December 31, 2023
Proceeds	$ 14,697	$ 476
Gross gains	-	-
Gross losses	(531)	(48)

The tax benefits related to these net realized losses were approximately $ 127 thousand for 2024. The tax benefits related to these net realized losses were approximately $11 thousand for 2023.

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

	(Dollars in thousands) Unrealized loss
Ending balance, December 31, 2023	$ (51,613)
Current period change	(6,471)
Ending balance, December 31, 2024	$ (58,084)

	(Dollars in thousands) Unrealized gain (loss)
Ending balance, December 31, 2022	$ (64,300)
Period change	12,687
Ending balance, December 31, 2023	$ (51,613)

Securities with carrying values of approximately $ 326.5 million and $ 324.1 million were pledged as of December 31, 2024 and 2023, respectively, as collateral for repurchase agreements, public funds, and for other purposes as permitted or required by law.

Securities with unrealized losses at December 31, 2024, and 2023, not recognized in income are as follows:

(Dollars in thousands)

	Less than 12 months		12 months or longer		Total		
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Percentage of Total Portfolio in Loss Position
December 31, 2024							
US government sponsored entities	$ -	$ -	$ 8,061	$ (823)	$ 8,061	$ (823)	100.0%
Collateralized mortgage obligations and residential mortgage-backed securities	-	-	109,325	(26,649)	109,325	(26,649)	100.0
Municipal securities	3,310	(156)	211,439	(48,049)	214,749	(48,205)	100.0
Collateralized debt obligations	-	-	1,419	(737)	1,419	(737)	100.0
Total securities balance	$ 3,310	$ (156)	$ 330,244	$ (76,258)	$ 333,554	$ (76,414)	100.0%
Number of securities		4		409		413	

(Dollars in thousands)

	Less than 12 months		12 months or longer		Total		
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Percentage of Total Portfolio in Loss Position
December 31, 2023							
US government sponsored entities	$ -	$ -	$ 7,883	$ (1,001)	$ 7,883	$ (1,001)	100.0%
Collateralized mortgage obligations and residential mortgage-backed securities	-	-	123,464	(25,946)	123,464	(25,946)	100.0
Municipal securities	-	-	229,595	(40,203)	229,595	(40,203)	96.2
Collateralized debt obligations	-	-	1,357	(813)	1,357	(813)	100.0
Total securities balance	$ -	$ -	$ 362,299	$ (67,963)	$ 362,299	$ (67,963)	97.6%
Number of securities		-		434		434	

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 those 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.

NOTE 3 – ***Loans Receivable***

Year end loans are summarized below:

(Dollars in thousands)	December 31, 2024	December 31, 2023
Loans secured by real estate:		
Residential real estate	$ 467,293	$ 484,948
Home equity	49,758	46,599
Commercial real estate	551,674	503,202
Construction and land development	82,874	115,227
Multifamily	212,455	219,917
Total loans secured by real estate	1,364,054	1,369,893
Commercial business	104,246	97,386
Consumer	551	610
Manufactured homes	26,708	30,845
Government	11,024	10,021
Loans receivable	1,506,583	1,508,755
Add:		
Net deferred loan origination costs	2,439	3,705
Loan clearing funds	(46)	135
Loans receivable, net of deferred fees and costs	$ 1,508,976	$ 1,512,595

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

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due and Accruing	Current	Accruing Loans	Non-accrual Loans	Total Loans Receivable
December 31, 2024								
Residential real estate	$ 4,423	$ 1,184	$ -	$ 5,607	$ 457,021	$ 462,628	$ 4,665	$ 467,293
Home equity	1,002	123	-	1,125	48,150	49,275	483	49,758
Commercial real estate	4,556	571	-	5,127	545,267	550,394	1,280	551,674
Construction and land development	2,039	-	-	2,039	80,177	82,216	658	82,874
Multifamily	1,961	359	-	2,320	206,773	209,093	3,362	212,455
Commercial business	493	508	-	1,001	99,955	100,956	3,290	104,246
Consumer	5	-	-	5	546	551	-	551
Manufactured homes	428	54	-	482	26,226	26,708	-	26,708
Government	-	-	-	-	11,024	11,024	-	11,024
Total	$ 14,907	$ 2,799	$ -	$ 17,706	$ 1,475,139	$ 1,492,845	$ 13,738	$ 1,506,583
December 31, 2023								
Residential real estate	$ 5,857	$ 4,362	$ 1,131	$ 11,350	$ 471,905	$ 483,255	$ 1,693	$ 484,948
Home equity	226	18	-	244	45,887	46,131	468	46,599
Commercial real estate	3,168	262	712	4,142	498,227	502,369	833	503,202
Construction and land development	2,523	-	-	2,523	112,704	115,227	-	115,227
Multifamily	5,333	-	-	5,333	210,869	216,202	3,715	219,917
Commercial business	105	29	-	134	94,355	94,489	2,897	97,386
Consumer	12	-	-	12	596	608	2	610
Manufactured homes	634	379	-	1,013	29,832	30,845	-	30,845
Government	-	-	-	-	10,021	10,021	-	10,021
Total	$ 17,858	$ 5,050	$ 1,843	$ 24,751	$ 1,474,396	$ 1,499,147	$ 9,608	$ 1,508,755

The following table shows the amortized cost of loans, segregated by portfolio segment, credit quality rating and year of origination as of December 31, 2024, and December 31, 2023 and gross charge-offs for the year ended December 31, 2024 and for the year ended December 31, 2023.

December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving	Revolving Converted to Term	Total
Total Loans Receivable	$ 124,670	$ 143,098	$ 291,855	$ 308,352	$ 211,268	$ 324,738	$ 102,602	$ -	$ 1,506,583
Total current period gross charge-off	$ (64)	$ -	$ (1,010)	$ (125)	$ (2)	$ (1,267)	$ -	$ -	$ (2,468)
Residential real estate									
Pass (1-6)	$ 13,118	$ 30,947	$ 90,324	$ 99,390	$ 102,552	$ 119,449	$ 2,468	$ -	$ 458,248
Special Mention (7)	-	371	365	1,064	554	1,937	-	-	4,291
Substandard (8)	-	539	1,161	601	510	1,943	-	-	4,754
Total	$ 13,118	$ 31,857	$ 91,850	$ 101,055	$ 103,616	$ 123,329	$ 2,468	$ -	$ 467,293
Current period gross charge-off	-	-	-	-	-	(28)	-	-	(28)
Home equity									
Pass (1-6)	$ 193	$ 68	$ 153	$ 110	$ -	$ 3,342	$ 44,943	$ -	$ 48,809
Special Mention (7)	-	132	-	-	3	15	309	-	459
Substandard (8)	26	-	138	-	-	218	108	-	490
Total	$ 219	$ 200	$ 291	$ 110	$ 3	$ 3,575	$ 45,360	$ -	$ 49,758
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Commercial real estate									
Pass (1-6)	$ 49,861	$ 67,290	$ 123,342	$ 96,206	$ 53,864	$ 148,529	$ 2,976	$ -	$ 542,068
Special Mention (7)	974	-	1,036	2,375	668	2,930	25	-	8,008
Substandard (8)	-	-	-	-	202	1,396	-	-	1,598
Total	$ 50,835	$ 67,290	$ 124,378	$ 98,581	$ 54,734	$ 152,855	$ 3,001	$ -	$ 551,674
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Construction and land development									
Pass (1-6)	$ 34,599	$ 24,360	$ 3,732	$ 7,867	$ 224	$ 820	$ 5,312	$ -	$ 76,914
Special Mention (7)	-	-	-	1,207	2,468	-	-	-	3,675
Substandard (8)	-	1,018	-	1,267	-	-	-	-	2,285
Total	$ 34,599	$ 25,378	$ 3,732	$ 10,341	$ 2,692	$ 820	$ 5,312	$ -	$ 82,874
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Multifamily									
Pass (1-6)	$ 6,398	$ 8,923	$ 56,771	$ 74,716	$ 36,075	$ 20,066	$ 627	$ -	$ 203,576
Special Mention (7)	-	-	780	3,332	1,217	-	-	-	5,329
Substandard (8)	-	-	446	1,219	1,516	369	-	-	3,550
Total	$ 6,398	$ 8,923	$ 57,997	$ 79,267	$ 38,808	$ 20,435	$ 627	$ -	$ 212,455
Current period gross charge-off	-	-	-	(125)	-	-	-	-	(125)
Commercial business									
Pass (1-6)	$ 14,655	$ 8,123	$ 9,441	$ 6,094	$ 3,653	$ 11,416	$ 44,046	$ -	$ 97,428
Special Mention (7)	-	25	978	39	-	800	1,686	-	3,528
Substandard (8)	-	1,139	80	171	177	1,621	102	-	3,290
Total	$ 14,655	$ 9,287	$ 10,499	$ 6,304	$ 3,830	$ 13,837	$ 45,834	$ -	$ 104,246
Current period gross charge-off	-	-	(1,010)	-	-	(1,239)	-	-	(2,249)
Consumer									
Pass (1-6)	$ 301	$ 163	$ 34	$ 51	$ -	$ 2	$ -	$ -	$ 551
Substandard (8)	-	-	-	-	-	-	-	-	-
Total	$ 301	$ 163	$ 34	$ 51	$ -	$ 2	$ -	$ -	$ 551
Current period gross charge-off	(64)	-	-	-	(2)	-	-	-	(66)
Manufactured homes									
Pass (1-6)	$ -	$ -	$ 1,634	$ 11,360	$ 7,559	$ 6,101	$ -	$ -	$ 26,654
Substandard (8)	-	-	-	28	26	-	-	-	54
Total	$ -	$ -	$ 1,634	$ 11,388	$ 7,585	$ 6,101	$ -	$ -	$ 26,708

Current period gross charge-off	-	-	-	-	-	-	-	-	-
Government									
Pass (1-6)	$ 4,545	$ -	$ 1,440	$ 1,255	$ -	$ 3,784	$ -	$ -	$ 11,024
Total	$ 4,545	$ -	$ 1,440	$ 1,255	$ -	$ 3,784	$ -	$ -	$ 11,024
Current period gross charge-off	-	-	-	-	-	-	-	-	-

