



Symbol: FNWD (NASDAQ-Traded)

Hovde Financial Services Conference

November 7-8, 2024

Important Information

Forward-Looking Statements

This presentation may contain forward-looking statements regarding the financial performance, business prospects, growth and operating strategies of Finward Bancorp ("FNWD"). For these statements, FNWD claims the protections of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Statements in this communication should be considered in conjunction with the other information available about FNWD, including the information in the filings FNWD makes with the Securities and Exchange Commission ("SEC"). Forward-looking statements provide current expectations or forecasts of future events and are not guarantees of future performance. The forward-looking statements are based on management's expectations and are subject to a number of risks and uncertainties. Forward-looking statements are typically identified by using words such as "anticipate," "estimate," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those expressed or implied in such statements. Risks and uncertainties that could cause actual results to differ materially include: the ability of Peoples Bank (the "Bank") 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 the 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; continuing effects of inflation; current financial conditions within the banking industry, liquidity levels, concentrations in certain loan products or categories, net interest margin compression, and responses by the Federal Reserve Board, Department of the Treasury, and the FDIC to address these issues; changes in asset quality and credit risk; the inability to sustain revenue and earnings growth; customer acceptance of FNWD's products and services; customer borrowing, repayment, investment, and deposit practices; customer disintermediation; the introduction, withdrawal, success, and timing of business initiatives; competitive conditions; the inability to realize cost savings or revenues or to implement integration plans and other consequences associated with mergers, acquisitions, and divestitures; economic conditions; and 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. Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in FNWD's reports (such as the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K) filed with the SEC and available at the SEC's Internet website (www.sec.gov). All subsequent written and oral forward-looking statements concerning matters attributable to FNWD or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. Except as required by law, FNWD does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statement is made.

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.

Disclosures Regarding Non-GAAP Measures

This presentation refers to certain financial measures that are identified as non-GAAP. FNWD believes that these non-GAAP measures are helpful to investors to better understand FNWD's assets, earnings, and shareholders' equity at the date of this presentation. This supplemental information should not be considered in isolation or as a substitute for the related GAAP measures. See the attached table at the end of this presentation for a reconciliation of the non-GAAP measures identified herein and their most comparable GAAP measures.

Finward Outlook



Track Record of Expanding Relationship-Based Banking

- Community-focused across desirable markets in Northwest Indiana and well-diversified into Chicagoland area
- Have grown the bank from \$776 million to \$2.1 billion in assets over the last 10 years (10.3% CAGR)
- Demonstrated successful acquisition and integration of five banks and thrifts since 2014
- Strong deposit and lending presence in core markets



Internal Focus to Strengthen the Business

- Actively managing customer relationships to help improve asset quality
- Improving key productivity measures
- Leveraging Salesforce to improve customer experience
- Selectively deploying AI to enhance operations



Positioned for Opportunities

- Management goal is to build capital and increase returns while positioning for different economic and interest rate outcomes going forward
- Evaluating opportunities to optimize the balance sheet, improve capital, and improve earnings quality

Overview of Finward Bancorp

Company Overview

- Finward serves as the holding company for Peoples Bank, a 114-year-old bank headquartered in Munster, Indiana
- Community bank with meaningful presence in the Chicago city market and Chicagoland suburban market
- Committed to our core values of **Stability, Integrity, Community and Excellence**
- Grown into Illinois via three successfully integrated acquisitions
- Diversified fee income through mortgage, treasury, and wealth management segments

Primary Business Segments

Community Banking

- Indiana state-chartered commercial bank organized in 1910
- 26 full-service retail locations across Indiana and Illinois
- 16-person business banking team
- Full-service mortgage banking capabilities

Wealth Management

- Trust & Estate Administration
- IRA Investments & Retirement Planning
- Investment Management
- \$406 Million in Assets under Management (at September 30, 2024)
- Continued growth in revenue



Branch Map

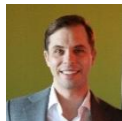







Financial Highlights

| \$ in Millions | 2022 | 2023 | Sept YTD 2024 |
|--------------------------|---------|---------|---------------|
| Total Assets | \$2,070 | \$2,108 | \$2,075 |
| Total Loans | \$1,514 | \$1,513 | \$1,508 |
| Total Deposits | \$1,775 | \$1,813 | \$1,748 |
| Total Equity | \$136 | \$147 | \$160 |
| NPAs / Assets | 0.94% | 0.61% | 0.73% |
| NCO / Avg Loans | 0.03% | 0.13% | (0.01%) |
| NIM (FTE) ⁽¹⁾ | 3.74% | 2.98% | 2.67% |
| ROAA | 0.74% | 0.40% | 0.64% |
| ROAE | 10.47% | 6.28% | 4.50% |
| Full Time Employees | 299 | 290 | 295 |

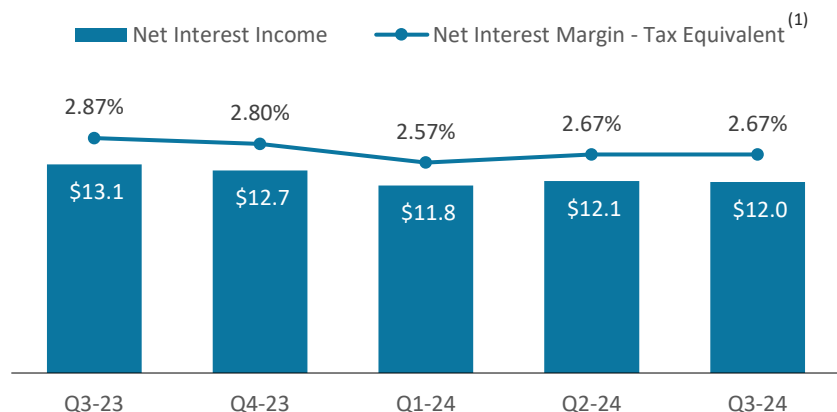
Executive Management Team

- **Multi-generational leadership team with decades of combined experience working together**
- **Seasoned banking team with deep ties to core operating markets**
- **New leadership within finance & accounting, risk & compliance**
- **Risk-aligned corporate culture, promoting responsibility and accountability**

