

NorthWest Indiana Bancorp
Quarterly Financial Report

Key Ratios	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	(Unaudited)		(Unaudited)	
	2018	2017	2018	2017
Return on equity	11.04%	11.30%	11.12%	10.97%
Return on assets	1.07%	1.11%	1.08%	1.07%
Basic earnings per share	\$0.88	\$0.89	\$1.77	\$1.69
Diluted earnings per share	\$0.88	\$0.89	\$1.77	\$1.69
Yield on loans	4.56%	4.42%	4.51%	4.39%
Yield on security investments	2.79%	2.64%	2.78%	2.62%
Total yield on earning assets	4.05%	3.89%	4.03%	3.87%
Cost of deposits	0.43%	0.26%	0.39%	0.25%
Cost of repurchase agreements	1.35%	0.78%	1.26%	0.73%
Cost of borrowed funds	2.13%	1.21%	1.99%	1.17%
Total cost of funds	0.53%	0.30%	0.48%	0.29%
Net interest margin - tax equivalent	3.78%	3.84%	3.79%	3.83%
Noninterest income / average assets	0.94%	0.86%	0.99%	0.83%
Noninterest expense / average assets	2.94%	2.66%	2.96%	2.73%
Net noninterest margin / average assets	-2.00%	-1.80%	-1.97%	-1.90%
Efficiency ratio	68.52%	62.69%	68.13%	65.17%
Effective tax rate	12.69%	22.59%	13.33%	19.99%
Dividend declared per common share	\$0.30	\$0.29	\$0.59	\$0.57

	June 30,	December 31,
	2018	2017
	(Unaudited)	(Unaudited)
Net worth / total assets	9.45%	9.93%
Book value per share	\$ 31.58	\$ 32.14
Non-performing assets to total assets	0.78%	1.00%
Non-performing loans to total loans	0.65%	0.84%
Allowance for loan losses to non-performing loans	177.65%	143.26%
Allowance for loan losses to loans outstanding	1.15%	1.21%
Foreclosed real estate to total assets	0.11%	0.18%

Consolidated Statements of Income (Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	(Unaudited)		(Unaudited)	
	2018	2017	2018	2017
Interest income:				
Loans	\$ 7,257	\$ 6,664	\$ 14,251	\$ 13,103
Securities & short-term investments	1,739	1,608	3,478	3,247
Total interest income	8,996	8,272	17,729	16,350
Interest expense:				
Deposits	838	498	1,513	957
Borrowings	282	116	505	220
Total interest expense	1,120	614	2,018	1,177
Net interest income	7,876	7,658	15,711	15,173
Provision for loan losses	297	323	638	557
Net interest income after provision for loan losses	7,579	7,335	15,073	14,616
Noninterest income:				
Fees and service charges	947	821	1,839	1,561
Gain on sale of securities, net	246	252	1,004	545
Gain on sale of loans held-for-sale, net	359	271	570	471
Wealth management operations	424	398	839	808
Increase in cash value of bank owned life insurance	120	115	228	230
Gain on sale of foreclosed real estate, net	68	93	100	93
Other	39	10	72	37
Total noninterest income	2,203	1,960	4,652	3,745
Noninterest expense:				
Compensation and benefits	3,516	3,140	7,376	6,753
Occupancy and equipment	842	815	1,695	1,697
Data processing	703	360	1,064	728
Federal deposit insurance premiums	75	81	159	158
Marketing	166	199	300	334
Other	1,604	1,433	3,279	2,658
Total noninterest expense	6,906	6,028	13,873	12,328
Income before income taxes	2,876	3,267	5,852	6,033
Income tax expenses	365	738	780	1,206
Net income	\$ 2,511	\$ 2,529	\$ 5,072	\$ 4,827

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Balance Sheet Data

(Dollars in thousands)

