

**NorthWest Indiana Bancorp**  
**Quarterly Financial Report**

**Key Ratios**

	(Unaudited)		(Unaudited)	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Return on equity	6.70%	9.82%	9.56%	10.54%
Return on assets	0.62%	0.98%	0.92%	1.04%
Basic earnings per share	\$0.54	\$0.78	\$2.29	\$2.47
Diluted earnings per share	\$0.54	\$0.78	\$2.29	\$2.47
Yield on loans	4.75%	4.50%	4.60%	4.42
Yield on security investments	2.83%	2.57%	2.79%	2.63
Total yield on earning assets	4.26%	3.94%	4.11%	3.89%
Cost of deposits	0.46%	0.27%	0.41%	0.26%
Cost of repurchase agreements	1.49%	0.93%	1.34%	0.80%
Cost of borrowed funds	2.63%	1.46%	2.26%	1.43%
Total cost of funds	0.56%	0.32%	0.51%	0.30%
Net interest margin - tax equivalent	3.91%	3.82%	3.81%	3.79%
Noninterest income / average assets	0.85%	0.91%	0.94%	0.86%
Noninterest expense / average assets	3.48%	3.03%	3.14%	2.83%
Net noninterest margin / average assets	-2.62%	-2.12%	-2.20%	-1.97%
Efficiency ratio	80.59%	70.33%	72.56%	66.93%
Effective tax rate	13.10%	18.46%	13.27%	19.51%
Dividend declared per common share	\$0.30	\$0.29	\$0.89	\$0.87

	(Unaudited)	
	September 30,	December 31,
	2018	2017
Net worth / total assets	8.99%	9.93%
Book value per share	\$ 31.85	\$ 32.14
Non-performing assets to total assets	1.00%	1.00%
Non-performing loans to total loans	0.86%	0.84%
Allowance for loan losses to non-performing loans	121.10%	143.26%
Allowance for loan losses to loans outstanding	1.04%	1.21%
Foreclosed real estate to total assets	0.20%	0.18%

**Consolidated Statements of Income**

(Dollars in thousands)

	(Unaudited)		(Unaudited)	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Interest income:				
Loans	\$ 8,552	\$ 6,828	\$ 22,803	\$ 19,931
Securities & short-term investments	1,783	1,603	5,261	4,850
Total interest income	<u>10,335</u>	<u>8,431</u>	<u>28,064</u>	<u>24,781</u>
Interest expense:				
Deposits	1,018	518	2,531	1,475
Borrowings	301	141	806	361
Total interest expense	<u>1,319</u>	<u>659</u>	<u>3,337</u>	<u>1,836</u>
Net interest income	9,016	7,772	24,727	22,945
Provision for loan losses	312	165	950	722
Net interest income after provision for loan losses	<u>8,704</u>	<u>7,607</u>	<u>23,777</u>	<u>22,223</u>
Noninterest income:				
Fees and service charges	991	843	2,830	2,404
Wealth management operations	414	459	1,253	1,267
Gain on sale of loans held-for-sale, net	451	412	1,021	883
Gain on sale of securities, net	151	213	1,155	758
Increase in cash value of bank owned life insurance	130	119	358	349
Gain on sale of foreclosed real estate, net	54	2	154	95
Other	32	27	104	64
Total noninterest income	<u>2,223</u>	<u>2,075</u>	<u>6,875</u>	<u>5,820</u>
Noninterest expense:				
Compensation and benefits	4,669	4,094	12,045	10,847
Occupancy and equipment	829	845	2,524	2,542
Data processing	1,012	364	2,076	1,092
Federal deposit insurance premiums	91	84	250	242
Marketing	223	135	523	469
Other	2,233	1,403	5,512	4,061
Total noninterest expense	<u>9,057</u>	<u>6,925</u>	<u>22,930</u>	<u>19,253</u>
Income before income taxes	1,870	2,757	7,722	8,790
Income tax expenses	245	509	1,025	1,715
Net income	<u>\$ 1,625</u>	<u>\$ 2,248</u>	<u>\$ 6,697</u>	<u>\$ 7,075</u>

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**Balance Sheet Data**

(Dollars in thousands)

	(Unaudited)			
	September 30, 2018	December 31, 2017	Change %	Mix %
Total assets	\$ 1,073,074	\$ 927,259	15.7%	n/a
Cash & cash equivalents	13,964	11,025	26.7%	n/a
Certificates of deposit in other financial institutions	3,754	1,676	124.0%	n/a
Securities - available for sale	238,071	244,490	-2.6%	n/a
Loans receivable:				
Residential real estate	\$ 220,862	\$ 172,141	28.3%	29.8%
Home equity	43,234	36,769	17.6%	5.8%
Commercial real estate	243,304	211,090	15.3%	32.8%
Construction and land development	54,755	50,746	7.9%	7.4%
Multifamily	45,752	43,368	5.5%	6.2%
Farmland	242	-	100.0%	0.0%
Consumer	5,633	461	1121.9%	0.8%
Commercial business	102,687	76,851	33.6%	13.8%
Government	25,763	28,785	-10.5%	3.4%
Total loans	\$ 742,232	\$ 620,211	19.7%	100.0%
Deposits:				
Core deposits:				
Noninterest bearing checking	\$ 134,449	\$ 120,556	11.5%	14.9%
Interest bearing checking	204,727	188,467	8.6%	22.7%
Savings	161,357	129,702	24.4%	17.9%
Money market	148,227	170,359	-13.0%	16.4%
Total core deposits	648,760	609,084	6.5%	71.9%
Certificates of deposit	253,996	183,920	38.1%	28.1%
Total deposits	\$ 902,756	\$ 793,004	13.8%	100.0%
Borrowings and repurchase agreements	\$ 60,899	\$ 32,181	89.2%	
Stockholder's equity	96,487	92,060	4.8%	

