

NorthWest Indiana Bancorp
Financial Report

Key Ratios

	Three Months Ended		Twelve Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Return on equity	10.96%	8.11%	9.88%	9.90%
Return on assets	0.97%	0.82%	0.93%	0.98%
Basic earnings per share	\$0.86	\$0.66	\$3.17	\$3.13
Diluted earnings per share	\$0.86	\$0.66	\$3.17	\$3.13
Yield on loans	5.02%	4.52%	4.71%	4.45%
Yield on security investments	2.94%	2.64%	2.86%	2.61%
Total yield on earning assets	4.51%	3.98%	4.22%	3.91%
Cost of deposits	0.56%	0.30%	0.45%	0.27%
Cost of borrowings	2.71%	1.39%	2.25%	1.27%
Total cost of funds	0.72%	0.37%	0.57%	0.32%
Net interest margin - tax equivalent	3.96%	3.86%	3.81%	3.84%
Noninterest income / average assets	0.82%	0.84%	0.91%	0.85%
Noninterest expense / average assets	3.10%	2.71%	3.13%	2.80%
Net noninterest margin / average assets	-2.28%	-1.87%	-2.22%	-1.95%
Efficiency ratio	71.30%	63.97%	72.21%	66.17%
Effective tax rate	13.30%	38.04%	13.28%	24.26%
Dividend declared per common share	\$0.30	\$0.29	1.19	\$1.15

	December 31,	December 31,
	2018	2017
	(Unaudited)	(Unaudited)
Net worth / total assets	9.26%	9.93%
Book value per share	\$33.50	\$32.14
Non-performing assets to total assets	0.97%	1.00%
Non-performing loans to total loans	0.90%	0.84%
Allowance for loan losses to non-performing loans	115.12%	143.26%
Allowance for loan losses to loans outstanding	1.04%	1.21%
Foreclosed real estate to total assets	0.15%	0.18%

Consolidated Statements of Income

(Dollars in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Loans	\$ 9,589	\$ 6,928	\$ 32,392	\$ 26,859
Securities & short-term investments	1,797	1,649	7,058	6,499
Total interest income	11,386	8,577	39,450	33,358
Interest expense:				
Deposits	1,268	584	3,799	2,059
Borrowings	486	172	1,292	533
Total interest expense	1,754	756	5,091	2,592
Net interest income	9,632	7,821	34,359	30,766
Provision for loan losses	358	478	1,308	1,200
Net interest income after provision for loan losses	9,274	7,343	33,051	29,566
Noninterest income:				
Fees and service charges	1,036	907	3,866	3,311
Wealth management operations	443	444	1,696	1,711
Gain on sale of loans held-for-sale, net	598	317	1,619	1,200
Gain on sale of securities, net	45	102	1,200	860
Increase in cash value of bank owned life insurance	136	111	494	460
Gain on sale of foreclosed real estate	(100)	8	54	103
Other	66	43	170	107
Total noninterest income	2,224	1,932	9,099	7,752
Noninterest expense:				
Compensation and benefits	4,367	3,372	16,412	14,219
Occupancy and equipment	1,129	739	3,653	3,281
Data processing	391	361	2,467	1,453
Marketing	184	126	707	595
Federal deposit insurance premiums	160	94	410	336
Other	2,222	1,543	7,734	5,604
Total noninterest expense	8,453	6,235	31,383	25,488
Income before income taxes	3,045	3,040	10,767	11,830
Income tax expenses	405	1,154	1,430	2,869
Net income	\$ 2,640	\$ 1,886	\$ 9,337	\$ 8,961

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Balance Sheet Data

(Dollars in thousands)