	June 30, 2018 (Unaudited)	December 31, 2017	Change %	Mix %
Total assets	\$ 958,951	\$ 927,259	3.4%	n/a
Cash & cash equivalents	19,792	11,025	79.5%	n/a
Certificates of deposit in other financial institutions	1,526	1,676	-8.9%	n/a
Securities - available for sale	238,164	244,490	-2.6%	n/a
Loans receivable:				
Residential real estate	\$ 175,492	\$ 172,141	1.9%	27.2%
Home equity	38,303	36,769	4.2%	5.9%
Commercial real estate	223,598	211,090	5.9%	34.6%
Construction and land development	51,947	50,746	2.4%	8.0%
Multifamily	44,781	43,368	3.3%	6.9%
Farmland	245	-	100.0%	0.0%
Consumer	487	461	5.6%	0.1%
Commercial business	83,699	76,851	8.9%	13.0%
Government	27,736	28,785	-3.6%	4.3%
Total loans	\$ 646,288	\$ 620,211	4.2%	100.0%
Deposits:				
Core deposits:				
Noninterest bearing checking	\$ 120,418	\$ 120,556	-0.1%	14.9%
Interest bearing checking	201,170	188,467	6.7%	25.0%
Savings	131,003	129,702	1.0%	16.3%
Money market	146,613	170,359	-13.9%	18.1%
Total core deposits	599,204	609,084	-1.6%	74.3%
Certificates of deposit	206,773	183,920	12.4%	25.7%
Total deposits	\$ 805,977	\$ 793,004	1.6%	100.0%
Borrowings and repurchase agreements	\$ 49,915	\$ 32,181	55.1%	
Stockholder's equity	90,577	92,060	-1.6%	

Asset Quality

(Dollars in thousands)

	June 30, 2018 (Unaudited)	December 31, 2017	Change %
Nonaccruing loans	\$ 4,122	\$ 4,996	-17.5%
Accruing loans delinquent more than 90 days	71	227	-68.7%
Securities in non-accrual	2,196	2,299	-4.5%
Foreclosed real estate	1,087	1,699	-36.0%
Total nonperforming assets	\$ 7,476	\$ 9,221	-18.9%
Allowance for loan losses (ALL):			
ALL specific allowances for impaired loans	\$ 62	\$ 704	-91.2%
ALL general allowances for loan portfolio	7,386	6,778	9.0%
Total ALL	\$ 7,448	\$ 7,482	-0.5%
Troubled Debt Restructurings:			
Nonaccruing troubled debt restructurings, non-compliant (1) (2)	\$ -	\$ -	0.0%
Nonaccruing troubled debt restructurings, compliant (2)	-	-	0.0%
Accruing troubled debt restructurings	2,058	535	284.7%
Total troubled debt restructurings	\$ 2,058	\$ 535	284.7%

(1) "non-compliant" refers to not being within the guidelines of the restructuring agreement

(2) included in nonaccruing loan balances presented above

	At June 30, 2018 Actual Ratio (Unaudited)	Required To Be Well Capitalized
Capital Adequacy Bancorp		
Common equity tier 1 capital to risk-weighted assets	13.0%	N/A
Tier 1 capital to risk-weighted assets	13.0%	N/A
Total capital to risk-weighted assets	14.1%	N/A
Tier 1 capital to adjusted average assets	9.8%	N/A
Capital Adequacy Bank		
Common equity tier 1 capital to risk-weighted assets	12.7%	6.5%
Tier 1 capital to risk-weighted assets	12.7%	8.0%
Total capital to risk-weighted assets	13.7%	10.0%
Tier 1 capital to adjusted average assets	9.5%	5.0%

Table 1 - Reconciliation of the Non-GAAP Earnings Figures

	Thee Months Ended 6/30/2018 <u>(Unaudited)</u>	Six Months Ended 6/30/2018 <u>(Unaudited)</u>
GAAP net Income	\$ 2,511	\$ 5,072
GAAP income tax expense	365	780
GAAP income before income taxes	<u>2,876</u>	<u>5,852</u>
Acquisition costs	533	545
Pro forma income before income taxes	3,409	6,397
Pro forma income taxes	433	853
Pro forma net income	<u>\$ 2,976</u>	<u>\$ 5,544</u>
Pro forma net income change	17.7%	14.9%
Pro forma ROA	1.26%	1.18%
Pro forma ROE	13.09%	12.15%
Pro forma EPS	\$ 1.04	\$ 1.93
Pro forma efficiency ratio	63.23%	65.45%
Pro forma non-interest expense / average assets	2.87%	2.90%