

2018
ANNUAL REPORT

Peoples Bank

(Subsidiary of NorthWest Indiana Bancorp)

CORPORATE HEADQUARTERS

9204 Columbia Avenue
Munster, IN 46321



BANKING



KEEPS GETTING BETTER

INTEGRITY EXCELLENCE STABILITY COMMUNITY

At Peoples Bank, our mission is to help our customers and communities be more successful. Year after year, we build upon our mission by delivering innovative banking products and exceptional customer service. As new opportunities arise to better serve the needs of our community, we dedicate resources to expand our footprint and enhance our product suite. We continually have our sights set on bringing better banking to customers, and we can confidently say that it truly keeps getting better.

As a community bank, our emphasis is on the relationships that we develop with our customers, not our size. By listening and engaging with customers to ensure success and satisfaction, we work hard to do more. The essence of who we are is represented through our promise to deliver *You First Banking*: our commitment to prioritizing the individualized needs of our customers. *You First Banking* empowers customers to manage finances through whatever phase of life they may find themselves

in. Whether a customer visits one of our convenient Banking Centers in Northwest Indiana, South Suburban Chicagoland, or banks remotely with Online and Mobile Banking services, our focus is to make every banking experience with Peoples simple.

With the same dedication, we put our communities first by supporting a diverse group of local organizations and causes. In our efforts to be a value-driven bank for all of our stakeholders, we also focus on bringing capital back to the communities we serve. We recognize our opportunity to make a lasting impact on the lives that we touch by being an active participant in the community and facilitating financial stability.

As we look toward the future, we remain dedicated to our commitment to prioritize the values that have guided us to where we are today, and position Peoples Bank for further growth and success.



Benjamin J. Bochnowski
President, CEO

Letter from the President & Chairman

Year In Review

2018 was an exciting year at Northwest Indiana Bancorp and our operating subsidiary, Peoples Bank, in which we announced two mergers. The year was punctuated by 4.2% earnings growth despite \$2.1 million in merger-related expenses. We experienced significant growth, both organically and inorganically. In total, our balance sheet expanded by 18.2% from the end of 2017.

Key profitability drivers supported the underlying performance of the company. Total incomes (total interest income plus noninterest income) increased 18.1%, demonstrating a significant increase in core operating income that grew through one-time expenses related to mergers. ROA was a solid 0.93%, and even stronger when accounting for merger expenses as detailed in our earnings release.

This was driven in large part by a healthy Net Interest Margin that held steady at 3.67% throughout the year despite continued margin pressures. Non-Interest Expense as a percent of average assets was at 3.13% including merger expenses, and the company continues to focus on efficiency as we integrate our acquisitions.

Stock Performance

NWIN set a 52-week high during 2018, and our stock price responded well to the company's merger announcement. From the beginning of the year, our stock price was up 3.4% through the middle of August. Unfortunately, along with the broader market, there was downward pressure and NWIN's stock price ended the year down 3.4% from the beginning of the year with a 12-month total return of -0.71%. Still, NWIN outperformed the SNL Thrift Index by 15.1%.

Average volumes were also up during the year from prior years, in part due to the company's shareholder base resulting from closing our merger with First Personal Financial Corporation. Furthermore, management has focused on broadening our shareholder base through engaging the investment community and raising our profile among investors. This has brought additional investors to the company, helping to create steady demand for NWIN stock in the open market.

New Strategic Plan

2018 also marked the first year in the company's new five-year strategic plan. Our plan begins with our mission as a company: to help our customers and communities be more successful. The plan is aligned with our core values of stability, integrity, community, and excellence. Together, this drives our goal of meaningful growth to support continued independence as a community bank so that we can continue to deliver on our mission for years to come.

To put that plan in action, we have taken a relatively simple approach. First, expand our market area through both organic and inorganic growth; second, better serve the customers in that market with products, services, and banking technology; and third, deliver banking as efficiently as possible so that we can focus our resources on our customers and ultimately carrying out our mission.

The biggest milestones in that strategic plan were the announcements and subsequent closings of two mergers in the South Suburban Chicagoland market that helped expand the Bank's trade area. Partnering with First Personal Bank and A.J. Smith Federal Savings Bank gives the Bank a meaningful retail and business presence in an area where we already maintained a significant customer base prior to the acquisitions. The markets share similar cultural roots and customer needs, and it is a natural fit with our core markets that makes banking more convenient and relevant to customers in all of our markets.

Operations with First Personal were successfully integrated in Q3 2018, and while the AJS Bancorp acquisition closed in early 2019, integration is expected to be complete by midyear. From there, we will continue to focus on organic growth strategies in our new markets. Inorganic growth has been an important tool to help the Bank achieve scale and better serve our customers, but organic growth is key to long-term value and sustainability.

Mission and Core Values

Peoples Bank strives to be a mission- and values-driven organization. Our brand is directly aligned with the success of our customers, and acting ethically is paramount to delivering on that promise. As you read the following pages of this Annual Report, you can learn more about that promise and how our core values guide our mission toward the success of our customers, local businesses, and communities.

Moving Forward

As 2019 begins, there are several macroeconomic factors influencing the banking industry and the local economy. We are keenly aware that we are now in the longest economic expansion in history, and that the political climate has created additional unpredictability in the industry. Still, recent legislative action along with regulatory and tax reform continue to buoy the industry. This has created an environment where banks can thrive, and our operating philosophy prepares us for what may come if economic slack becomes economic weakness.