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving	Revolving Converted to Term	Total
Total Loans Receivable	$ 148,105	$ 323,820	$ 321,183	$ 234,861	$ 108,683	$ 274,027	$ 94,893	$ 3,183	$ 1,508,755
Total current period gross charge-off	$ (95)	$ (150)	$ -	$ (367)	$ (50)	$ (1,882)	$ (27)	$ -	(2,571)
Residential real estate									
Pass (1-6)	$ 20,740	$ 97,671	$ 106,778	$ 115,001	$ 23,873	$ 113,987	$ 1,716	$ -	$ 479,766
Special Mention (7)	405	-	473	173	431	1,602	-	-	3,084
Substandard (8)	-	786	152	471	217	472	-	-	2,098
Total	$ 21,145	$ 98,457	$ 107,403	$ 115,645	$ 24,521	$ 116,061	$ 1,716	$ -	$ 484,948
Current period gross charge-off	-	(40)	-	(25)	(39)	(893)	-	-	(997)
Home equity									
Pass (1-6)	$ 110	$ 114	$ 101	$ 14	$ 61	$ 2,051	$ 42,801	$ 700	$ 45,952
Special Mention (7)	-	-	-	-	4	31	70	63	168
Substandard (8)	-	161	-	-	-	67	251	-	479
Total	$ 110	$ 275	$ 101	$ 14	$ 65	$ 2,149	$ 43,122	$ 763	$ 46,599
Current period gross charge-off	-	-	-	-	-	(16)	(27)	-	(43)
Commercial real estate									
Pass (1-6)	$ 52,880	$ 127,607	$ 90,108	$ 55,236	$ 56,255	$ 108,489	$ 2,649	$ -	$ 493,224
Special Mention (7)	-	69	2,429	1,274	1,123	2,397	142	-	7,434
Substandard (8)	-	-	-	230	-	2,314	-	-	2,544
Total	$ 52,880	$ 127,676	$ 92,537	$ 56,740	$ 57,378	$ 113,200	$ 2,791	$ -	$ 503,202
Current period gross charge-off	-	-	-	-	-	(372)	-	-	(372)
Construction and land development									
Pass (1-6)	$ 48,518	$ 24,948	$ 13,411	$ 1,732	$ 4,284	$ 473	$ 12,539	$ 2,420	$ 108,325
Special Mention (7)	365	76	4,205	2,256	-	-	-	-	6,902
Substandard (8)	-	-	-	-	-	-	-	-	-
Total	$ 48,883	$ 25,024	$ 17,616	$ 3,988	$ 4,284	$ 473	$ 12,539	$ 2,420	$ 115,227
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Multifamily									
Pass (1-6)	$ 9,333	$ 53,493	$ 78,122	$ 41,773	$ 13,156	$ 19,609	$ 186	$ -	$ 215,672
Substandard (8)	-	-	1,666	1,562	-	1,017	-	-	4,245
Total	$ 9,333	$ 53,493	$ 79,788	$ 43,335	$ 13,156	$ 20,626	$ 186	$ -	$ 219,917
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Commercial business									
Pass (1-6)	$ 13,110	$ 13,774	$ 9,327	$ 5,705	$ 4,105	$ 12,905	$ 33,954	$ -	$ 92,880
Special Mention (7)	373	197	58	-	129	436	417	-	1,610
Substandard (8)	43	1,094	256	214	-	1,121	168	-	2,896
Total	$ 13,526	$ 15,065	$ 9,641	$ 5,919	$ 4,234	$ 14,462	$ 34,539	$ -	$ 97,386
Current period gross charge-off	-	(110)	-	(342)	(11)	(601)	-	-	(1,064)
Consumer									
Pass (1-6)	$ 338	$ 73	$ 108	$ 4	$ 14	$ 71	$ -	$ -	$ 608
Substandard (8)	-	-	-	2	-	-	-	-	2
Total	$ 338	$ 73	$ 108	$ 6	$ 14	$ 71	$ -	$ -	$ 610
Current period gross charge-off	(95)	-	-	-	-	-	-	-	(95)
Manufactured homes									
Pass (1-6)	$ -	$ 1,942	$ 12,556	$ 9,214	$ 5,031	$ 2,102	$ -	$ -	$ 30,845
Total	$ -	$ 1,942	$ 12,556	$ 9,214	$ 5,031	$ 2,102	$ -	$ -	$ 30,845
Current period gross charge-off	-	-	-	-	-	-	-	-	-
Government									
Pass (1-6)	$ 1,890	$ 1,815	$ 1,433	$ -	$ -	$ 4,883	$ -	$ -	$ 10,021
Total	$ 1,890	$ 1,815	$ 1,433	$ -	$ -	$ 4,883	$ -	$ -	$ 10,021
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 credit worthy 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. 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 Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank institution 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 for 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 for borrowers experiencing financial distress by providing the following forms of relief: principal forgiveness, term extension, payment delay, or interest rate reduction. In some cases, the Company 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 of loans at December 31, 2024, that were both experiencing financial difficulty and modified during the year ended December 31, 2024, 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 financial receivable is also presented below.

	For the twelve months ended December 31, 2024				
(Dollars in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
Residential Real Estate	$ 528	$ 1,115	$ -	$ -	0.35%
Home Equity	41	-	-	-	0.01%
Total	$ 569	$ 1,115	$ -	$ -	0.11%

	For the year ended December 31, 2023				
(Dollars in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	% of Total Segment Financing Receivables
Residential Real Estate	$ -	$ 868	$ -	$ -	0.18%
Total	$ -	$ 868	$ -	$ -	0.06%

The financial effects of payment delay modifications and term extension modifications were forbearance average of five months and four months weighted average extension to life of loan, respectively. There were no commitments to lend additional amounts to the borrowers included in the previous tables.

The Company closely monitors the performance of loans and leases that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The performance of such modified loans is presented below.

(Dollars in thousands)	For the year ended December 31, 2024 Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential Real Estate	$ 545	$ 570	$ -	$ 528
Home Equity	-	-	-	41
Total	$ 545	$ 570	$ -	$ 569

(Dollars in thousands)	For the year ended December 31, 2023 Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due
Residential Real Estate	$ 868	$ -	$ -	$ -
Total	$ 868	$ -	$ -	$ -

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

There were $589 thousand in multifamily loans, $7 thousand in home equity loans and $736 thousand in residential loans in the process of foreclosure as of December 31, 2024.

Acquired Loan Purchase Discounts

As part of the fair value of loans receivable, there was a net fair value discount for loans acquired of $ 4.4 million at December 31, 2024, compared to $5.2 million at December 31, 2023.

Accretable yield, or income recorded for the twelve months ended December 31, is as follows:

(Dollars in thousands)	Total
2023	$ 1,078
2024	799

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

(Dollars in thousands)	Total
2025	$ 643
2026	474
2027	305
2028	290
2029	253
2030 and thereafter	2,440
Total	$ 4,405

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 Accounting Standards Codification (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 probability of default (“PD”)/loss given default (“LGD”) methodology (PD/LGD). In creating the “current expected credit loss (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 Bancorp's activity in the allowance for credit losses, by loan segment, is summarized below for the year ended December 31, 2024:

(Dollars in thousands)	*Beginning Balance*	*Charge-offs*	*Recoveries*	*Provisions*	*Ending Balance*
Allowance for credit losses:					
Residential real estate	$ 3,984	$ (28)	$ 44	$ 481	$ 4,481
Home equity	698	-	-	137	835
Commercial real estate	7,045	-	5	(606)	6,444
Construction and land development	4,206	-	-	(1,555)	2,651
Multifamily	933	(125)	31	164	1,003
Commercial business	1,649	(2,249)	310	1,475	1,185
Consumer	7	(66)	22	42	5
Manufactured homes	181	-	-	71	252
Government	65	-	-	(10)	55
Total	$ 18,768	$ (2,468)	$ 412	$ 199	$ 16,911

The Bancorp's activity in the allowance for credit losses, by loan segment, is summarized below for the year ended December 31, 2023:

(Dollars in thousands)	*Beginning Balance*	*Charge-offs*	*Recoveries*	*Provisions*	*Ending Balance*
Allowance for credit losses:					
Residential real estate	$ 5,244	$ (997)	$ 149	$ (412)	$ 3,984
Home equity	538	(43)	-	203	698
Commercial real estate	7,230	(372)	3	184	7,045
Construction and land development	2,988	-	-	1,218	4,206
Multifamily	1,148	-	131	(346)	933
Commercial business	1,690	(1,064)	265	758	1,649
Consumer	79	(95)	15	8	7
Manufactured homes	112	-	-	69	181
Government	55	-	-	10	65
Total	$ 19,084	$ (2,571)	$ 563	$ 1,692	$ 18,768

A collateral dependent 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.

The table below presents the amortized cost basis and allowance for credit losses ("ACL") allocated for collateral dependent loans in accordance with ASC 326, which are individually evaluated to determine expected credit losses.

