

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
FINWARD BANCORP		35-1927981	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
PEYMON TORABI	219-902-6805	PTORABI@IBANKPEOPLES.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
9204 COLUMBIA AVENUE		MUNSTER, IN 46321	
8 Date of action		9 Classification and description	
01/31/2022		COMMON STOCK OF ROYAL FINANCIAL, INC.	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
667516108		FNWD (NASDAQ)	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► SEE ATTACHED STATEMENT

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► SEE ATTACHED STATEMENT

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► SEE ATTACHED STATEMENT

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► SEE ATTACHED STATEMENT

18 Can any resulting loss be recognized? ► SEE ATTACHED STATEMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► SEE ATTACHED STATEMENT

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ►

Date ►

Print your name ►

Title ►

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

MONICA SCHMIDT

Monica Schmidt

2022.03.03 16:14:33 -05'00'

P00032475

Firm's name ► CROWE LLP

Firm's EIN ► 35-0921680

Firm's address ► 330 E JEFFERSON BLVD, PO BOX 7, SOUTH BEND, IN 46624-0007

Phone no. 574-232-3992

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
Finward Bancorp
FEIN: 35-1927981

The information contained herein is being provided pursuant to the requirements of IRC Section 6045B and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the transaction described below on tax basis in shares.

This information does not constitute tax advice. The information and examples provided below are illustrative only and are being provided pursuant to IRC Section 6045B and as a convenience to shareholders and their tax advisors. This form provides a description of common tax consequences but does not purport to describe all tax consequences that may apply to all types of shareholders. Shareholders should consult their tax advisors regarding specific consequences of the transaction on tax basis and holding period, including the applicability and effect of all U.S. federal, state and local tax laws and foreign tax laws.

Part II, Question 14: Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

**For purposes of this attachment, FNWD refers to the issuer, Finward Bancorp, and RYFL refers to Royal Financial, Inc. (FEIN: 20-1636029).*

On January 31, 2022, FNWD acquired RYFL through a merger transaction. The organizational action was a reorganization for U.S. federal tax purposes in which RYFL merged with and into FNWD. The transaction qualified as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Pursuant to the terms of the merger, RYFL shareholders holding 101 or more shares of RYFL common stock exchanged each share for either: i) \$20.14 in cash ii) 0.4609 shares of FNWD, or iii) a combination of stock and cash. RYFL shareholders holding less than 101 shares of RYFL common stock received \$20.14 per share in cash. The RYFL shareholders received cash in lieu of fractional FNWD shares based upon the per share price of \$47.75 for FNWD common stock.

Part II, Question 15: Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

RYFL shareholders receiving solely cash will experience no effect on basis of their RYFL common stock.

- These shareholders should recognize gain or loss equal to the difference between the cash received and the tax basis in their RYFL shares surrendered.

RYFL shareholders receiving solely FNWD stock will experience the following effects:

- The aggregate basis in the RYFL shares immediately before the exchange should be allocated proportionately to the 0.4609 (or fraction of 0.4609) FNWD shares received in the exchange. The quantitative effect is $1/0.4609 = 2.1697$ of the basis in each whole RYFL share is allocated to each whole FNWD share. Generally, the tax basis is allocated to individual FNWD shares received on a block-by-block basis. Since a whole number of FNWD shares were not issued in exchange for each RYFL share, this could result in a single share of FNWD stock having a split basis and a split holding period.
- RYFL shareholders who received cash instead of a fractional share of FNWD common stock will be treated as having received the fractional share in the merger and then as having exchanged the fractional share for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the fractional share and the amount of cash received.

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RYFL shareholders receiving FNWD stock and cash will experience the following effects:

- Gain, but not loss, will be recognized equal to the lesser of: (a) the amount of cash received in the merger; or (b) the amount, if any, by which the sum of the cash received and the fair market value of the FNWD stock received exceeds the holder's adjusted tax basis in the RYFL shares exchanged in the merger. For this purpose, in computing the gain to be recognized on the exchange of RYFL common stock for FNWD common stock, the amount of cash considered to be received in the merger does not include cash received in lieu of fractional shares. Gain or loss should be calculated separately for each identifiable block of shares surrendered in the merger, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares.
- The aggregate tax basis of the FNWD shares received will equal the aggregate basis of RYFL shares exchanged (not counting the basis of any shares allocated to the receipt of fractional FNWD shares), reduced by cash received in the merger (not counting cash received for fractional shares), and increased by any gain recognized in the exchange (not counting any gain on fractional shares). Generally, the tax basis is allocated to individual FNWD shares received on a block-by-block basis. Since a whole number of FNWD shares were not issued in exchange for each RYFL share, this could result in a single share of FNWD stock having a split basis and a split holding period.
- RYFL shareholders who received cash instead of a fractional share of FNWD common stock will be treated as having received the fractional share in the merger and then as having exchanged the fractional share for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the fractional shares and the amount of cash received.

Part II, Question 16: Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

See Item 15 above for a description of the calculation. The fair market value of the FNWD common stock at the effective time of the merger was \$47.75 per share, based upon the January 28, 2022 closing price of FNWD common stock as reported on NASDAQ.

Part II, Question 17: List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

The merger of RYFL into FNWD is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Other relevant Code sections include: 354(a), 356(a), 358(a), and 1001.

Part II, Question 18: Can any resulting loss be recognized?

No loss may be recognized by an RYFL shareholder receiving FNWD common stock and cash, except that any loss on the receipt of cash in lieu of a fractional share of FNWD stock may be recognized. RYFL shareholders receiving solely cash may recognize loss, if any. The deductibility of capital losses may be subject to limitations.

Part II, Question 19: Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The reportable tax year is the tax year including January 31, 2022.