**Asset Quality**

(Dollars in thousands)

	(Unaudited)		
	September 30, 2018	December 31, 2017	Change %
Nonaccruing loans	\$ 5,471	\$ 4,996	9.5%
Accruing loans delinquent more than 90 days	935	227	311.9%
Securities in non-accrual	2,199	2,299	-4.3%
Foreclosed real estate	2,125	1,699	25.1%
Total nonperforming assets	\$ 10,730	\$ 9,221	16.4%
Allowance for loan losses (ALL):			
ALL specific allowances for impaired loans	\$ 376	\$ 704	-46.6%
ALL general allowances for loan portfolio	7,373	6,778	8.8%
Total ALL	\$ 7,749	\$ 7,482	3.6%
Troubled Debt Restructurings:			
Nonaccruing troubled debt restructurings, non-compliant (1) (2)	\$ -	\$ -	0.0%
Nonaccruing troubled debt restructurings, compliant (2)	128	-	100.0%
Accruing troubled debt restructurings	1,928	535	260.4%
Total troubled debt restructurings	\$ 2,056	\$ 535	284.3%

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

(2) included in nonaccruing loan balances presented above

	(Unaudited)	
	At September 30, 2018	Required To Be Well Capitalized
	Actual Ratio	
<b>Capital Adequacy Bancorp</b>		
Common equity tier 1 capital to risk-weighted assets	11.3%	N/A
Tier 1 capital to risk-weighted assets	11.3%	N/A
Total capital to risk-weighted assets	12.2%	N/A
Tier 1 capital to adjusted average assets	8.6%	N/A
<b>Capital Adequacy Bank</b>		
Common equity tier 1 capital to risk-weighted assets	10.9%	6.5%
Tier 1 capital to risk-weighted assets	10.9%	8.0%
Total capital to risk-weighted assets	11.9%	10.0%
Tier 1 capital to adjusted average assets	8.4%	5.0%

Table 1 - Reconciliation of the Non-GAAP Earnings and Performance Ratios

	(Unaudited)		
	September 30, 2018		
	Three Months Ended	Nine Months Ended	
GAAP net Income	\$ 1,625	\$ 6,697	
GAAP income tax expense	245	1,025	
GAAP income before income taxes	1,870	7,722	
One-time acquisition costs	1,042	1,587	
Pro forma income before income taxes	2,912	9,309	
Pro forma income taxes	382	1,236	
Pro forma net income	<u>\$ 2,530</u>	<u>\$ 8,073</u>	
Pro forma net income change	12.6%	14.1%	
(\$ in thousands)		(Unaudited)	
		One-time acquisition costs - tax effectuated	
For the three months ended, September 30, 2018	GAAP		Non-GAAP
Net income	\$ 1,625	\$ 905	\$ 2,530
Average assets	<u>\$ 1,042,291</u>		<u>\$ 1,042,291</u>
ROA	0.62%		0.97%
(\$ in thousands)		(Unaudited)	
		One-time acquisition costs - tax effectuated	
For the nine months ended, September 30, 2018	GAAP		Non-GAAP
Net income	\$ 6,697	\$ 1,376	\$ 8,073
Average assets	<u>\$ 972,563</u>		<u>\$ 972,563</u>
ROA	0.92%		1.11%
(\$ in thousands)		(Unaudited)	
		One-time acquisition costs - tax effectuated	
For the three months ended, September 30, 2018	GAAP		Non-GAAP
Net income	\$ 1,625	\$ 905	\$ 2,530
Average equity	<u>\$ 97,021</u>		<u>\$ 97,021</u>
ROE	6.70%		10.43%
(\$ in thousands)		(Unaudited)	
		One-time acquisition costs - tax effectuated	
For the nine months ended, September 30, 2018	GAAP		Non-GAAP
Net income	\$ 6,697	\$ 1,376	\$ 8,073
Average equity	<u>\$ 93,408</u>		<u>\$ 93,408</u>
ROE	9.56%		11.52%
(\$ in thousands)		(Unaudited)	
		One-time acquisition costs - tax effectuated	
For the three months ended, September 30, 2018	GAAP		Non-GAAP
Noninterest expense	9,057	(1,042)	8,015
Interest income	10,335		10,335
Interest expense	1,319		1,319
Noninterest income	<u>2,223</u>		<u>2,223</u>
Efficiency ratio	80.59%		71.31%
(\$ in thousands)		(Unaudited)	
		One-time acquisition costs - tax effectuated	
For the nine months ended, September 30, 2018	GAAP		Non-GAAP
Noninterest expense	22,930	(1,587)	21,343
Interest income	28,064		28,064
Interest expense	3,337		3,337
Noninterest income	<u>6,875</u>		<u>6,875</u>
Efficiency ratio	72.56%		67.54%