(Dollars in thousands)	December 31, 2024					
	Real Estate	Equipment/Inventory	Accounts Receivable	Vehicles	Total	ACL Allocation
Residential real estate	$ 3,012	$ -	$ -	$ -	$ 3,012	$ 50
Home equity	219	-	-	-	219	-
Commercial real estate	1,598	-	-	-	1,598	43
Construction and land development	2,285	-	-	-	2,285	-
Multifamily	3,550	-	-	-	3,550	-
Commercial business	712	1,399	1,428	144	3,683	191
	$ 11,376	$ 1,399	$ 1,428	$ 144	$ 14,347	$ 284

(Dollars in thousands)	December 31, 2023					
	Real Estate	Equipment/Inventory	Accounts Receivable	Vehicles	Total	ACL Allocation
Residential real estate	$ 30	$ -	$ -	$ -	$ 30	$ 30
Commercial real estate	2,541	-	-	-	2,541	53
Multifamily	4,244	-	-	-	4,244	85
Commercial business	-	1,583	1,557	192	3,332	738
	$ 6,815	$ 1,583	$ 1,557	$ 192	$ 10,147	$ 906

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 $ 3.2 million and $3.5 million as of December 31, 2024, and December 31, 2023, 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 December 31, 2024 (Dollars in thousands)	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	$ 1,514	$ 3,150	4,664	$ -
Home equity	179	304	483	-
Commercial real estate	1,078	202	1,280	-
Construction and land development	659	-	659	-
Multifamily	3,362	-	3,362	-
Commercial business	3,099	191	3,290	-
Total	$ 9,891	$ 3,847	$ 13,738	$ -

As of December 31, 2023 (Dollars in thousands)	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	$ 442	$ 1,251	$ 1,693	$ 1,131
Home equity	161	307	468	-
Commercial real estate	603	230	833	712
Multifamily	2,357	1,358	3,715	-
Commercial business	1,724	1,173	2,897	-
Consumer	-	2	2	-
Total	$ 5,287	$ 4,321	$ 9,608	$ 1,843

Accrued interest receivable on loans totaled $ 5.5 million as of December 31, 2024 and $5.7 million as of December 31, 2023 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 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.

(Dollars in thousands)	For the year ended December 31, 2024	For the year ended December 31, 2023
Balance, beginning of period	$ 3,441	$ 3,108
Provision (Release)	(702)	333
Balance, end of period	$ 2,739	$ 3,441

Note 4 – ***Premises and Equipment, Net***

At year end, premises and equipment are summarized as follows:

	(Dollars in thousands) 2024	2023
Cost:		
Land	$ 9,066	$ 11,773
Buildings and improvements	34,876	41,252
Lease right of use	16,682	542
Furniture and equipment	20,310	19,401
Total cost	80,934	72,968
Less accumulated depreciation	(33,675)	(34,532)
Premises and equipment, net	$ 47,259	$ 38,436

Depreciation and amortization expense was approximately $ 2.8 million and $ 2.9 million for 2024 and 2023, respectively.

Note 5 – ***Goodwill and Other Intangible Assets***

At year end, goodwill and other intangible assets are summarized as follows:

(Dollars in thousands)	2024	2023
Goodwill balance January 1,	$ 22,395	$ 22,395
Goodwill balance December 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 $ 1.9 million and $3.3 million as of December 31, 2024, and 2023, respectively. The table below summarizes the annual amortization:

The amortization recorded for the nine months ended December 31, is as follows:

(Dollars in thousands)	Total
2023	$ 1,522
2024	$ 1,411

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

(Dollars in thousands)	Total
2025	688
2026	360
2027	294
2028	228
2029	162
Thereafter	128
Total	$ 1,860

Note 6 – ***Income Taxes***

At year-end, components of income tax expense (benefit) consist of the following:

	(Dollars in thousands)	
	2024	*2023*
Federal:		
Current	$ 309	$ 92
Deferred	622	(584)
State:		
Current	371	246
Deferred, net of valuation allowance	23	(89)
Income tax expense (benefit)	$ 1,325	$ (335)

Effective tax rates differ from the federal statutory rate of 21% for 2024 and 2023 applied to income before income taxes due to the following:

	(Dollars in thousands) 2024	2023
Federal statutory rate	21%	21%
Tax expense at statutory rate	$ 2,826	$ 1,689
State tax, net of federal effect	311	124
Tax exempt income	(1,249)	(1,314)
Bank owned life insurance	(171)	(161)
Captive insurance	-	(159)
Tax credit investments	(486)	(531)
Other	94	17
Total income tax expense (benefit)	$ 1,325	$ (335)

At December 31, the components of the net deferred tax asset recorded in other assets in the consolidated balance sheets are as follows:

	(Dollars in thousands) 2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 5,128	$ 5,686
Deferred compensation	374	356
Unrealized depreciation on securities available-for-sale.	18,319	16,285
Net operating loss	6,120	6,546
Tax credits	673	683
Nonaccrual loan interest income	173	99
Share based compensation	267	293
Unqualified deferred compensation plan	60	67
Accrued compensation	241	260
Purchase accounting	548	426
Deferred loan costs, net of fees	432	337
Lease liability	3,916	87
Other	213	267
Total deferred tax assets	36,464	31,392
Deferred tax liabilities:		
Depreciation	(874)	(1,213)
Prepaid expenses	(480)	(491)
Mortgage servicing rights	(217)	(249)
Deferred stock dividends	(122)	(119)
Goodwill	(701)	(608)
Partnership	(254)	(383)
Lease right of use	(4,124)	(83)
Other	(174)	(118)
Total deferred tax liabilities	(6,946)	(3,264)
Valuation allowance	(63)	(62)
Net deferred tax asset	$ 29,455	$ 28,066

At December 31, 2024, the Company has Indiana net operating loss carry forwards of approximately $ 3.6 million which will begin to expire in 2038 if not used. The Company also has a state tax credit carry forward of approximately $63 thousand which expire from 2024 to 2034. Management has concluded that the state net operating losses will be fully utilized and therefore no valuation allowance is necessary on the state net operating loss. A valuation allowance is in place on the state tax credit carryforward, as it is not expected to be utilized before expiration. A valuation allowance of $ 63 thousand and $62 thousand was provided at December 31, 2024 and 2023, respectively for the state tax credits net of federal benefit.

The Company acquired $3.3 million of federal net operating loss carryforwards and $ 7.2 million of Illinois net operating loss carryforwards with the acquisition of First Personal Financial Corp during 2018 of which $2.2 million of the federal losses expire in years ranging from 2029 to 2035, $1.1 million of the federal losses do not expire, and the Illinois losses expire in years ranging from 2028 to 2036 Under Section 382 of the Internal Revenue Code, the annual limitation on the use of the federal losses is $362 thousand for First Personal while there is no limitation on the use of the Illinois losses. Management has determined that all of the losses are more likely than not to be utilized before expiration.

The Company acquired $7.2 million of federal net operating loss carryforwards and $ 11.4 million of Illinois net operating loss carryforwards with the acquisition of AJS Bancorp Inc. during 2019 of which $3.6 million of the federal losses expire in years ranging from 2030 to 2037, $3.6 million of the federal losses do not expire, and the Illinois losses expire in years ranging from 2029 to 2037. Under Section 382 of the Internal Revenue Code, the annual limitation on the use of the federal losses is $834 thousand for AJS, while there is no limitation on the use of the Illinois losses. Management has determined that all of the losses are more likely than not to be utilized before expiration.

The Company acquired $3.3 million of federal net operating loss carryforwards and $ 57.4 million of Illinois net operating loss carryforwards with the acquisition of Royal Financial, Inc. during 2022 of which $2.7 million of the federal losses expire in years ranging from 2030 to 2036, $623 thousand of the federal losses do not expire, and the Illinois losses expire in years ranging from 2026 to 2032. Under Section 382 of the Internal Revenue Code, the annual limitation on the use of the federal losses is $755 thousand for Royal, while there is no limitation on the use of the Illinois losses. Management has determined that all of the losses are more likely than not to be utilized before expiration.

At December 31, 2024 $4.3 million of the federal loss carryforwards, $ 67.6 million of the Illinois loss carryforward remain and $ 3.6 million of Indiana loss carryforwards remain; the benefit of which is reflected in deferred tax assets.

The Company qualified under provisions of the Internal Revenue Code, to deduct from taxable income a provision for bad debts in excess of both the provision for such losses charged to income in the financial statements, if any. Accordingly, retained earnings at December 31, 2024 and 2023 includes, approximately $14.5 million, for which no provision for federal income taxes has been made. If, in the future this portion of retained earnings is used for any purpose other than to absorb bad debt losses, federal income taxes would be imposed at the then applicable rate. The unrecorded deferred income tax liability on the above amounts was approximately $3.8 million at December 31, 2024 and 2023.

The Company had no unrecognized tax benefits at any time during 2024 or 2023 and does not anticipate any significant increase or decrease in unrecognized tax benefits during 2025. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, it is the Company's policy to record such accruals through income tax accounts; no such accruals existed at any time during 2024 or 2023.

The Company and its subsidiaries are subject to US Federal income tax as well as income tax of the states of Indiana and Illinois. The Company is no longer subject to examination by taxing authorities for the years before 2021.

Note 7 – ***Deposits***

The aggregate amount of retail and brokered certificates of deposit with a balance of $250 thousand or more was approximately $ 141.4 million at December 31, 2024 and $137.1 million at December 31, 2023.

At December 31, 2024, scheduled maturities of retail and brokered certificates of deposit were as follows:

	(Dollars in thousands)
2025	$ 542,690
2026	12,269
2027	4,574
2028	518
2029 and thereafter	202
Total	$ 560,253

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

(Dollars in thousands)	December 31, 2024	December 31, 2023
Checking	$ 591,487	$ 653,529
Savings	275,121	302,782
Money market	333,705	324,993
Certificates of deposit	560,253	532,117
Total deposits	$ 1,760,566	$ 1,813,421

Note 8 – ***Borrowed Funds***

At December 31, 2024 and December 31, 2023, borrowed funds and their outstanding rates are summarized below:

	(Dollars in thousands)	
	December 31, 2024	*December 31, 2023*
Federal Reserve Fixed rate advance with outstanding rate of 4.38%, matured March 22, 2024	$ -	$ 80,000
FHLB Fixed rate advance with outstanding rate of 4.85%, maturing May 16, 2025	10,000	-
FHLB Fixed rate advance with outstanding rate of 4.77%, maturing May 19, 2025	10,000	-
FHLB Fixed rate advance with outstanding rate of 3.38%, maturing August 7, 2028 (1)	10,000	-
FHLB Fixed rate advance with outstanding rate of 3.22%, maturing August 7, 2029 (1)	10,000	-
FHLB Fixed rate advance with outstanding rate of 3.84%, maturing February 28, 2029 (1)	15,000	-
FHLB Fixed rate advance with outstanding rate of 3.74%, maturing February 28, 2029 (1)	10,000	-
Total	$ 65,000	$ 80,000

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

At December 31, 2024, scheduled maturities of borrowed funds were as follows:

	(Dollars in thousands)
2025	20,000
2026	-
2027	-
2028	10,000
2029	35,000
Total	$ 65,000

On March 12, 2023, the Federal Reserve Board announced the creation of a new Bank Term Funding Program (the "BTFP"). The BTFP offered loans of up to one year to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasury securities, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets were valued at par for purposes of the collateral pledge under the BTFP. During the first quarter of 2023, the Company participated in the BTFP by accessing $ 80 million of low-cost capital under the program. During the quarter ending September 30, 2024, the Company terminated its involvement in the Bank Term Funding Program (the "BTFP") and paid off its outstanding balance of $60 million.