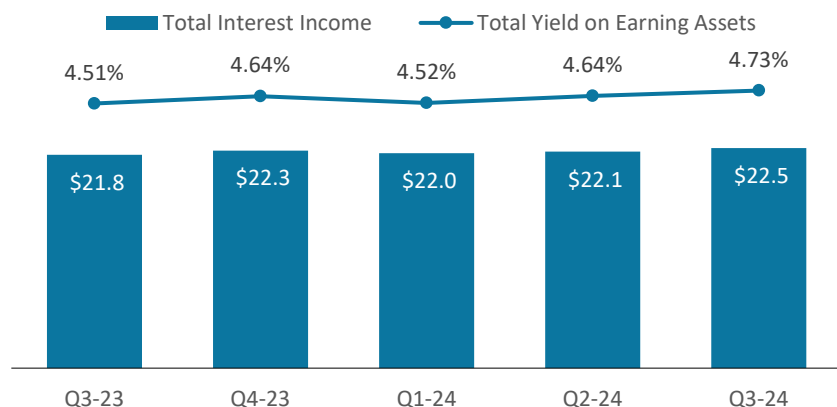
| Officer | Years of Banking Experience | Year Started at Finward Bancorp | Position with Company |
|--|-----------------------------|---------------------------------|--|
|  Benjamin J. Bochnowski | 14 | 2010 | Chief Executive Officer |
|  Robert T. Lowry | 39 | 1985 | Executive VP & Chief Operating Officer |
|  Todd M. Scheub | 30 | 1996 | Executive VP, Chief Revenue Officer & Peoples Bank President |
|  Benjamin Schmitt | 19 | 2024 | Senior VP & Chief Financial Officer |
|  David Kwait | 13 | 2011 | Senior VP & Chief Risk Officer |
|  Jill Washington | 17 | 2021 | Senior VP & Chief People Officer |

Net Interest Margin

Net Interest Margin (\$ Millions)



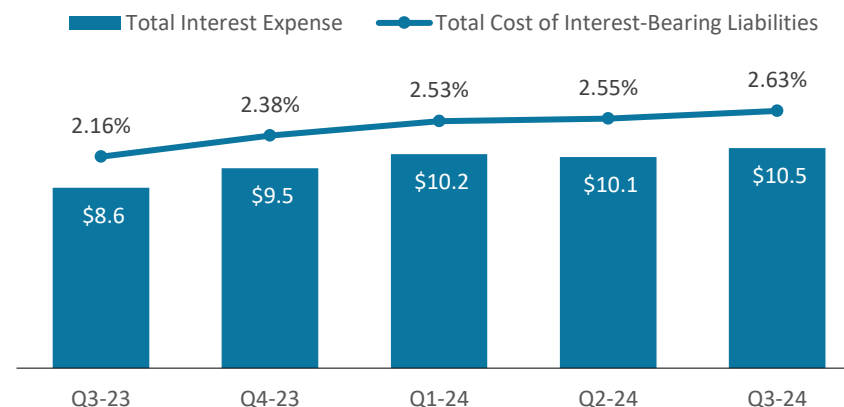
Total Interest Income (\$ Millions)



Margin Outlook

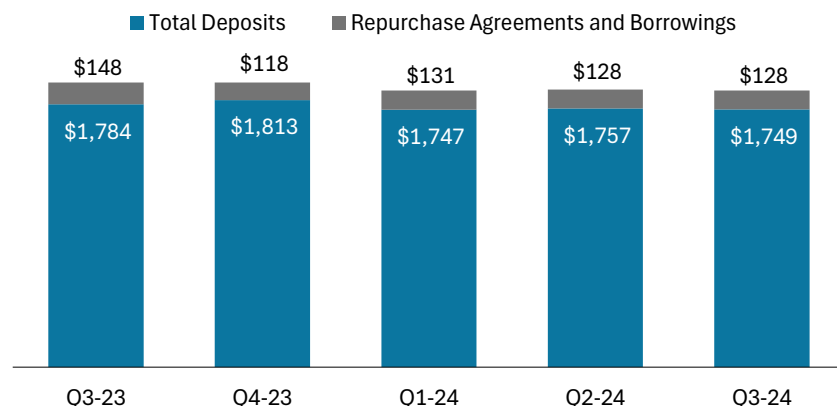
- The tax-adjusted net interest margin (a non-GAAP measure) for the three months ended September 30, 2024, was 2.67%, compared to 2.67% for the three months ended June 30, 2024
- The bank expects gradual improvements in earning asset yields as loans reprice or mature or prepay, while remaining opportunistic in its approach to price deposits competitively and reduce borrowing costs
- Savings accounts, money market accounts, and new Certificates of Deposit are all sensitive to Federal Funds and market rates, and the Bank will have opportunities to reprice with changes in rate landscape

Total Cost of Interest-Bearing Liabilities (\$ Millions)