	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	Change %	Mix %
Total assets	\$ 1,096,158	\$ 927,259	18.2%	
Cash & cash equivalents	17,139	11,025	55.5%	
Securities - available for sale	241,768	244,490	-1.1%	
Loans receivable:				
Construction and land development	64,433	50,746	27.0%	8.4%
1-4 first liens	220,302	169,072	30.3%	28.8%
Multifamily	47,234	43,369	8.9%	6.2%
Commercial real estate	253,104	211,090	19.9%	33.1%
Commercial business	104,162	76,851	35.5%	13.6%
1-4 Junior Liens	1,481	1,141	29.8%	0.2%
HELOC	43,958	35,629	23.4%	5.8%
Lot loans	3,064	3,069	-0.2%	0.4%
Consumer	5,320	461	1054.0%	0.7%
Farmland	241	-	100.0%	0.0%
Government	21,101	28,785	-26.7%	2.8%
Total loans	764,400	620,211	23.2%	100.0%
Deposits:				
Core deposits:				
Noninterest bearing checking	127,277	120,556	5.6%	13.7%
Interest bearing checking	214,400	188,467	13.8%	23.1%
Savings	160,490	129,702	23.7%	17.3%
MMDA	168,727	170,359	-1.0%	18.1%
Total core deposits	670,894	609,084	10.1%	72.2%
Certificates of deposit	258,892	183,920	40.8%	27.8%
Total deposits	929,786	793,004	17.2%	100.0%
Borrowings and repurchase agreements	54,628	32,181	69.8%	
Stockholder's equity	101,464	92,060	10.2%	

Asset Quality

(Dollars in thousands)

	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	Change %
Nonaccruing loans	\$ 6,595	\$ 4,996	32.0%
Accruing loans delinquent more than 90 days	321	227	41.4%
Securities in non-accrual	2,050	2,299	-10.8%
Foreclosed real estate	1,627	1,699	-4.2%
Total nonperforming assets	10,593	9,221	14.9%
Allowance for loan losses (ALL):			
ALL specific allowances for impaired loans	246	704	-65.1%
ALL general allowances for loan portfolio	7,716	6,778	13.8%
Total ALL	7,962	7,482	6.4%
Troubled Debt Restructurings:			
Nonaccruing troubled debt restructurings, non-compliant (1) (2)	-	-	0.0%
Nonaccruing troubled debt restructurings, compliant (2)	125	-	0.0%
Accruing troubled debt restructurings	1,906	535	256.3%
Total troubled debt restructurings	2,031	535	279.6%

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

(2) included in nonaccruing loan balances presented above

At December 31, 2018
(unaudited)

Capital Adequacy

	Actual Ratio	Required to be well capitalized ⁽¹⁾
Capital Adequacy Bancorp		
Common equity tier 1 capital to risk-weighted assets	11.6%	N/A
Tier 1 capital to risk-weighted assets	11.6%	N/A
Total capital to risk-weighted assets	12.6%	N/A
Tier 1 capital to adjusted average assets	8.6%	N/A
Capital Adequacy Bank		
Common equity tier 1 capital to risk-weighted assets	11.2%	6.5%
Tier 1 capital to risk-weighted assets	11.2%	8.0%
Total capital to risk-weighted assets	12.2%	10.0%
Tier 1 capital to adjusted average assets	8.4%	5.0%

(1) Effective January 1, 2015, new minimum capital requirements went into effect, which increased the Tier 1 capital to risk-weighted assets ratio to 8.0% to be well capitalized and also introduced a new common equity Tier 1 capital ratio of 4.5% (6.5% to

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

	Twelve Months Ended December 31, 2018 (Unaudited)		
GAAP net Income		\$	9,337
GAAP income tax expense			1,430
GAAP income before income taxes			10,767
One-time acquisition costs			2,076
Pro forma income before income taxes			12,843
Pro forma income taxes			1,706
Pro forma net income		\$	11,137
Pro forma net income change			24.3%
(\$ in thousands)			
		(Unaudited)	
			One-time acquisition costs - tax effected
For the twelve months ended, December 31, 2018	GAAP		Non-GAAP
Net income	\$ 9,337	\$ 1,800	\$ 11,137
Average assets	\$ 1,001,908		\$ 1,001,908
ROA	0.93%		1.11%
(\$ in thousands)			
		(Unaudited)	
			One-time acquisition costs - tax effected
For the twelve months ended, December 31, 2018	GAAP		Non-GAAP
Net income	\$ 9,337	\$ 1,800	\$ 11,137
Average equity	\$ 94,460		\$ 94,460
ROE	9.88%		11.79%
(\$ in thousands)			
		(Unaudited)	
			One-time acquisition costs
For the twelve months ended, December 31, 2018	GAAP		Non-GAAP
Noninterest expense	31,383	(2,076)	29,307
Interest income	39,450		39,450
Interest expense	5,091		5,091
Noninterest income	9,099		9,099
Efficiency ratio	72.21%		67.44%