Fixed rate advances are payable at maturity, with a prepayment penalty. The advances were collateralized by mortgage loans with a carrying value totaling approximately $460.8 million at December 31, 2024. FHLB retains puttable option to call some of these advances 6 to 12 months after issuance. The Bank had a balance of $65 million at December 31, 2024 compared to no balance at December 31, 2023 at FHLB. In addition to the fixed rate advances, the Bank maintains a $25.0 million line of credit with the Federal Home Loan Bank of Indianapolis. The Bank did not have a balance on the line of credit at December 31, 2024 or December 31, 2023.

At December 31, 2024, the Bank had available approximately $ 687.4 million in credit lines with various money center banks, including the FHLB and Federal Reserve.

Repurchase agreements consist of variable rate sweeps which mature daily as well as fixed rate term agreements that generally mature within 12 months. These repurchase agreements are secured by municipal securities and collateralized mortgage obligations and residential mortgage-backed securities, under the Bank's control. At December 31, information concerning these retail repurchase agreements is summarized below:

	(Dollars in thousands) 2024	2023
Ending balance	$ 40,116	$ 38,124
Average balance during the year	41,506	35,543
Maximum month-end balance during the year	44,058	48,947
Securities underlying the agreements at year end:		
Carrying value	57,833	54,458
Fair value	57,833	54,458
Average interest rate during the year	3.85%	3.64%
Average interest rate at year end	3.51%	3.83%

Note 9 – ***Employees*' *Benefit Plans***

The Company maintains an Unqualified Deferred Compensation Plan (the "UDC Plan"). The purpose of the UDC Plan is to provide deferred compensation to key senior management employees of the Company in order to recognize their substantial contributions to the Bank and provide them with additional financial security as inducement to remain with the Bank. The Compensation Committee selects which persons shall be participants in the UDC Plan. Participants' accounts are credited each year with an amount based on a formula involving the participant's employer funded contributions under all qualified plans and the limitations imposed by Internal Revenue Code subsection 401(a)(17) and Code section 415. The unqualified deferred compensation plan liability at December 31, 2024 and 2023 was approximately $229 thousand and $263 thousand, respectively. The UDC Plan expense amounted to approximately $12 thousand for 2024 and $7 thousand for 2023.

Directors have deferred some of their fees in consideration of future payments. Fee deferrals, including interest, totaled approximately $ 85 thousand and $52 thousand for 2024 and 2023, respectively. The deferred fee liability at both December 31, 2024 and 2023 was approximately $1.4 million.

Note 10 – ***Stock Based Compensation***

The Company's 2015 Stock Option and Incentive Plan (the "Incentive Plan"), permits the grant of equity awards for up to 250,000 shares of common stock. Awards granted under the Incentive Plan may be in the form of incentive stock options, non-qualified stock options, restricted stock, unrestricted stock, performance shares, or performance units. The purposes of the Plan are (i) to align the personal interests of plan participants with those of the shareholders of the Company, (ii) to encourage key individuals to accept or continue employment or service with the Company and its subsidiaries, and (iii) to furnish incentives to such key individuals to improve operations and increase profits by providing such key individuals the opportunity to acquire common stock of the Company or to receive monetary payments based on the value of such common stock.

Restricted stock awards are generally granted with an award price equal to the market price of the Company's common stock on the award date. Restricted stock awards have been issued with a three year cliff-vesting period. Forfeiture provisions exist for personnel that separate employment before the vesting period expires. Compensation expense related to restricted stock awards is recognized over the vesting period. Total compensation cost that has been charged to expense for those plans was approximately $565 thousand and $719 thousand for the years ended December 31, 2024 and 2023, respectively.

When awarded restricted shares vest, employees of the Bank can elect to surrender a portion of their vested shares back to the Company to cover the tax liability of their awards. Shares were surrendered with a total value of $86 thousand and $196 thousand for the years ended December 31, 2024 and 2023, respectively.

A summary of changes in the Company's non-vested restricted stock for the year ended December 31, 2024, follows:

Non-vested Shares	*Shares*	*Weighted Average Grant Date Fair Value*
Non-vested at January 1, 2024	41,649	$ 43.86
Granted	19,137	24.31
Vested	(15,174)	40.84
Forfeited	(1,042)	33.55
Non-vested at December 31, 2024	44,570	$ 36.74

As of December 31, 2024, there was approximately $515 thousand of total unrecognized compensation cost related to non-vested restricted shares granted under the Incentive Plan. The cost is expected to be recognized over a weighted-average period of 1.7 years.

Note 11 – ***Regulatory Capital***

The Bank is subject to regulatory capital guidelines adopted by the FDIC. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet various capital requirements can initiate regulatory action. Prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2024, and 2023, the most recent regulatory notifications categorized the Bank is well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

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.

In addition, the following table shows that, at December 31, 2024, and 2023, the Bank's capital exceeded all applicable regulatory capital requirements set forth in 12 C.F.R. § 324.

Bank Level Capital *(Dollars in thousands)*	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
December 31, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1 capital to risk-weighted assets	$179,625	11.26%	$71,771	4.50%	$103,670	6.50%
Tier 1 capital to risk-weighted assets	$179,625	11.26%	$95,695	6.00%	$127,594	8.00%
Total capital to risk-weighted assets	$194,499	12.19%	$127,594	8.00%	$159,492	10.00%
Tier 1 capital to adjusted average assets	$179,625	8.47%	$84,854	4.00%	$106,068	5.00%

Bank Level Capital *(Dollars in thousands)*	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
December 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1 capital to risk-weighted assets	$168,263	10.43%	$72,643	4.50%	$104,928	6.50%
Tier 1 capital to risk-weighted assets	$168,263	10.43%	$96,857	6.00%	$129,142	8.00%
Total capital to risk-weighted assets	$183,315	11.36%	$129,142	8.00%	$161,428	10.00%
Tier 1 capital to adjusted average assets	$168,260	7.78%	$86,561	4.00%	$108,201	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 Indiana Department of Financial Institutions (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. 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. The aggregate amount of dividends that the Bank was eligible to declare in 2024, without the need for qualifying for an exemption or prior DFI approval, was its 2024 net profit. 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. On December 20, 2024, the Board of Directors of the Company declared a fourth quarter dividend of $0.12 per share. The Company's fourth quarter dividend totaling $518 thousand was paid to shareholders on February 3, 2025.

Note 12 – ***Earnings per Common 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 earnings per common share and diluted earnings per common share computations for 2024 and 2023 is presented below.

(dollars in thousands except per share data)	For the year ended, December 31, 2024	2023
Basic earnings per common share:		
Net income as reported	$ 12,130	$ 8,380
Weighted average common shares outstanding	4,259,570	4,273,824
Basic earnings per common share	$ 2.85	$ 1.96
Diluted earnings per common share:		
Net income as reported	$ 12,130	$ 8,380
Weighted average common shares outstanding	4,259,570	4,273,824
Add: Dilutive effect of unvested restricted stock awards	15,063	8,458
Weighted average common and dilutive potential common shares outstanding	4,274,633	4,282,282
Diluted earnings per common share	$ 2.84	$ 1.96

Note 13 – ***Related Party Transactions***

The Company had aggregate loans outstanding to directors and executive officers (with individual balances exceeding $60 thousand) of approximately $4.4 million at December 31, 2024, and approximately $4.8 million at December 31, 2023. For the year ended December 31, 2024, the following activity occurred on these loans:

	(Dollars in thousands) *2024*	*2023*
Aggregate balance at the beginning of the year	$ 4,832	$ 4,565
New loans	-	650
Repayments	(387)	(383)
Aggregate balance at the end of the year	$ 4,445	$ 4,832

Deposits from directors and executive officers totaled approximately $ 3.8 million and $4.0 million at December 31, 2024, and 2023, respectively.

Note 14 – ***Commitments and Contingencies***

The Company is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments, which include commitments to make loans and standby letters of credit, are not reflected in the accompanying consolidated financial statements. Such financial instruments are recorded when they are funded.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to originate loans and standby letters of credit is represented by the contractual amount of those instruments. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The Company uses the same credit policy to make such commitments as it uses for on-balance sheet items. Since commitments to make loans may expire without being used, the amount does not necessarily represent future cash commitments.