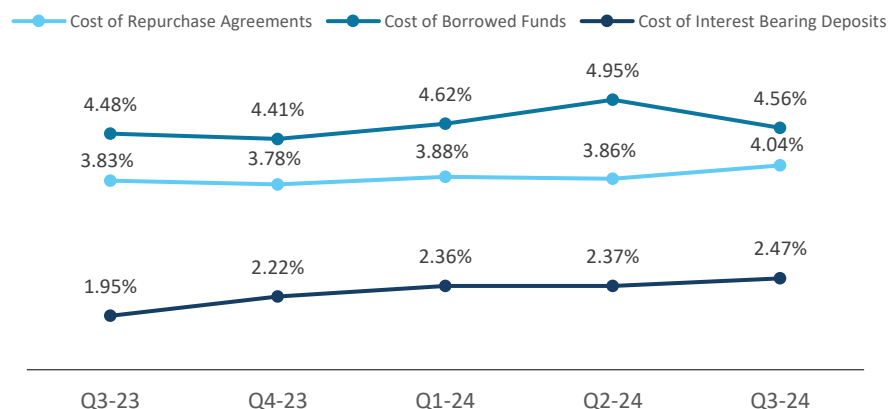


Funding

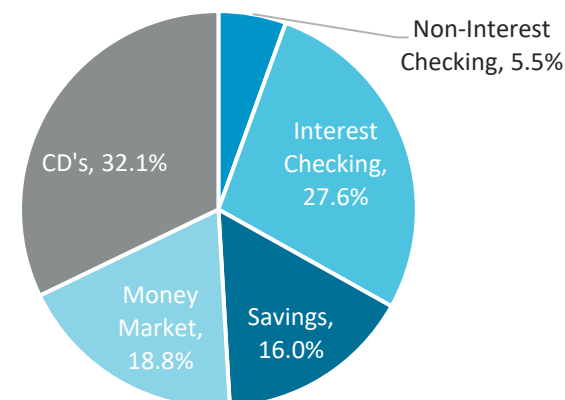
Total Interest-Bearing Liabilities (\$ Millions)



Detailed Cost of Interest-Bearing Liabilities



Total Deposits – 3rd Quarter 2024

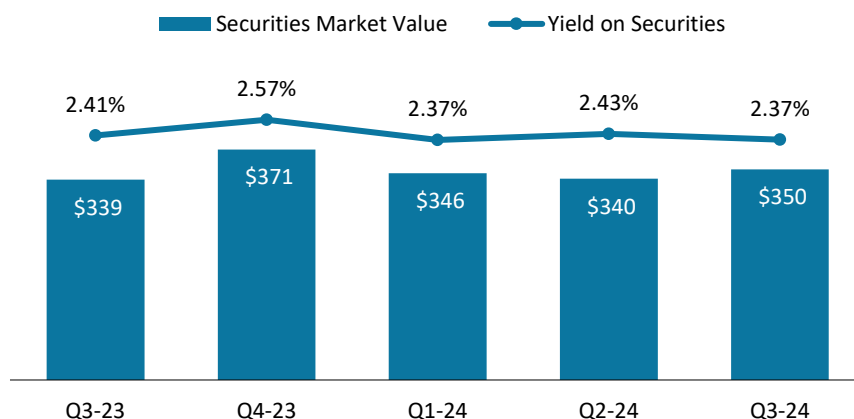


Funding & Available Borrowing Capacity

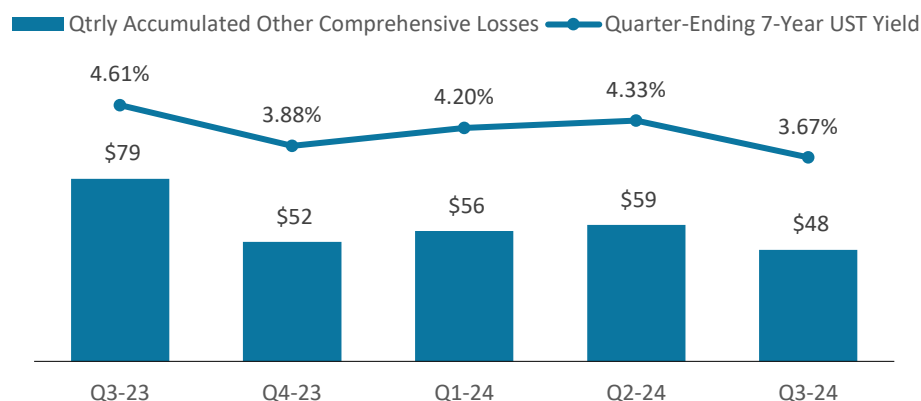
- Total deposits decreased \$7.9 million during the three months ended September 30, 2024, with deposit migration and increases in deposit funding costs slowing significantly as compared to 2023
- As of September 30, 2024, 72% of deposits are fully FDIC insured, and another 7% are further backed by the Indiana Public Deposit Insurance Fund
- The Bancorp has available liquidity of \$686 million including borrowings capacity from the FHLB and Federal Reserve facilities
- The Bank has been opportunistically utilizing FHLB advances and during the quarter, the Bancorp 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.

Investment Securities

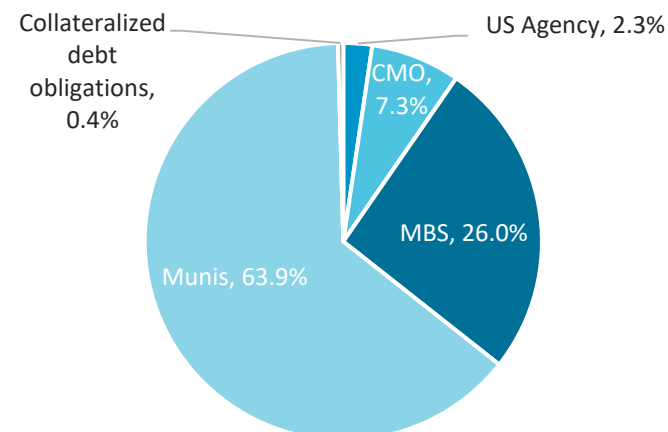
Total Securities (\$ millions)



