

NorthWest Indiana Bancorp
Quarterly Financial Report

Key Ratios	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Return on equity	12.77%	11.04%	10.25%	11.12%
Return on assets	1.27%	1.07%	1.00%	1.08%
Basic earnings per share	\$1.17	\$0.88	\$1.84	\$1.77
Diluted earnings per share	\$1.17	\$0.88	\$1.84	\$1.77
Yield on loans	5.25%	4.56%	5.15%	4.51%
Yield on security investments	2.73%	2.79%	2.79%	2.78%
Total yield on earning assets	4.65%	4.05%	4.53%	4.03%
Cost of deposits	0.73%	0.43%	0.69%	0.39%
Cost of repurchase agreements	1.94%	1.35%	1.90%	1.26%
Cost of borrowed funds	3.34%	2.13%	2.74%	1.99%
Total cost of funds	0.78%	0.53%	0.74%	0.48%
Net interest margin - tax equivalent	3.96%	3.78%	3.88%	3.79%
Noninterest income / average assets	0.84%	0.94%	0.84%	0.99%
Noninterest expense / average assets	2.66%	2.94%	3.00%	2.96%
Net noninterest margin / average assets	-1.82%	-2.00%	-2.16%	-1.97%
Efficiency ratio	60.74%	68.52%	69.21%	68.13%
Effective tax rate	18.46%	12.69%	16.69%	13.33%
Dividend declared per common share	\$0.31	\$0.30	\$0.61	\$0.59

	(Unaudited)	
	June 30,	December 31,
	2019	2018
Net worth / total assets	9.84%	9.26%
Book value per share	\$ 37.32	\$ 33.50
Non-performing assets to total assets	1.03%	0.97%
Non-performing loans to total loans	1.11%	0.90%
Allowance for loan losses to non-performing loans	88.33%	115.12%
Allowance for loan losses to loans outstanding	0.98%	1.04%
Foreclosed real estate to total assets	0.11%	0.15%

Consolidated Statements of Income (Dollars in thousands)	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Interest income:				
Loans	\$ 11,485	\$ 7,257	\$ 22,028	\$ 14,251
Securities & short-term investments	1,920	1,739	3,863	3,478
Total interest income	13,405	8,996	25,891	17,729
Interest expense:				
Deposits	2,011	838	3,683	1,513
Borrowings	194	282	409	505
Total interest expense	2,205	1,120	4,092	2,018
Net interest income	11,200	7,876	21,799	15,711
Provision for loan losses	511	297	828	638
Net interest income after provision for loan losses	10,689	7,579	20,971	15,073
Noninterest income:				
Fees and service charges	1,243	947	2,405	1,839
Wealth management operations	479	424	979	839
Gain on sale of loans held-for-sale, net	400	359	642	570
Gain on sale of securities, net	301	246	652	1,004
Increase in cash value of bank owned life insurance	179	120	342	228
Gain on sale of foreclosed real estate, net	13	68	40	100
Other	54	39	178	72
Total noninterest income	2,669	2,203	5,238	4,652
Noninterest expense:				
Compensation and benefits	4,600	3,516	9,401	7,376
Occupancy and equipment	1,169	842	2,291	1,695
Data processing	351	703	1,947	1,064
Federal deposit insurance premiums	177	75	268	159
Marketing	176	166	613	300
Other	1,951	1,604	4,193	3,279
Total noninterest expense	8,424	6,906	18,713	13,873
Income before income taxes	4,934	2,876	7,496	5,852
Income tax expenses	911	365	1,251	780
Net income	\$ 4,023	\$ 2,511	\$ 6,245	\$ 5,072

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Balance Sheet Data

(Dollars in thousands)

	(Unaudited)			
	June 30, 2019	December 31, 2018	Change %	Mix %
Total assets	\$ 1,309,349	\$ 1,096,158	19.4%	n/a
Cash & cash equivalents	61,172	17,139	256.9%	n/a
Certificates of deposit in other financial institutions	1,970	2,024	-2.7%	n/a
Securities - available for sale	258,742	241,768	7.0%	n/a
Loans receivable:				
Residential real estate	\$ 301,488	\$ 223,323	35.0%	33.7%
Home equity	50,155	45,483	10.3%	5.6%
Commercial real estate	275,954	253,104	9.0%	30.9%
Construction and land development	71,655	64,433	11.2%	8.0%
Multifamily	51,149	47,234	8.3%	5.7%
Farmland	234	240	-2.5%	0.0%
Consumer	12,279	6,043	103.2%	1.4%
Commercial business	112,076	103,439	8.3%	12.5%
Government	19,284	21,101	-8.6%	2.2%
Total loans	\$ 894,274	\$ 764,400	17.0%	100.0%
Deposits:				
Core deposits:				
Noninterest bearing checking	\$ 178,394	\$ 127,277	40.2%	15.8%
Interest bearing checking	231,064	214,400	7.8%	20.5%
Savings	214,107	160,490	33.4%	19.0%
Money market	185,991	168,727	10.2%	16.5%
Total core deposits	809,556	670,894	20.7%	71.8%
Certificates of deposit	317,565	258,892	22.7%	28.2%
Total deposits	\$ 1,127,122	\$ 929,786	21.2%	100.0%
Borrowings and repurchase agreements	\$ 38,628	\$ 54,628	-29.3%	
Stockholder's equity	128,812	101,464	27.0%	