The following table represents the commitments to extend credit and standby letters of credit as of December 31, 2024 and December 31, 2023, respectively:

(Dollars in thousands)	December 31, 2024	December 31, 2023
Commitments to extend credit	$ 228,461	$ 244,080
Standby letters of credit	14,078	18,279
Total	$ 242,539	$ 262,359

Note 15 – ***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 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 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:

	December 31, 2024					
		Asset derivatives		Liability derivatives		
(Dollars in thousands)	Notational or contractual amount	Statement of Financial Condition classification	Fair value	Statement of Financial Condition classification	Fair value
Interest rate swap contracts	$ 89,964	Other assets	$ 5,486	Other liabilities	$ 5,486
Interest rate lock commitments	1,426	Other assets	24	N/A	-
Total	$ 91,390		$ 5,510		$ 5,486

	December 31, 2023				
		Asset derivatives		Liability derivatives	
(Dollars in thousands)	Notational or contractual amount	Statement of Financial Condition classification	Fair value	Statement of Financial Condition classification	Fair value
Interest rate swap contracts	$ 86,995	Other assets	$ 5,591	Other liabilities	$ 5,591
Interest rate lock commitments	2,071	Other assets	35	N/A	-
Total	$ 89,066		$ 5,626		$ 5,591

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

		For the year ended	
(Dollars in thousands)	Statement of Income Classification	2024	2023
Interest rate swap contracts	Fees and service charges	$ 276	$ 387
Interest rate lock commitments	Gain on sale of loans held-for-sale, net	47	(3)
Total		$ 323	$ 384

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

				Gross Amounts not Offset in the Statement of Financial Condition		
(Dollars in thousands)	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	Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2024						
Interest rate swap contracts	$ 5,486	$ -	$ 5,486	$ -	$ 5,120	$ 366
Interest rate lock commitments	82	-	82	-	-	82
Total	$ 5,568	$ -	$ 5,568	$ -	$ 5,120	$ 448

				Gross Amounts not Offset in the Statement of Financial Condition		
(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2023						
Interest rate swap contracts	$ 5,591	$ -	$ 5,591	$ -	$ 4,050	$ 1,541
Interest rate lock commitments	35	-	35	-	-	35
Total	$ 5,626	$ -	$ 5,626	$ -	$ 4,050	$ 1,576

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

(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities 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, 2024						
Interest rate swap contracts	$ 5,486	$ -	$ 5,486	$ -	$ -	$ 5,486
Total	$ 5,486	$ -	$ 5,486	$ -	$ -	$ 5,486

(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities 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, 2023						
Interest rate swap contracts	$ 5,591	$ -	$ 5,591	$ -	$ -	$ 5,591
Total	$ 5,591	$ -	$ 5,591	$ -	$ -	$ 5,591

Note 16 – ***Fair Values of Financial Instruments***

The Fair Value Measurements Topic (the “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 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. ASC 326 allows for prospective adoption of previously recorded credit impairment on AFS securities. This allows the Company to maintain the same amortized cost basis of the securities before and after adoption date. At adoption, 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 December 31, 2024 and December 31, 2023.

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 December 31, 2024 and 2023, 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 December 31, 2024 and 2023, the collateralized debt obligations with a cost basis of $ 2.2 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 non-accrual 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 Values on a Recurring Basis

There were no transfers to or from Levels 1 and 2 during the years ended December 31, 2024 and 2023. Changes in Level 3 assets relate to the result of changes in estimated fair values, payments received, and sales of securities that have been classified as Level 3 during all of 2024 and 2023. Assets measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at December 31, 2024 Using		
(Dollars in thousands)	Estimated Fair Value	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	$ 5,486	$ -	$ 5,486	$ -
Interest rate lock commitments	82	-	82	-
Available-for-sale debt securities:				
US government sponsored entities	8,061	-	8,061	-
Collateralized mortgage obligations and residential mortgage-backed securities	109,325	-	109,325	-
Municipal securities	214,749	-	214,749	-
Collateralized debt obligations	1,419	-	-	1,419
Total securities available-for-sale	$ 333,554	$ -	$ 332,135	$ 1,419
Liabilities:				
Interest rate swap contracts	$ 5,486	$ -	$ 5,486	$ -

		Fair Value Measurements at December 31, 2023 Using		
(Dollars in thousands)	Estimated Fair Value	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	$ 5,591	$ -	$ 5,591	$ -
Interest rate lock commitments	35	-	35	-
Available-for-sale debt securities:				
US government sponsored entities	7,883	-	7,883	-
Collateralized mortgage obligations and residential mortgage-backed securities	123,464	-	123,464	-
Municipal securities	238,670	-	238,670	-
Collateralized debt obligations	1,357	-	-	1,357
Total securities available-for-sale	$ 371,374	$ -	$ 370,017	$ 1,357
Liabilities:				
Interest rate swap contracts	$ 5,591	$ -	$ 5,591	$ -

A reconciliation of available-for-sale securities, which require significant adjustment based on unobservable data, is presented below:

	(Dollars in thousands) Estimated Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Available-for-sale securities
Beginning balance, January 1, 2024	$ 1,357
Principal payments	(14)
Total unrealized gains, included in other comprehensive income	76
Ending balance, December 31, 2024	$ 1,419
Beginning balance, January 1, 2023	$ 1,048
Principal payments	(3)
Total unrealized gains, included in other comprehensive loss	312
Ending balance, December 31, 2023	$ 1,357

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

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

		Fair Value Measurements at December 31, 2024 Using		
(Dollars in thousands)	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	$ 1,496	$ -	$ -	$ 1,496

		(Dollars in thousands) Fair Value Measurements at December 31, 2023 Using		
(Dollars in thousands)	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	$ 8,673	$ -	$ -	$ 8,673

Significant (Level 3) Inputs

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

(Dollars in thousands)	**Fair Value at December 31, 2024**	**Valuation Technique**	**Significate Unobservable Inputs**	**Range**	**Weighted-Average Range**
Collateral dependent loans	$ 1,496	Fair value of collateral	Discount for type of property and current market conditions	0% - 80%	8%

(Dollars in thousands)	**Fair Value at December 31, 2023**	**Valuation Technique**	**Significate Unobservable Inputs**	**Range**	**Weighted-Average Range**
Collateral dependent loans	$ 8,673	Fair value of collateral	Discount for type of property and current market conditions	0% - 80%	17%

The following table shows carrying values and related estimated fair values of financial instruments 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.

	December 31, 2024		Estimated Fair Value Measurements at December 31, 2024 Using		
(Dollars in thousands)	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	$ 70,584	$ 70,584	$ 70,584	$ -	$ -
Loans held-for-sale	1,253	1,277	-	1,277	-
Loans receivable, net	1,492,065	1,435,148	-	-	1,435,148
Federal Home Loan Bank stock	6,547	6,547	-	6,547	-
Accrued interest receivable	7,721	7,721	-	7,721	-
Financial liabilities:					
Non-interest bearing deposits	263,324	263,324	263,324	-	-
Interest bearing deposits	1,497,242	1,496,638	936,989	559,649	-
Repurchase agreements	40,116	39,960	32,364	7,596	-
Borrowed funds	65,000	63,432	-	63,432	-
Accrued interest payable	620	620	-	620	-

	December 31, 2023		Estimated Fair Value Measurements at December 31, 2023 Using		
(Dollars in thousands)	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	$ 86,008	$ 86,008	$ 86,008	$ -	$ -
Loans held-for-sale	340	349	-	349	-
Loans receivable, net	1,493,827	1,412,069	-	-	1,412,069
Federal Home Loan Bank stock	6,547	6,547	-	6,547	-
Accrued interest receivable	8,045	8,045	-	8,045	-
Financial liabilities:					
Non-interest bearing deposits	295,594	295,594	295,594	-	-
Interest bearing deposits	1,517,827	1,513,640	985,710	527,930	-
Repurchase agreements	38,124	37,938	31,033	6,905	-
Borrowed funds	80,000	79,791	-	79,791	-
Accrued interest payable	3,065	3,065	-	3,065	-

The following methods were used to estimate the fair value of financial instruments presented in the preceding table for the periods ended December 31, 2024 and 2023:

Cash and cash equivalent carrying amounts approximate fair value. 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. 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 three months 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). 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 17 – ***Parent Company Only Statements***

	(Dollars in thousands) Finward Bancorp Condensed Balance Sheets December 31, 2024	December 31, 2023
Assets		
Cash on deposit with Peoples Bank	$ 3,904	$ 3,846
Investment in Peoples Bank	150,543	144,266
Dividends receivable from Peoples Bank	-	516
Other assets	215	-
Total assets	$ 154,662	$ 148,628
Liabilities and stockholders' equity		
Dividends payable	$ 518	$ 516
Other liabilities	2,730	767
Total liabilities	3,248	1,283
Additional paid in capital	70,034	69,555
Accumulated other comprehensive (loss)	(58,084)	(51,613)
Retained earnings	139,464	129,403
Total stockholders' equity	151,414	147,345
Total liabilities and stockholders' equity	$ 154,662	$ 148,628

	(Dollars in thousands) Finward Bancorp Condensed Statements of Income Year Ended December 31, 2024	2023
Dividends from Peoples Bank	$ -	$ 4,529
Dividends from NWIN Risk	-	66
Operating expenses	(65)	(104)
Income before income taxes and equity in undistributed income of Peoples Bank	(65)	4,491
Income tax (benefit)	(12)	(21)
Income before equity in undistributed income of Peoples Bank	(53)	4,512
Equity in undistributed income of Peoples Bank	12,183	3,137
income of NWIN Risk Management, Inc.	-	731
Net income	$ 12,130	$ 8,380

	(Dollars in thousands) Finward Bancorp Condensed Statements of Comprehensive Income Year Ended December 31, 2024	2023
Net Income	$ 12,130	$ 8,380
Net change in net unrealized gains and losses on securities available-for-sale:		
Unrealized gain (loss) arising during the period	(9,042)	16,630
Less: reclassification adjustment for losses included in net income	531	48
Net securities gain (loss) during the period	(8,511)	16,678
Tax effect	2,040	(3,991)
Other comprehensive (loss) income, net of tax	(6,471)	12,687
Comprehensive income, net of tax	$ 5,659	$ 21,067

	(Dollars in thousands) Finward Bancorp Condensed Statements of Cash Flows Year Ended December 31, 2024	2023
Cash flows from operating activities:		
Net income	$ 12,130	$ 8,380
Adjustments to reconcile net income to net cash provided by operating activities		
Distributions in excess of income (equity in undistributed income):		
Peoples Bank	(12,183)	(3,137)
NWIN Risk Management, Inc.	-	(729)
Change in intercompany payable	2,176	-
Change in other assets	303	1,353
Change in other liabilities	(213)	1,449
Total adjustments	(9,917)	(3,867)
Net cash provided by operating activities	2,213	7,316
Cash flows from investing activities:		
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Dividends paid	(2,069)	(5,335)
Net surrender value of restricted stock awards	(86)	(196)
Net cash used in financing activities	(2,155)	(5,531)
Net change in cash	58	1,785
Cash at beginning of year	3,846	2,061
Cash at end of year	$ 3,904	$ 3,846
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	$ 415	$ 335
Dividends declared not paid	518	516

Note 18 – Leases

Under ASC 842, operating lease expense is generally recognized on a straight-line basis over the term of the lease. On February 22, 2024, the Bank closed its previously announced sale-leaseback transaction with MountainSeed Real Estate Services, LLC (the "Buyer"), pursuant to which the Bank sold to the Buyer five properties owned and operated as branch locations (the "Properties") for an aggregate purchase price of $ 17.2 million, including customary closing adjustments. Under the Sale Agreement, the Bank also entered into triple net lease agreements (the "Lease Agreements") with the Buyer under which the Bank leases each of the Properties, and pursuant to which the Bank is responsible for the insurance, real estate taxes, and maintenance and repairs for each of the properties. Each of the Lease Agreements became effective upon the closing of the sale-leaseback transaction and have an initial term of 15 years. The Bank's obligations under the Lease Agreements are guaranteed by the Company.