Accumulated Other Comprehensive Loss Balance



Total Securities – 3rd Quarter 2024

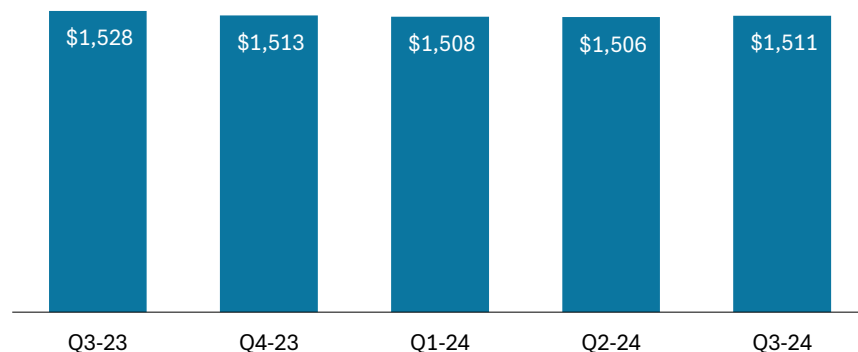


Securities Portfolio Commentary

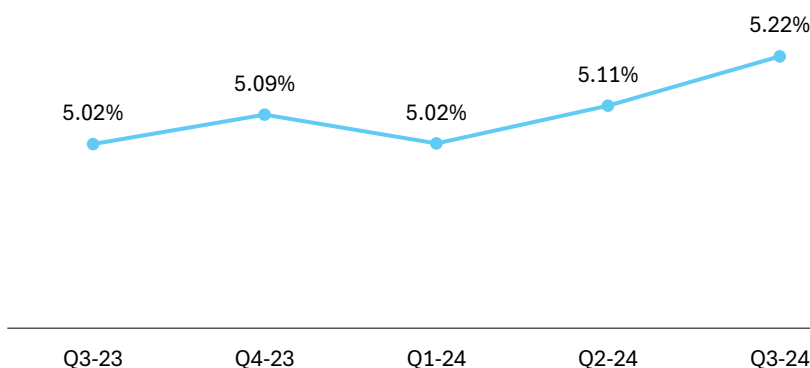
- Excluding Community Reinvestment Act investments, the bank has not purchased additional securities since June 30, 2022
- Management continues to actively monitor the securities portfolio for opportunities to reposition where possible and free up liquidity (similar to a \$15.1 million sale resulting in a limited \$531 thousand loss occurring during the first quarter)
- The bank continues to maintain the entire portfolio as available for sale to provide maximum transparency and flexibility

Total Loans

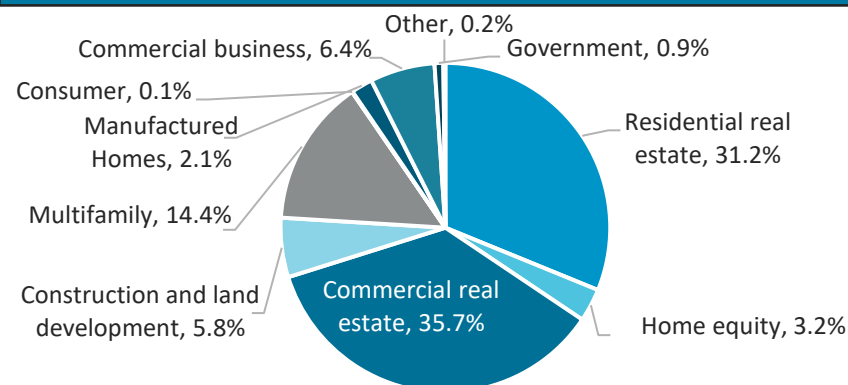
Total Loans (\$ millions)



Yield on Loans



Total Loans – 3rd Quarter 2024



Organic Loan Growth

- Aggregate loan portfolio has remained relatively flat since December 31, 2023 as the Bank has focused on key relationships and building lending pipeline
- During the September 30, 2024 quarter, the Bank originated \$70.4 million in new commercial loans, compared to \$48.7 million during the three months ended June 30, 2024 and \$73.2 million during the three months ended September 30, 2023

Gain on Sale of Loans

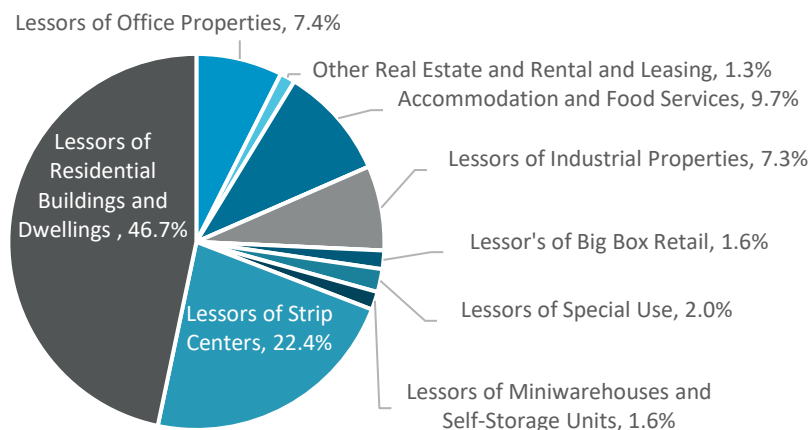
- Total 1-4 family originations for the quarter ended September 30, 2024, totaled \$20.1 million, an increase of \$1.3 million compared to \$18.8 million for the quarter ended June 30, 2024
- As a result, gains from the sale of loans for the nine months ended September 30, 2024 totaled \$810 thousand, an increase from \$729 thousand for the nine months ended September 30, 2023

Commercial Loans

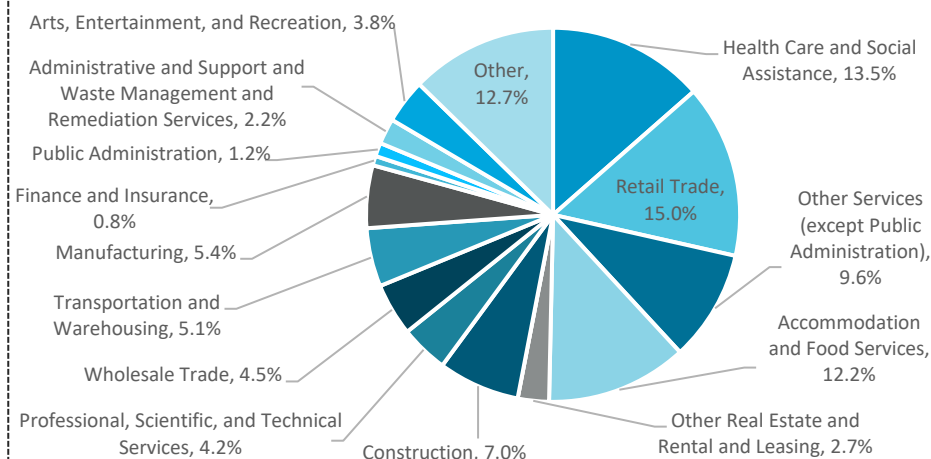
Strong Commercial Loan Portfolio

- Well diversified commercial loan portfolio driven by relationship-based approach in known markets through Northwest Indiana and Chicagoland-area
- Non-performing multifamily loans as a percentage of total multifamily loans is 1.62% as of September 30, 2024, compared to 1.69% as of December 31, 2023
- Office-based loans account for just 2.8% of all loan balances at the bank
- The Bank has improved its Non-Owner Occupied to Total Capital Ratio from 387% at June 30, 2022 to 314% at September 30, 2024

