

NorthWest Indiana Bancorp
Quarterly Financial Report

Key Ratios

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	(Unaudited)		(Unaudited)	
	2014	2013	2014	2013
Return on equity	10.34%	13.87%	10.51%	10.99%
Return on assets	0.98%	1.37%	1.00%	1.11%
Basic earnings per share	\$0.67	\$0.84	\$1.99	\$2.02
Diluted earnings per share	\$0.67	\$0.84	\$1.99	\$2.02
Yield on loans	4.51%	5.79%	4.42%	4.91%
Yield on security investments	2.73%	2.81%	2.72%	2.67%
Total yield on earning assets	3.85%	4.60%	3.84%	4.10%
Cost of deposits	0.21%	0.20%	0.20%	0.21%
Cost of borrowings	0.97%	1.11%	0.99%	1.17%
Total cost of funds	0.27%	0.27%	0.27%	0.29%
Net interest margin - tax equivalent	3.87%	4.55%	3.85%	4.04%
Noninterest income / average assets	0.75%	0.74%	0.81%	0.80%
Noninterest expense / average assets	2.75%	2.89%	2.74%	2.83%
Net noninterest margin / average assets	-2.00%	-2.15%	-1.93%	-2.03%
Efficiency ratio	66.79%	60.05%	66.09%	64.28%
Effective tax rate	23.63%	25.72%	23.25%	25.90%
Dividend declared per common share	\$0.25	\$0.22	\$0.72	\$0.63

	September 30,	December 31,
	2014	2013
	(Unaudited)	2013
Net worth / total assets	9.48%	9.63%
Book value per share	\$26.05	\$23.50
Non-performing assets to total assets	1.20%	0.91%
Non-performing loans to total loans	1.21%	0.90%
Allowance for loan losses to non-performing loans	104.64%	181.82%
Allowance for loan losses to loans outstanding	1.27%	1.64%
Foreclosed real estate to total assets	0.23%	0.16%

Consolidated Statements of Income

(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	(Unaudited)		(Unaudited)	
	2014	2013	2014	2013
Interest income:				
Loans	\$ 5,520	\$ 6,141	\$ 15,827	\$ 16,102
Securities & short-term investments	1,522	1,375	4,419	3,884
Total interest income	7,042	7,516	20,246	19,986
Interest expense:				
Deposits	332	282	914	868
Borrowings	139	137	427	450
Total interest expense	471	419	1,341	1,318
Net interest income	6,571	7,097	18,905	18,668
Provision for loan losses	165	150	575	380
Net interest income after provision for loan losses	6,406	6,947	18,330	18,288
Noninterest income:				
Fees and service charges	734	681	2,031	1,897
Wealth management operations	375	356	1,194	1,053
Gain on sale of securities, net	63	96	520	540
Gain on sale of loans held-for-sale, net	178	42	383	340
Increase in cash value of bank owned life insurance	94	94	310	269
Gain on foreclosed real estate, net	16	18	21	17
Other	11	1	99	19
Total noninterest income	1,471	1,288	4,558	4,135
Noninterest expense:				
Compensation and benefits	2,980	2,628	8,419	7,898
Occupancy and equipment	865	809	2,476	2,332
Data processing	291	282	851	754
Marketing	108	116	368	383
Federal deposit insurance premiums	128	126	346	379
Other	1,000	1,074	3,046	2,912
Total noninterest expense	5,372	5,035	15,506	14,658
Income before income taxes	2,505	3,200	7,382	7,765
Income tax expenses	592	823	1,716	2,011
Net income	\$ 1,913	\$ 2,377	\$ 5,666	\$ 5,754

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Balance Sheet Data

(Dollars in thousands)