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)	Twelve months ended December 31, 2024	2023
Gain on sale-leaseback transaction, net	$ (11,772)	$ -
Operating cash flows		
Cash paid for amounts included in the measurement of lease liabilities for leases	1,360	69
ROU assets obtained in the exchange for lease liabilities - Operating leases (1)	16,140	-
Weighted-average remaining lease terms (in years) - Operating leases	14	5
Weighted-average discount rate - Operating leases	7.67%	3.00%
Variable lease Payments	$ 279	$ -
Total lease Costs (2)	1,767	103

(1) Right of Use Asset Included in Premises and equipment on the consolidated balance sheet
(2) Included in Occupancy and equipment costs on the consolidated statements of income

The following table represents the maturity of the Company's operating lease liabilities as of December 31, 2024:

(Dollars in thousands)

Maturity Analysis	
2025	1,590
2026	1,622
2027	1,657
2028	1,692
2029	1,679
Thereafter	16,788
Total	25,028
Less: Present value discount	(10,024)
Lease liability (3)	$ 15,004

(3) Included in Other Liabilities on the consolidated balance sheet

Note 19 – Segment Footnote

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 Chief Operating Decision Maker ("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.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no items reportable under this item.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a- 15(e) promulgated under the Securities and Exchange Act of 1934, as amended, as of December 31, 2024. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2024, the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and such information is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company’s internal control over financial reporting during the year ended December 31, 2024, that have materially affected or are reasonably likely to affect, the Company’s internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed under the supervision of the Company’s Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2024, management assessed the effectiveness of the Company’s internal control over financial reporting based on the framework established in the “Internal Control - Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has determined that the Company’s internal control over financial reporting was effective as of December 31, 2024, based on the criteria specified.

This Annual Report on Form 10-K does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company’s registered public accounting firm pursuant to Securities and Exchange Commission rules that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information

During the three months ended December 31, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. There are no other items reportable under this item.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the sections captioned "Proposal 1 - Election of Directors," "Corporate Governance - Board Committees," "Security Ownership by Certain Beneficial Owners and Management," "Delinquent Section 16(a) Reports," "Corporate Governance – Insider Trading Policy," and "Corporate Governance - Code of Ethics" in the Company's definitive Proxy Statement for the 2025 Annual Meeting of Shareholders is incorporated herein by reference. Information regarding the Company's executive officers is included under Item 4.5 captioned "Executive Officers of the Bancorp" at the end of Part I hereof and is incorporated herein by reference, in accordance with General Instruction G(3) to Form 10-K and the Instruction to Item 401 of Regulation S-K.

Item 11. Executive Compensation

The information contained under the section captioned "Executive Compensation" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained within the Company's definitive Proxy Statement for the 2025 Annual Meeting of Shareholders, under the section captioned "Security Ownership by Certain Beneficial Owners and Management," and the table providing information on the Company's director nominees and continuing directors in the section captioned "Proposal 1 - Election of Directors," is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides certain information as of December 31, 2024 with respect to the Company's existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securitites reflected in column a) (c)
Equity compensation plans approved by security holders	-	$ -	224,845
Total	-	$ -	224,845

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained under the sections captioned "Transactions with Related Persons" and "Corporate Governance-Director Independence," and the information contained in the "Summary Compensation Table for 2024" under the section captioned "Executive Compensation," in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders, is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services (FORVIS, LLP PCAOB 686, Indianapolis, IN)

The information contained under the section captioned "Independent Registered Public Accounting Firm's Services and Fees" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders, is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements:

The following consolidated financial statements of the Company and the reports of the Company's independent registered public accounting firm are included in Part II, Item 8 of this Form 10-K:

	Page
Report of Independent Registered Public Accounting Firm	63
Consolidated Balance Sheets	65
Consolidated Statements of Income	66
Consolidated Statements of Comprehensive Income (Loss)	67
Consolidated Statements of Changes in Stockholders' Equity	67
Consolidated Statements of Cash Flows	68
Notes to Consolidated Financial Statements	69

(2) Financial Statement Schedules: Not Applicable.

(3) Exhibits:

Exhibit Number		Description
2.1 @		Agreement and Plan of Merger by and among Finward Bancorp and Royal Financial, Inc. dated July 28, 2021 (incorporated herein by reference to Exhibit 2.1 of the Bancorp's Form 8-K dated July 29, 2021).
3.1		Restated Articles of Incorporation of Finward Bancorp (incorporated herein by reference to Exhibit 3.1 of the Bancorp 's Form 8-K dated March 2, 2023).
3.2		Amended and Restated By-Laws of Finward Bancorp (Amended and Restated as of November 29, 2022) (incorporated herein by reference to Exhibit 3.2 of the Bancorp's Form 8-K dated December 2, 2022).
4.1		Description of the Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934. (incorporated herein by reference to Exhibit 4.1 of the Bancorp's Form 10-K filed on March 30, 2023).
10.1	*	Unqualified Deferred Compensation Plan for the Officers of Peoples Bank effective January 1, 2005 (incorporated herein by reference to Exhibit 10.1 of the Bancorp's Form 10-K filed on March 5, 2019).
10.2	*	Amended Post 2004 Unfunded Deferred Compensation Plan for the Directors of Peoples Bank effective January 1, 2005 (incorporated herein by reference to Exhibit 10.2 of the Bancorp's Form 10-K filed on March 5, 2019).

10.3	*	Amended and Restated 2015 Stock Option and Incentive Plan of Finward Bancorp (incorporated herein by reference to Exhibit 10.1 of the Bancorp's Form 8-K dated March 2, 2022).
10.4	*	Form of Nonqualified Stock Option Agreement under the Amended and Restated Finward Bancorp 2015 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 of the Bancorp's Form 10-K filed on March 30, 2022).
10.5	*	Form of Incentive Stock Option Agreement under the Amended and Restated Finward Bancorp 2015 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.5 of the Bancorp's Form 10-K filed on March 30, 2022).
10.6	*	Form of Agreement for Restricted Stock under the Amended and Restated Finward Bancorp 2015 Stock Option and Incentive Plan. (incorporated herein by reference to Exhibit 10.6 of the Bancorp's Form 10-K filed on March 30, 2022).
10.7	*	Employment Agreement between Finward Bancorp, Peoples Bank, and Benjamin J. Bochnowski dated August 1, 2017 (incorporated herein by reference to Exhibit 10.1 of the Bancorp's Form 8-K dated August 4, 2017).
10.8	*	First Amendment to Employment Agreement between Finward Bancorp, Peoples Bank, and Benjamin J. Bochnowski dated as of July 27, 2018 (incorporated herein by reference to Exhibit 10.2 of the Bancorp's Form 8-K dated July 30, 2018).
10.9	*	Second Amendment to Employment Agreement between Finward Bancorp, Peoples Bank, and Benjamin J. Bochnowski dated as of March 15, 2023 (incorporated herein by reference to Exhibit 10.3 of the Bancorp's Form 8-K dated March 17, 2021).
10.10	*	Third Amendment to Employment Agreement between Finward Bancorp, Peoples Bank, and Benjamin J. Bochnowski dated as of May 3, 2021 (incorporated herein by reference to Exhibit 10.2 of the Bancorp's Form 8-K dated May 5, 2021).
10.11	*	Form of Non-Solicitation and Confidentiality Agreement between Peoples Bank and each of its Executive Officers (incorporated herein by reference to Exhibit 10.2 of the Bancorp's Form 10-Q filed on May 9, 2018).
10.12	*	Finward Bancorp Executive Change in Control Severance Plan (incorporated herein by reference to Exhibit 10.1 of the Bancorp 's Form 10-Q filed on October 29, 2019).
10.13	*	Employment Agreement between Finward Bancorp, Peoples Bank and Todd M. Scheub dated as of April 27, 2022 (incorporated herein by reference to Exhibit 10.1 to the Bancorp's Form 8-K dated April 28, 2022).
10.14	*	Post 2004 Deferred Compensation Plan for the Directors of Peoples Bank, Amended and Restated Effective May 20, 2022 (incorporated herein by reference to Exhibit 10.2 to the Bancorp's Form 8-K dated May 23, 2022).