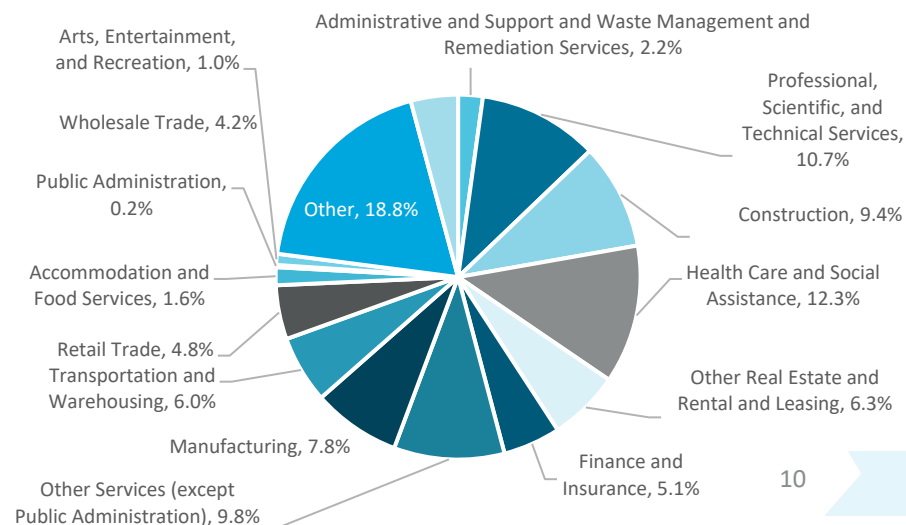
CRE Non-Owner Occupied (\$303.0 Million)



CRE Owner Occupied (\$237.1 Million)



Commercial & Industrial (\$97.9 Million)

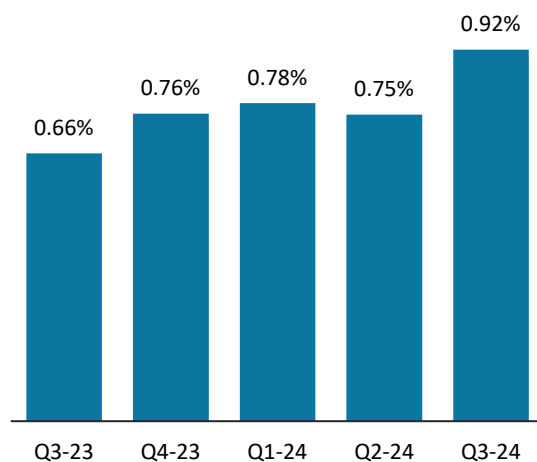


Asset Quality Summary

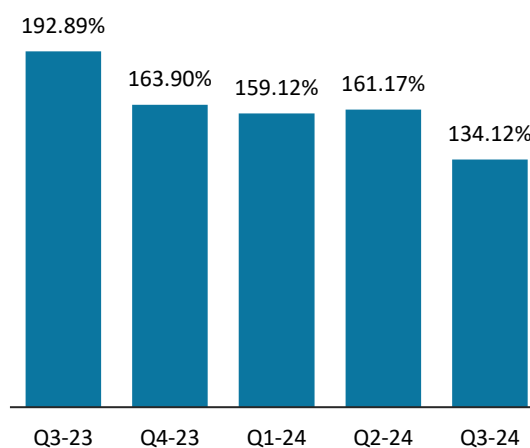
Non-Performing Assets and ACL Coverage

- At September 30, 2024, non-performing loans totaled \$13.8 million (0.92% of loans), compared to \$11.4 million at June 30, 2024 (0.76% of loans), an increase of \$2.4 million due primarily to a long-monitored single commercial business relationship transition to non-performing status
- Nonaccrual CRE and multifamily loans totaled \$6.1 million or 44.4% of the Bank's total nonaccrual loans at June 30, 2024
- There were four non-accrual commercial real estate office loans totaling \$1.5 million at September 30, 2024, of which three totaling nearly \$1.3 million are owner occupied. Relative to all non-accrual CRE, Multifamily and Construction loans, total office exposure consists of 21.9% of these non-accruals. Non-owner occupied office makes up 3% of all non-accrual CRE, Multifamily and Construction loans.
- The Bank is committed to timely and accurate risk ratings which reflect current conditions are key to bank business decisions and proactive risk and balance sheet management (in particular, reserves and capital)