Asset Quality

(Dollars in thousands)

	(Unaudited)		
	June 30, 2019	December 31, 2018	Change %
Nonaccruing loans	\$ 8,975	\$ 6,595	36.1%
Accruing loans delinquent more than 90 days	925	321	188.2%
Securities in non-accrual	2,047	2,050	-0.1%
Foreclosed real estate	1,501	1,627	-7.7%
Total nonperforming assets	\$ 13,448	\$ 10,593	27.0%
Allowance for loan losses (ALL):			
ALL specific allowances for impaired loans	\$ 563	\$ 246	128.9%
ALL general allowances for loan portfolio	8,181	7,716	6.0%
Total ALL	\$ 8,744	\$ 7,962	9.8%
Troubled Debt Restructurings:			
Nonaccruing troubled debt restructurings, non-compliant (1) (2)	\$ -	\$ -	0.0%
Nonaccruing troubled debt restructurings, compliant (2)	143	125	14.4%
Accruing troubled debt restructurings	1,706	1,906	-10.5%
Total troubled debt restructurings	\$ 1,849	\$ 2,031	-9.0%

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

(2) included in nonaccruing loan balances presented above

	(Unaudited) At June 30, 2019 Actual Ratio	Required To Be Well Capitalized
Capital Adequacy Bancorp		
Common equity tier 1 capital to risk-weighted assets	11.5%	N/A
Tier 1 capital to risk-weighted assets	11.5%	N/A
Total capital to risk-weighted assets	12.5%	N/A
Tier 1 capital to adjusted average assets	8.5%	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	8.3%	5.0%

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

	(Unaudited)		
	June 30, 2019		
	Six Months Ended		
GAAP net Income	\$	6,245	
GAAP income tax expense		1,251	
GAAP income before income taxes		7,496	
One-time acquisition costs		2,113	
Pro forma income before income taxes		9,609	
Pro forma income taxes		1,604	
Pro forma net income	\$	8,005	
Pro forma net income change		57.8%	
(\$ in thousands, except per share data)			
		(Unaudited)	
		One-time acquisition costs - tax effected	
For the six months ended, June 30, 2019	GAAP		Non-GAAP
Net income	\$ 6,245	\$ 1,760	\$ 8,005
Weighted average common shares outstanding	3,397,872		3,397,872
Earnings per share	\$1.84		\$2.36
(\$ in thousands)			
		(Unaudited)	
		One-time acquisition costs - tax effected	
For the six months ended, June 30, 2019	GAAP		Non-GAAP
Net income	\$ 6,245	\$ 1,760	\$ 8,005
Average assets	\$ 1,247,870		\$ 1,247,870
ROA	1.00%		1.28%
(\$ in thousands)			
		(Unaudited)	
		One-time acquisition costs - tax effected	
For the six months ended, June 30, 2019	GAAP		Non-GAAP
Net income	\$ 6,245	\$ 1,760	\$ 8,005
Average equity	\$ 121,842		\$ 121,842
ROE	10.25%		13.14%
(\$ in thousands)			
		(Unaudited)	
		One-time acquisition costs - tax effected	
For the six months ended, June 30, 2019	GAAP		Non-GAAP
Noninterest expense	\$ 18,713	\$ (2,113)	\$ 16,600
Interest income	25,891		25,891
Interest expense	4,092		4,092
Noninterest income	\$ 5,238		\$ 5,238
Efficiency ratio	69.21%		61.40%
(\$ in thousands)			
		(Unaudited)	
		Additional reserves not part of the ALL	
For the six months ended, June 30, 2019	GAAP		Non-GAAP
Allowance for loan losses (ALL)	\$ 8,744	\$ 7,142	\$ 15,886
Total loans	\$ 894,274		\$ 894,274
ALL to total loans	0.98%		1.78%
(\$ in thousands)			
		(Unaudited)	
		Additional reserves not part of the ALL	
For the six months ended, June 30, 2019	GAAP		Non-GAAP
Allowance for loan losses (ALL)	\$ 8,744	\$ 7,142	\$ 15,886
Non-performing loans	\$ 9,900		\$ 9,900
ALL to nonperforming loans (coverage ratio)	88.32%		160.46%