10.15	Transition Agreement, General Release & Covenant Not to Sue dated December 1, 2023 by and among Finward Bancorp, Peoples Bank, and Peymon Torabi (incorporated herein by reference to Exhibit 10.1 to the Bancorp's Form 8-K dated December 7, 2023).
10.16	Agreement For Purchase And Sale Of Property, dated January 29, 2024, by and between Peoples Bank and MountainSeed Real Estate Services, LLC (incorporated herein by reference to Exhibit 10.1 to the Bancorp's Form 8-K dated January 31, 2024).
10.17	Lease Agreement – Crown Point Banking Center (incorporated herein by reference to Exhibit 10.2 to the Bancorp 's Form 8-K dated January 31, 2024).
10.18	Lease Agreement – East Chicago Banking Center (incorporated herein by reference to Exhibit 10.3 to the Bancorp 's Form 8-K dated January 31, 2024).
10.19	Lease Agreement – Merrillville (Broadway) Banking Center (incorporated herein by reference to Exhibit 10.4 to the Bancorp 's Form 8-K dated January 31, 2024).
10.20	Lease Agreement – Schererville Banking Center (incorporated herein by reference to Exhibit 10.5 to the Bancorp 's Form 8-K dated January 31, 2024).
10.21	Lease Agreement – Orland Park (Ravinia) Banking Center (incorporated herein by reference to Exhibit 10.6 to the Bancorp 's Form 8-K dated January 31, 2024).
19.1	Finward Bancorp Insider Trading Policy
21	Subsidiaries of the Bancorp.
23.1	Forvis Mazars, LLP – Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32	Section 1350 Certifications.
97	Compensation Recovery Policy (2023) FINWARD BANCORP (incorporated herein by reference to Exhibit 97 to the Company's Form 10-K filed on March 28, 2024).
101	The following materials from the Company's Form 10-K for the fiscal year ended December 31, 2024, formatted in an XBRL Interactive Data File: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Changes in Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, with detailed tagging of notes and financial statement schedules.
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101).

@ – The Company has omitted schedules and similar attachments to the subject agreement pursuant to Item 601(b) of Regulation S-K. The Company will furnish a copy of any omitted schedule or similar attachment to the SEC upon request.
* - The indicated exhibit is a management contract, compensatory plan or arrangement required to be filed by Item 601 of Regulation S-K.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

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

Date: March 31, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on March 31, 2025:

Signature	**Title**
Principal Executive Officer:	
/s/Benjamin J. Bochnowski Benjamin J. Bochnowski	President and Chief Executive Officer, Director
Principal Financial Officer and Principal Accounting Officer:	
/s/Benjamin L. Schmitt Benjamin L. Schmitt	Executive Vice President, Chief Financial Officer and Treasurer
The Board of Directors:	
/s/Joel Gorelick Joel Gorelick	Chairman of the Board
/s/Robert Youman Robert Youman	Director
/s/Anthony M. Puntillo Anthony M. Puntillo	Director
/s/James L. Wieser James L. Wieser	Director
/s/Amy W. Han Amy W. Han	Director
/s/Danette Garza Danette Garza	Director
/s/Robert E. Johnson III Robert E. Johnson III	Director
/s/Martin P. Alwin Martin P. Alwin	Director
/s/Carolyn M. Burke Carolyn M. Burke	Director
/s/Jennifer R. Evans Jennifer R. Evans	Director

Exhibit 19.1

FINWARD BANCORP
INSIDER TRADING POLICY

This policy supersedes all previous insider trading policies adopted by Finward Bancorp 's board of directors. Please read this Insider Trading Policy carefully and make sure you understand it. If you have any questions about this policy, please contact Benjamin Schmitt, Finward Bancorp's Chief Financial Officer

Purpose of Policy

This Insider Trading Policy (the "***Policy***") provides guidelines with respect to transactions in the securities of Finward Bancorp (f/k/a NorthWest Indiana Bancorp)("***FNWD***") and the handling of confidential information about FNWD and the companies with which FNWD does business. FNWD's Board of Directors (the "***Board***") has adopted this Policy to promote compliance with federal, state, and foreign securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company; or (ii) providing material nonpublic information to other persons who may trade on the basis of that information.

Administration of the Policy

FNWD's Chief Financial Officer shall be responsible for the administration of this Policy, and for purposes of this Policy shall serve as the "Compliance Officer", and in her/his absence, FNWD's Controller, or another employee designated by FNWD's Chief Financial Officer shall be responsible for the administration of this Policy and serve as the "Compliance Officer". All determinations and interpretations by the Compliance Officer shall be final and not subject to further review.

Policy Governance

The Board is responsible for the oversight of this FNWD Insider Trading Policy. This Policy has been designated as a "Significant Policy" for the Bank, and requires the review and approval by the Board at least once every calendar year. Prior to submission to the Board, revisions to this Policy shall first be reviewed and recommended by FNWD's Chief Financial Officer. FNWD's Chief Financial Officer shall be the Policy Owner for this Policy. The Policy Owner will ensure that this Policy is reviewed at least once every calendar year, and additionally updated as changes to applicable laws, regulations, or internal processes warrant.

Persons Subject to the Policy

This Policy applies to all officers of FNWD and its subsidiaries, including without limitation, Peoples Bank, all members of FNWD's Board of Directors, and all employees of FNWD and its subsidiaries, including without limitation, Peoples Bank. FNWD may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person's household, and entities controlled by a person covered by this Policy, as described below.

Transactions Subject to the Policy

This Policy applies to transactions in FNWD's securities (collectively referred to in this Policy as "***Finward Securities***"), including FNWD's common stock, options to purchase common stock, or any other type of securities that FNWD may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by FNWD, such as exchange-traded put or call options or swaps relating to Finward's Securities.

Individual Responsibility

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about FNWD and to not engage in transactions in Finward Securities while in possession of material nonpublic information. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member, or entity whose transactions are subject to this Policy, as discussed below, also complies with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of FNWD, the Compliance Officer, or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by FNWD for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading "*Consequences of Violations*."

Statement of Policy

It is the policy of FNWD that no director, officer, or other employee of FNWD (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to FNWD may, directly, or indirectly through family members or other persons or entities:

1. Engage in transactions in Finward Securities, except as otherwise specified in this Policy under the headings "*Transactions Under Company Plans*," "*Transactions Not Involving a Purchase or Sale*," and "*Rule 10b5-1 Plans*;"

2. Recommend the purchase or sale of any Finward Securities;

3. Disclose material nonpublic information to persons within FNWD whose jobs do not require them to have that information, or outside of FNWD to other persons, including, but not limited to, family, friends, business associates, investors, and expert consulting firms, unless any such disclosure is made in accordance with FNWD's policies regarding the protection or authorized external disclosure of information regarding FNWD; or

4. Assist anyone engaged in the above activities.

In addition, it is the policy of FNWD that no director, officer, or other employee of FNWD (or any other person designated as subject to this Policy) who, in the course of working for FNWD, learns of material nonpublic information about a company with which FNWD does business, including a customer or supplier of FNWD, may trade in that company's securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve FNWD's reputation for adhering to the highest standards of conduct.

Definition of Material Nonpublic Information

"Material Information"

Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold, or sell securities. Any information that could be expected to affect FNWD's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances, and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses, or other earnings guidance;
- Changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- A pending or proposed merger, acquisition, or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed joint venture;
- A company restructuring;
- Significant related party transactions;
- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- Bank borrowings or other financing transactions out of the ordinary course;
- The establishment of a repurchase program for Finward Securities;
- Major marketing changes;
- A change in management;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Development of a significant new product, process, or service;
- Pending or threatened significant litigation, or the resolution of such litigation;
- Impending bankruptcy or the existence of severe liquidity problems;
- The gain or loss of a significant customer or supplier; and

- The imposition of a ban on trading in Finward Securities or the securities of another company.

When Information is Considered "Public"

Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through newswire services, the Dow Jones "broad tape," a broadcast on widely-available radio or television programs, publication in a widely-available newspaper, magazine, or news website, or public disclosure documents filed with the Securities and Exchange Commission ("***SEC***") that are available on the SEC's website. By contrast, information would likely not be considered widely disseminated if it is available only to FNWD's employees, or if it is only available to a select group of analysts, brokers, and institutional investors.

Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after the third business day after the day on which the information is released. If, for example, FNWD were to make an announcement on a Monday, you should not trade in Company Securities until Friday. Depending on the particular circumstances, FNWD may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

Transactions by Family Members and Others

This Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings, and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Finward Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Finward Securities (collectively referred to as "***Family Members***"). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Finward Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by, or related to you or your Family Members.

Transactions by Entities that You Influence or Control

This Policy applies to any entities that you influence or control, including any corporations, partnerships, limited liability companies, or trusts (collectively referred to as "***Controlled Entities***"), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account.

Transactions Under Company Plans

This Policy does not apply in the case of the following transactions, except as specifically noted:

Stock Option Exercises

This Policy does not apply to the exercise of an employee stock option acquired pursuant to FNWD’s plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have FNWD withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Restricted Stock Awards

This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right (net surrender) pursuant to which you elect to have FNWD withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock.

Peoples Bank Employees’ Savings & Profit Sharing Plan and Trust (the “PB 401(k) Plan”)

This Policy applies to certain elections you may make, in your sole discretion, under the Profit Sharing provisions of the PB 401(k) Plan, including: (i) an election to transfer an annual profit sharing contribution to the FNWD stock fund to purchase Finward Securities; (ii) an election to make an intra-plan transfer of an existing account balance into or out of the FNWD stock fund; (iii) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your FNWD stock fund balance; and (iv) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the FNWD stock fund.

Dividend Reinvestment Plan

This Policy does not apply to purchases of Finward Securities under any dividend reinvestment plan of FNWD resulting from your reinvestment of dividends paid on Finward Securities. This Policy does apply, however, to voluntary purchases of Finward Securities resulting from additional contributions you choose to make to any such dividend reinvestment plan, and to your election to participate in the plan or increase your level of participation in the plan. This Policy also applies to your sale of any Finward Securities purchased pursuant to the plan.

Other Similar Transactions

Any other purchase of Finward Securities from FNWD or sales of Finward Securities to FNWD are not subject to this Policy.

Transactions Not Involving a Purchase or Sale

Bona fide gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell Finward Securities while the officer, employee, or director is aware of material nonpublic information, or the person making the gift is subject to the trading restrictions specified below under the heading “*Additional Procedures*” and the sales by the recipient of Finward Securities occur during a blackout period. Further, transactions in mutual funds that are invested in Finward Securities are not transactions subject to this Policy.