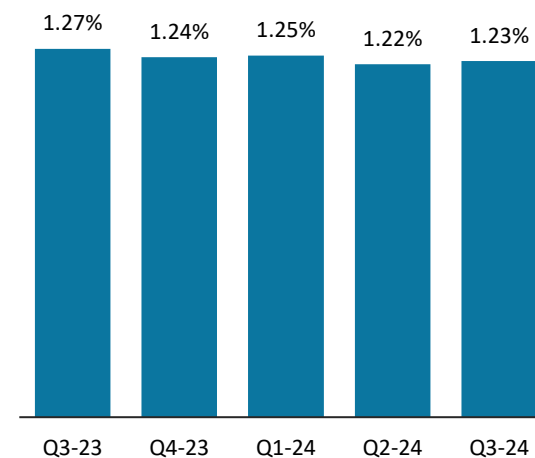
NPL / Total Loans



ACL / NPL

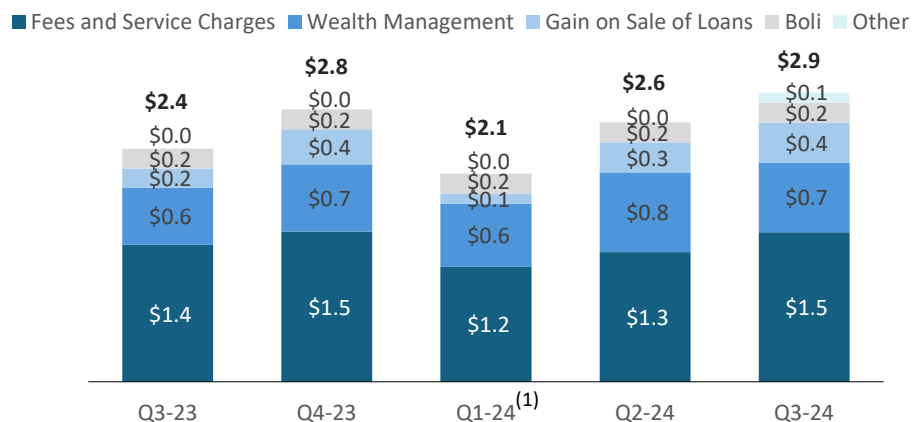


ACL / Loans Outstanding

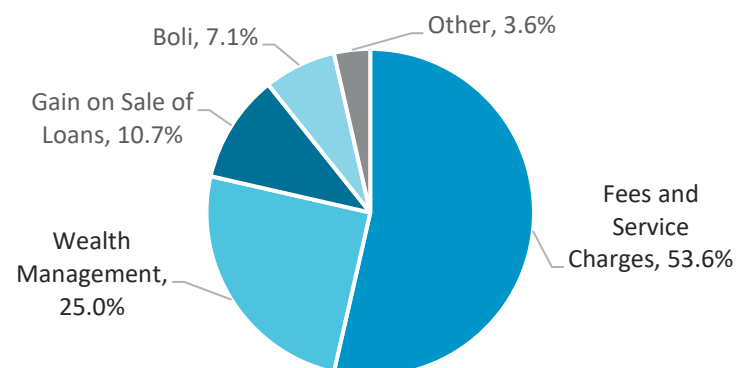


Diversified Sources of Fee Income

Non-Interest Income Business

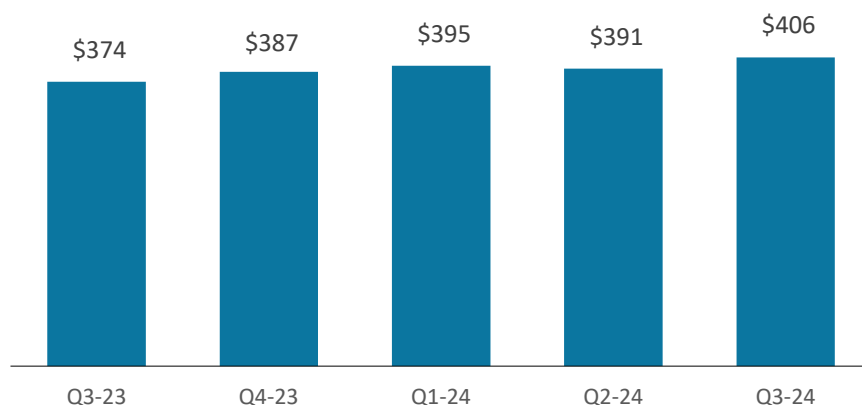


NII Breakout – 3rd Quarter 2024



Q3-24 Non-Interest Income = \$2.8 Million

Wealth Management (Assets Under Management)

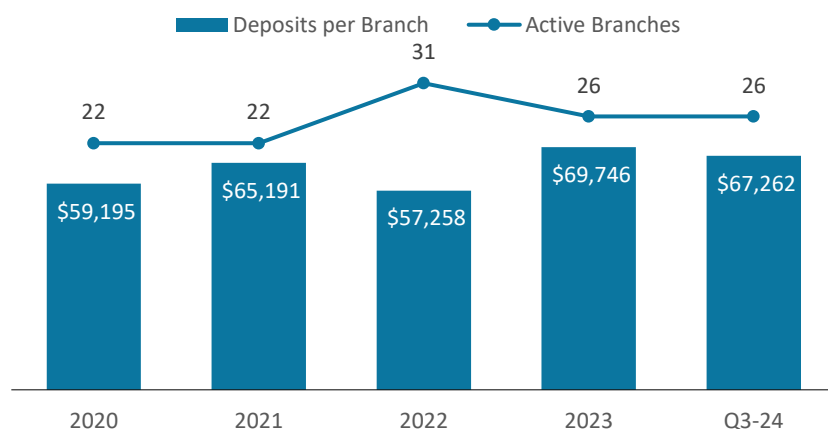


Non-Interest Income Business

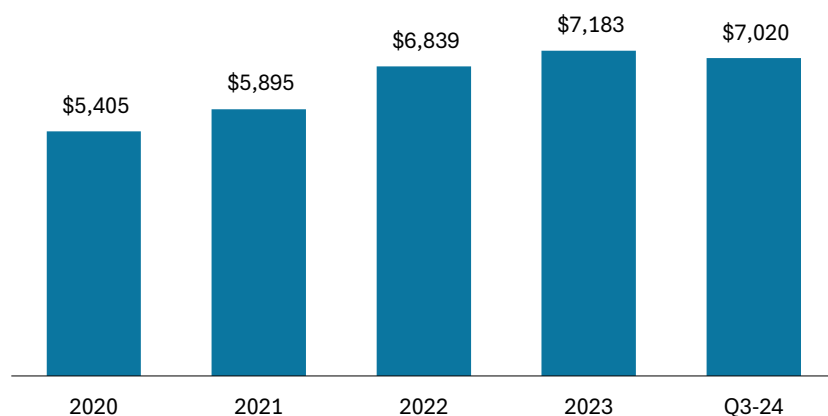
- Mortgage banking, service income, wealth management, swap fee, and other noninterest income streams are all scaled for future organic growth/activity
- Lower levels of mortgage loan origination in our markets continues to drive reduced fixed rate mortgage loan sale activity into the secondary market and resulting gains on sale of loans; group remains ready to act on improved housing market conditions