	September 30, 2014 (Unaudited)	December 31, 2013	Change %	Mix %
Total assets	\$ 781,706	\$ 693,453	12.7%	n/a
Cash & cash equivalents	27,991	21,124	32.5%	n/a
Securities - available for sale	216,476	194,296	11.4%	n/a
Loans receivable:				
Construction and land development	\$ 26,172	\$ 21,462	21.9%	5.3%
1-4 first liens	160,933	141,186	14.0%	32.7%
Multifamily	31,272	30,782	1.6%	6.4%
Commercial real estate	154,073	144,378	6.7%	31.3%
Commercial business	63,224	57,716	9.5%	12.9%
1-4 Junior Liens	1,533	1,186	29.3%	0.3%
HELOC	24,235	16,903	43.4%	4.9%
Lot loans	2,190	2,389	-8.3%	0.4%
Consumer	464	232	100.1%	0.1%
Government and other	27,542	21,587	27.6%	5.6%
Total loans	\$ 491,638	\$ 437,821	12.3%	100.0%
Deposits:				
Core deposits:				
Noninterest bearing checking	\$ 86,348	\$ 73,430	17.6%	13.7%
Interest bearing checking	114,774	123,299	-6.9%	18.2%
Savings	89,141	84,460	5.5%	14.1%
MMDA	151,577	136,088	11.4%	24.0%
Total core deposits	441,841	417,277	5.9%	70.0%
Certificates of deposit	189,404	155,616	21.7%	30.0%
Total deposits	\$ 631,245	\$ 572,893	10.2%	100.0%
Borrowings	\$ 64,223	\$ 44,929	42.9%	
Stockholder's equity	74,100	66,761	11.0%	

Asset Quality

(Dollars in thousands)

	September 30, 2014 (Unaudited)	December 31, 2013	Change %
Nonaccruing loans	\$ 4,730	\$ 3,780	25.1%
Accruing loans delinquent more than 90 days	1,226	174	604.6%
Securities in non-accrual	1,600	1,252	27.8%
Foreclosed real estate	1,814	1,084	67.3%
Total nonperforming assets	\$ 9,370	\$ 6,290	49.0%
Allowance for loan losses (ALL):			
ALL specific allowances for impaired loans	\$ 379	\$ 1,703	-77.7%
ALL general allowances for loan portfolio	5,852	5,486	6.7%
Total ALL	\$ 6,231	\$ 7,189	-13.3%
Troubled Debt Restructurings:			
Nonaccruing troubled debt restructurings, non-compliant (1) (2)	\$ 1,223	\$ 569	114.9%
Nonaccruing troubled debt restructurings, compliant (2)	-	534	-100.0%
Accruing troubled debt restructurings	5,260	8,148	-35.4%
Total troubled debt restructurings	\$ 6,483	\$ 9,251	-29.9%
(1) "non-compliant" refers to not being within the guidelines of the restructuring agreement			
(2) included in nonaccruing loan balances presented above			

Capital Adequacy (Bancorp and Bank)

	At September 30, 2014 Actual Ratio (Unaudited)	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations
Total capital to risk-weighted assets	14.7%	10.0%
Tier 1 capital to risk-weighted assets	13.5%	6.0%
Tier 1 capital to adjusted average assets	9.1%	5.0%

Table 1 - Reconciliation of the Non-GAAP Earnings Figures

	Three Months Ended September 30, (Unaudited)		Percentage Change
	2014	2013	
Net income	\$ 1,913	\$ 2,377	-19.5%
Nonrecurring, onetime gain of \$1.4 million, adjusted at effective tax rate of 25.72%		1,040	
Proforma net income	<u>\$ 1,913</u>	<u>\$ 1,337</u>	43.1%

	Nine Months Ended September 30, (Unaudited)		Percentage Change
	2014	2013	
Net income	\$ 5,666	\$ 5,754	-1.5%
Nonrecurring, onetime gain of \$1.4 million, adjusted at effective tax rate of 25.90%		1,037	
Proforma net income	<u>\$ 5,666</u>	<u>\$ 4,717</u>	20.1%