Special and Prohibited Transactions

FNWD has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, it is FNWD's policy that any persons covered by this Policy may not engage in any of the following transactions, or should otherwise consider FNWD's preferences as described below:

Short-Term Trading

Short-term trading of Finward Securities may be distracting to the person and may unduly focus the person on FNWD's short-term stock market performance instead of FNWD's long-term business objectives. For these reasons, any director, officer, or other employee of FNWD who purchases Finward Securities in the open market may not sell any Finward Securities of the same class during the six months following the purchase (or vice versa).

Short Sales

Short sales of Finward Securities (i.e., the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in FNWD's prospects. In addition, short sales may reduce a seller's incentive to seek to improve FNWD's performance. For these reasons, short sales of Finward Securities are prohibited. In addition, Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "*Hedging Transactions.*")

Publicly-Traded Options

Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a director, officer, or employee is trading based on material nonpublic information and focus a director's, officer's, or other employee's attention on short-term performance at the expense of FNWD's long-term objectives. Accordingly, transactions in put options, call options, or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy. (Option positions arising from certain types of hedging transactions are governed by the next paragraph below.)

Hedging Transactions

Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, and exchange funds. Such hedging transactions may permit a director, officer, or employee to continue to own Finward Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer, or employee may no longer have the same objectives as FNWD's other shareholders. Therefore, directors, officers, and employees are prohibited from engaging in any such transactions.

Margin Accounts and Pledged Securities

Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Directors, officers, and other employees are prohibited from holding Finward Securities in a margin account or otherwise pledging Finward Securities as collateral for a loan because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Finward Securities. (Pledges of Finward Securities arising from certain types of hedging transactions are governed by the paragraph above captioned "*Hedging Transactions*.")

Standing and Limit Orders

Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer, or other employee is in possession of material nonpublic information. FNWD therefore discourages placing standing orders on Finward Securities. If a person subject to this Policy determines that they must use a standing order or limit order, the order should be limited to short duration and should otherwise comply with the restrictions and procedures outlined below under the heading "*Additional Procedures*."

Additional Procedures

FNWD has established additional procedures in order to assist FNWD in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals described below.

For purposes of these additional procedures, " *Section 16 Officers*" means, pursuant to SEC Rule 16a-1(f), the Chairman of the Board, President & Chief Executive Officer of FNWD and the Chairman and Chief Executive Officer of Peoples Bank, the Chief Revenue Officer of FNWD and the President of Peoples Bank, the Chief Operating Officer of FNWD and Peoples Bank, the Chief Financial Officer of FNWD and Peoples Bank, the Controller of Peoples Bank, the Chief Risk Officer of FNWD and Peoples Bank, and the Chief People Officer of Peoples Bank.

Pre-Clearance Procedures

Directors and Section 16 Officers, as well as the Family Members and Controlled Entities of such persons, may not engage in any transaction in Finward Securities without first obtaining pre-clearance of the transaction from the Compliance Officer. A request for pre-clearance should be submitted to the Compliance Officer at least three business days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If the Compliance Officer desires to engage in any transaction involving Finward Securities, he or she must first obtain pre-clearance of the transaction in accordance with these Pre-Clearance Procedures from FNWD's Chief Executive Officer. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Finward Securities, and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about FNWD, and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether he or she has effected any non-exempt "opposite-way" transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file Form 144, if necessary, at the time of any sale.

Blackout Periods and Other Restrictions on Trading

Quarterly Trading Restrictions. Directors, Section 16 Officers, and any other persons designated by the Compliance Officer, as well as their Family Members or Controlled Entities, may not conduct any transactions involving Finward's Securities (other than as specified by this Policy), during a "***Blackout Period***" beginning fifteen (15) calendar days prior to the end of each fiscal quarter of FNWD and ending on the third business day following the date of the public release of FNWD's earnings results for that quarter. In other words, these persons may only conduct transactions in Finward Securities during the "***Window Period***" beginning on the third business day following the public release of FNWD's quarterly earnings and ending on the date that is the sixteenth (16th) day prior to the close of the next fiscal quarter.

Under certain very limited circumstances, a person subject to this restriction may be permitted to trade during a Blackout Period, but only if the Compliance Officer concludes that the person does not in fact possess material nonpublic information. Persons wishing to trade during a Blackout Period must contact the Compliance Officer for approval at least three business days in advance of any proposed transaction involving Finward Securities.

Event-Specific Trading Restriction Periods. From time to time, an event may occur that is material to FNWD and is known by only a few directors, officers, and/or employees. So long as the event remains material and nonpublic, the Directors, Section 16 Officers, any other persons designated by the Compliance Officer, as well as their Family Members or Controlled Entities, may not trade Finward Securities. In addition, FNWD's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from trading in Finward Securities even sooner than the typical Blackout Period described above. In that situation, the Compliance Officer may notify these persons that they should not trade in Finward's Securities, without disclosing the reason for the restriction. The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to FNWD as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period.

Exceptions. The quarterly trading restrictions and event-driven trading restrictions do not apply to those transactions to which this Policy does not apply, as described above under the headings "*Transactions Under Company Plans*" and "*Transactions Not Involving a Purchase or Sale*." Further, the requirement for pre-clearance, the quarterly trading restrictions, and event-driven trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, described below under the heading "*Rule 10b5-1 Plans*."

Rule 10b5-1 Plans

Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), provides a defense from insider trading liability under Exchange Act Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 trading plan for transactions in Finward Securities that meets certain conditions specified in the Rule (a "***Rule 10b5-1 Plan***"). If the plan meets the requirements of Rule 10b5-1, Finward Securities may be purchased or sold without regard to certain insider trading restrictions. To comply with the Policy, a Rule 10b5-1 Plan must be approved by the Compliance Officer and meet the requirements of Rule 10b5-1. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. In this regard, a Rule 10b5-1 Plan must be entered into only during a Window Period, and shall not be entered into during any Blackout Period or during the existence of an event-specific trading restriction period imposed by FNWD. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded, or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance, or delegate discretion on these matters to an independent third party.

Any Rule 10b5-1 Plan must be submitted for approval 10 calendar days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

Post-Termination Transactions

This Policy shall continue to apply to transactions in Finward Securities even after termination of service to FNWD. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Finward Securities until that information has become public or is no longer material. However, the pre-clearance procedures specified under the heading "*Additional Procedures*" above will cease to apply to transactions in Finward Securities upon the expiration of any Blackout Period or other FNWD-imposed trading restrictions applicable at the time of the termination of service.

Consequences of Violations

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in Finward's Securities, is prohibited by federal and state securities laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys, and state enforcement authorities, as well as the laws of foreign jurisdictions. Punishment for insider trading violations is severe, and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual's failure to comply with this Policy may subject the individual to company-imposed sanctions, including dismissal for cause, whether or not the employee's failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage a career.

Company Assistance

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer, who can be reached by telephone at (219) 853-7613, or by e-mail at bschmitt@ibankpeoples.com.

Certification

All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy, as follows:

CERTIFICATION

The undersigned hereby certifies that:

1. I have read and understand the Finward Bancorp Insider Trading Policy (the " *Policy*"). I understand that the Compliance Officer is available to answer any questions I have regarding the Policy.

2. Since May 10, 2024, which is the effective date of the Policy, or such shorter period of time that I have been an employee of FNWD, I have complied with the Policy.

3. I will continue to comply with the Policy for as long as I am subject to the Policy.

Printed Name: ______________________

Signature: __________________________

Date: ______________________________

Approving Body:	Board of Directors
Date Submitted to the Board for Review and Approval:	May 10, 2024
Most Recent Previous Review and Approval Date:	May 26, 2023
Policy Owner (Reviewer):	Benjamin Schmitt
Date Last Reviewed by Policy Owner:	May 3, 2024

REVISION HISTORY

May 3, 2024	● Administrative change to replace Benjamin Schmitt as new CFO and name as insider trading policy owner ● Other minor formatting corrections
May 26, 2023	● Administrative changes to replace the General Counsel with the CFO
May 20, 2022	● Clarifying definition of Compliance Officer ● Including Policy Governance section ● Updating Officer titles ● Updating Pre-Clearance Procedures to account for situations in which FNWD's General Counsel wishes to engage in transactions involving Finward Securities
May 21, 2021	● Updating the name of the Bancorp to Finward Bancorp in anticipation of the effective date of the Bancorp's name change on May 24, 2021 ● Changing the definition of Section 16 Officers to update titles and positions and to include Jillonda Washington
May 15, 2020	● New Policy

Subsidiaries of the Company

Peoples Bank	Indiana
NWIN, LLC	Nevada
NWIN, Holdings	Nevada
NWIN, Investments, Inc.	Nevada
NWIN Funding	Maryland
Peoples Service Corporation	Indiana
Columbia Development, LLC	Indiana
AJS Insurance LLC	Illinois

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements on Form S-8 (No. 333-204548) and Form S-3 (No. 333-144699) of Finward Bancorp of our reports dated March 31, 2025, with respect to the consolidated financial statements of Finward Bancorp on Form 10-K for the year ended December 31, 2024.

/s/ Forvis Mazars, LLP

Indianapolis, Indiana
March 31, 2025

Exhibit 31.1

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 annual report on Form 10-K 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: March 31, 2025

/s/ Benjamin J. Bochnowski
Benjamin J. Bochnowski
President and
Chief Executive Officer

Exhibit 31.2

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 Schmitt, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 31, 2025

/s/ Benjamin Schmitt
Benjamin Schmitt
Executive Vice President, Chief
Financial Officer and Treasurer

Exhibit 32

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 Annual Report on Form 10-K of Finward Bancorp (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), each of Benjamin J. Bochnowski, President and Chief Executive Officer of the Company, and Benjamin 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.

Dated: March 31, 2025

/s/ Benjamin J. Bochnowski
Benjamin J. Bochnowski
President and Chief Executive Officer

/s/ Benjamin Schmitt
Benjamin Schmitt
Executive Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to and is being retained by Finward Bancorp and will be forwarded to the Securities and Exchange Commission or its staff upon request.