Ongoing Expense Management

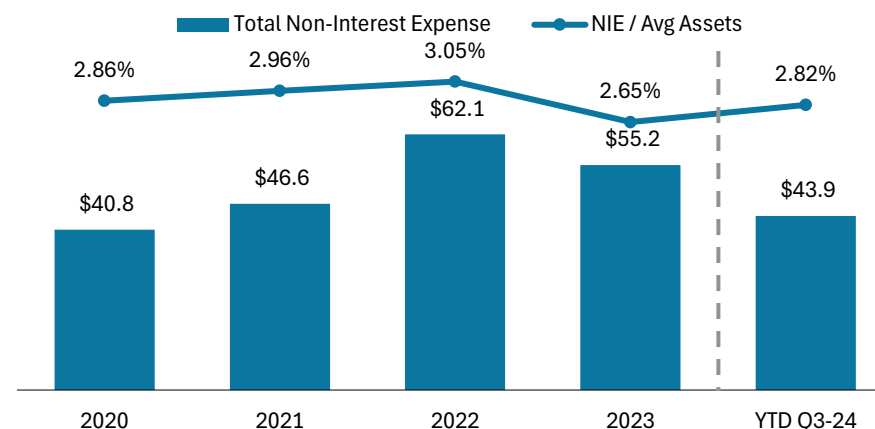
Total Branches



Average Assets to FTE



Non-Interest Expense Ratio



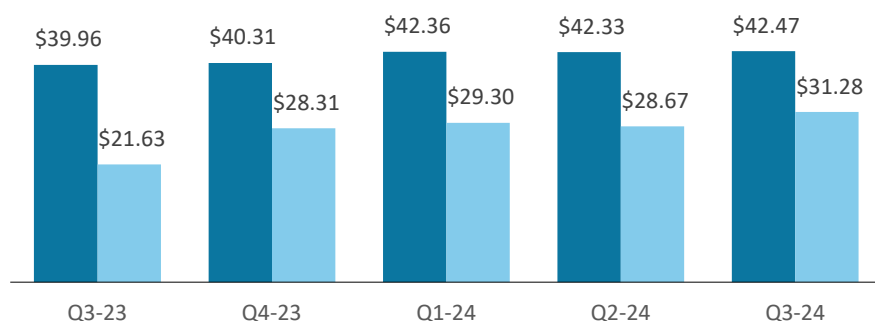
Focused Expense Management

- All cost reduction goals associated with the acquisition of Royal have been achieved and fully integrated
- Non-interest expenses were largely flat during the 3rd quarter as compared to the 2nd quarter in 2024
- The Bank expects improved third-party expenses related to operational enhancements and remains focused on identifying additional operating efficiencies and third-party expense reductions through the remainder of 2024 and beyond

Capital Levels

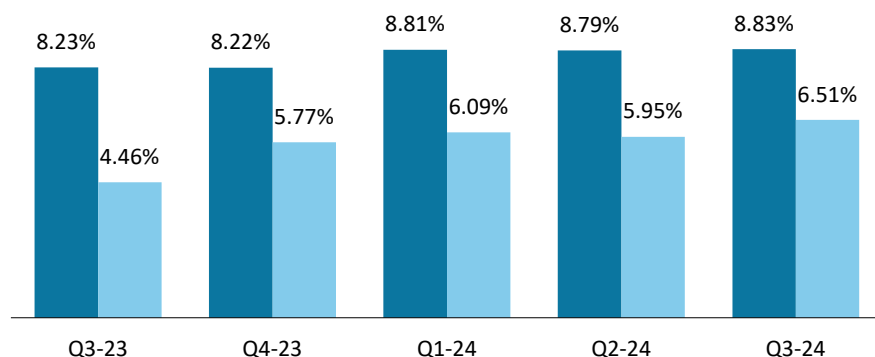
Tangible Book Value per Diluted Share

■ Tangible Book Value per Diluted Share Adjusted for AOCI⁽¹⁾ ■ Tangible Book Value per Diluted Share

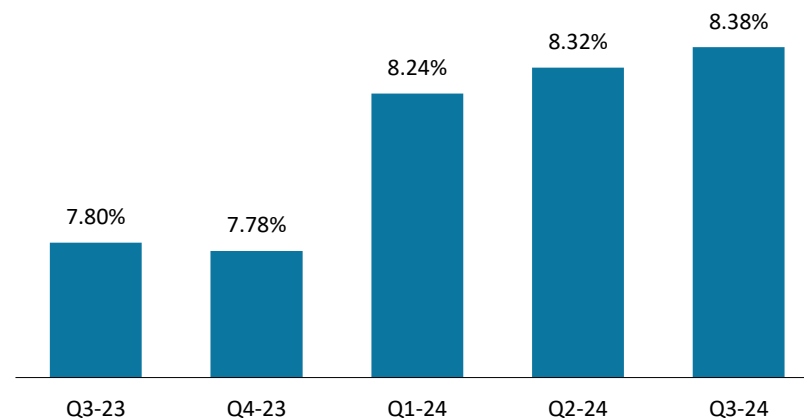


Tangible Common Equity to Total Assets

■ Tangible Common Equity to Total Assets adjusted for AOCI⁽¹⁾ ■ Tangible Common Equity to Total Assets



Bank-Level Tier 1 Leverage Ratio



Capital Adequacy

- As of September 30, 2024, the Bank's tier 1 capital to adjusted average assets ratio totaled 8.38%, which continues to be considered well capitalized by regulatory definition
- Tangible common equity to total assets was 6.51% on September 30, 2024, up from 5.95% as of June 30, 2024 and variances remain highly sensitive to AOCI levels
- Management continues to evaluate various alternatives to better optimize the Bank's balance sheet profile, profitability levels, and continue building capital levels

THANK YOU



APPENDIX

Non-GAAP Reconciliation

Table 1 - Reconciliation of the Non-GAAP Performance Measures

| (Dollars in thousands) (unaudited) | Quarter Ended | | | | | Nine months ended | |
|--|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| | September 30, 2024 | June 30, 2024 | March 31, 2024 | December 31, 2023 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Calculation of tangible common equity | | | | | | | |
| Total stockholder's equity | \$ 159,555 | \$ 148,631 | \$ 151,581 | \$ 147,345 | \$ 119,043 | \$ 159,555 | \$ 119,043 |
| Goodwill | (22,395) | (22,395) | (22,395) | (22,395) | (22,395) | (22,395) | (22,395) |
| Other intangibles | (2,203) | (2,555) | (2,911) | (3,272) | (3,636) | (2,203) | (3,636) |
| Tangible common equity | <u>\$ 134,957</u> | <u>\$ 123,681</u> | <u>\$ 126,275</u> | <u>\$ 121,678</u> | <u>\$ 93,012</u> | <u>\$ 134,957</u> | <u>\$ 93,012</u> |
| Calculation of tangible common equity adjusted for accumulated other comprehensive loss | | | | | | | |
| Tangible common equity | \$ 134,957 | \$ 123,681 | \$ 126,275 | \$ 121,678 | \$ 93,012 | \$ 134,957 | \$ 93,012 |
| Accumulated other comprehensive loss | 48,241 | 58,939 | 56,313 | 51,613 | 78,848 | 48,241 | 78,848 |
| Tangible common equity adjusted for accumulated other comprehensive loss | <u>\$ 183,198</u> | <u>\$ 182,620</u> | <u>\$ 182,588</u> | <u>\$ 173,291</u> | <u>\$ 171,860</u> | <u>\$ 183,198</u> | <u>\$ 171,860</u> |
| Calculation of tangible book value per share | | | | | | | |
| Tangible common equity | \$ 134,957 | \$ 123,681 | \$ 126,275 | \$ 121,678 | \$ 93,012 | \$ 134,957 | \$ 93,012 |
| Shares outstanding | 4,313,940 | 4,313,940 | 4,310,251 | 4,298,773 | 4,300,881 | 4,313,940 | 4,300,881 |
| Tangible book value per diluted share | <u>\$ 31.28</u> | <u>\$ 28.67</u> | <u>\$ 29.30</u> | <u>\$ 28.31</u> | <u>\$ 21.63</u> | <u>\$ 31.28</u> | <u>\$ 21.63</u> |
| Calculation of tangible book value per diluted share adjusted for accumulated other comprehensive loss | | | | | | | |
| Tangible common equity adjusted for accumulated other comprehensive loss | \$ 183,198 | \$ 182,620 | \$ 182,588 | \$ 173,291 | \$ 171,860 | \$ 183,198 | \$ 171,860 |
| Diluted average common shares outstanding | 4,313,940 | 4,313,940 | 4,310,251 | 4,298,773 | 4,300,881 | 4,313,940 | 4,300,881 |
| Tangible book value per diluted share adjusted for accumulated other comprehensive loss | <u>\$ 42.47</u> | <u>\$ 42.33</u> | <u>\$ 42.36</u> | <u>\$ 40.31</u> | <u>\$ 39.96</u> | <u>\$ 42.47</u> | <u>\$ 39.96</u> |
| Calculation of tangible common equity to total assets | | | | | | | |
| Tangible common equity | \$ 134,957 | \$ 123,681 | \$ 126,275 | \$ 121,678 | \$ 93,012 | \$ 134,957 | \$ 93,012 |
| Total assets | 2,074,662 | 2,077,067 | 2,071,782 | 2,108,279 | 2,087,470 | 2,074,662 | 2,087,470 |
| Tangible common equity to total assets | <u>6.51%</u> | <u>5.95%</u> | <u>6.09%</u> | <u>5.77%</u> | <u>4.46%</u> | <u>6.51%</u> | <u>4.46%</u> |
| Calculation of tangible common equity to total assets adjusted for accumulated other comprehensive loss | | | | | | | |
| Tangible common equity adjusted for accumulated other comprehensive loss | \$ 183,198 | \$ 182,620 | \$ 182,588 | \$ 173,291 | \$ 171,860 | \$ 183,198 | \$ 171,860 |
| Total assets | 2,074,662 | 2,077,067 | 2,071,782 | 2,108,279 | 2,087,470 | 2,074,662 | 2,087,470 |
| Tangible common equity to total assets adjusted for accumulated other comprehensive loss | <u>8.83%</u> | <u>8.79%</u> | <u>8.81%</u> | <u>8.22%</u> | <u>8.23%</u> | <u>8.83%</u> | <u>8.23%</u> |
| Calculation of tax adjusted net interest margin | | | | | | | |
| Net interest income | \$ 12,006 | \$ 12,054 | \$ 11,780 | \$ 12,715 | \$ 13,133 | \$ 35,840 | \$ 41,840 |
| Tax adjusted interest on securities and loans | 678 | 677 | 699 | 722 | 730 | 2,054 | 2,234 |
| Adjusted net interest income | <u>12,684</u> | <u>12,731</u> | <u>12,749</u> | <u>13,437</u> | <u>13,863</u> | <u>37,894</u> | <u>44,074</u> |
| Total average earning assets | 1,901,012 | 1,906,998 | 1,945,501 | 1,920,127 | 1,930,118 | 1,911,454 | 1,929,923 |
| Tax adjusted net interest margin | <u>2.67%</u> | <u>2.67%</u> | <u>2.57%</u> | <u>2.80%</u> | <u>2.87%</u> | <u>2.64%</u> | <u>3.04%</u> |
| Efficiency ratio | | | | | | | |
| Total non-interest expense | \$ 14,474 | \$ 14,417 | \$ 15,004 | \$ 13,517 | \$ 13,493 | \$ 43,895 | \$ 13,493 |
| Total revenue | 14,873 | 14,627 | 25,255 | 15,450 | 15,530 | 54,756 | 15,530 |
| Efficiency ratio | <u>97.32%</u> | <u>98.56%</u> | <u>59.41%</u> | <u>87.49%</u> | <u>86.88%</u> | <u>80.16%</u> | <u>86.88%</u> |