Peoples Bank is a core-funded community bank that has the capital and liquidity for in-market organic growth, which we see as creating the most significant long-term value for all of our stakeholders. As an increasingly experienced acquirer, we are prepared for strategically-aligned opportunities in the service of expanding our platform for organic growth. We will continue to execute our strategic plan and will remain a mission-focused, values-driven organization no matter what economic conditions may be.

INTEGRITY

Peoples Bank strives to be a values-driven organization. The Peoples Bank brand is directly aligned with the success of its customers, and acting ethically is paramount to delivering on that promise. Treating people with respect and honesty, understanding their needs, and acting out of genuine concern are all a part of how Peoples offers banking with integrity.

At a time when the public is still coping with the actions of larger financial institutions, Peoples Bank strives to be a trusted financial partner. Instead of selling products to meet some artificial goal, success is measured by meeting the individual needs of customers. Integrity is also the reputation

the Bank has with its customers and in the communities that it serves, which is central to the trust Peoples has built over decades.

At the same time, the Bank is focused on creating value for all of its stakeholders. Peoples Bank believes in shared value creation for shareholders, customers, the community, and employees. This is reflected by the value the bank has created over decades, while at the same time maintaining its status as a preferred employer and good community partner as well as the financial partner of choice for customers.

EXCELLENCE

Excellence weaves together Peoples Bank's plans, people, and results. Excellence is embedded at every level of the Bank, from individual performance, to operating group results, to bank-wide results. The Bank always strives to exceed expectations – in other words, to be better, not just bigger.

This is validated by several external recognitions, including being named a *Top 200 Community Bank* by *American Banker* magazine for the 14th consecutive year. Peoples

Bank was also named as a *Best Place to Work in Indiana* for the 6th consecutive year, and a *Best Bank to Work For* in the entire country by *American Banker* magazine for the 5th consecutive year.

Those expectations drive performance, and that is why Peoples Bank has seen a total return in NorthWest Indiana Bancorp stock of 174.4% since the beginning of 2013, outpacing the SNL Thrift Index by 113.2%.

STABILITY

Stability is one of the guiding values of the Bank's strategic plan, supporting its goal of independence to continue to serve customers as the bank has for generations. Like all Peoples Bank values, stability shows up across multiple support areas of the Bank, starting with the customer experience. Peoples strives to provide a consistent experience across Banking Centers and platforms, no matter where or how customers choose to do their banking.

The Bank's goal is to be there for each and every customer at their point of need so that they can achieve their financial goals. This has led to significant investments in training and bank platforms to support consistent service delivery, no matter where the customer touches the Bank. It has further informed new technological investments that Peoples plans to make to better deliver on the promise of the *You First Banking* brand.

Stability is also embedded in the Bank's loan decisions. The Bank has a strong, stable loan portfolio and credit underwriting practices have remained strong since the Great Recession. Peoples Bank has a commitment to customers and investors to ensure stability in its credit portfolio not just now, but also in the next credit cycle.

Stability also informs the bank's approach to systems and cybersecurity. The Bank has made significant investments to increase reliability and security of systems, as well as resiliency of the systems in the event of a breach. This has been an area of significant focus throughout the Bank as employees work both internally and externally to protect all of the Bank's information and systems in an increasingly threatening cyber environment.



As a good corporate citizen, Peoples makes impactful donations in the communities it serves. Donations are made to places such as the Boys and Girls Club, Food Bank of Northwest Indiana, multiple community foundations, and countless other service organizations. The Bank's support is not just monetary; Bank employees engage with their local communities and the organizations through endless hours of volunteer service.



COMMUNITY

Getting Involved

As a community bank, Peoples' impact in the community is measurable and an essential core value. The Bank's sense of community is a genuine concern, for customers, employees, and the places they live. This impact is demonstrated through Peoples' primary business as a bank – collecting deposits and lending them back out into the market area to help aggregate the capital of the local community and help it grow. The loans the Bank makes help to expand services, grow businesses, and build homes where families can thrive. Peoples is always seeking out opportunities to work in the community to expand home ownership in underserved areas and help rebuild credit for families so that they can be full participants in the local economy.

Peoples Bank made direct support donations of over \$250,000 to local community organizations in 2018

The Bank also offers events like Shred Days, where employees help the community destroy sensitive information to keep identities safe. The Bank also updated its volunteer policy to help create more opportunities to engage and serve the community with organizations like the Volunteer Tax Assistance Program, where the Bank had over 40 individuals helping low-income taxpayers get free tax preparation throughout tax season.



Peoples Bank

NorthWest Indiana Bancorp

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except for per share ratios and data)

	December 31, 2018	December 31, 2017
Earnings:		
Net revenue (a)	43,458	38,518
Noninterest expense	31,383	25,488
Pre-provision profit	12,075	13,030
Provision for loan losses	1,308	1,200
Net income	9,337	8,961
Earnings per common share data:		
Net income per share:		
Basic	3.17	3.13
Diluted	3.17	3.13
Cash dividends declared	1.19	1.15
Book value	33.50	32.14
Selected balance sheet data (period-end):		
Total assets	1,096,158	927,259
Loans	764,400	620,211
Deposits	929,786	793,004
Total stockholders' equity	101,464	92,060
Selected ratios:		
Return on Equity	9.88%	9.90%
Return on Assets	0.93%	0.98%
Common equity tier 1 capital to risk-weighted assets	11.6%	12.9%
Tier 1 capital to risk-weighted assets	11.6%	12.9%
Total capital to risk-weighted assets	12.6%	14.0%
Tier 1 capital to adjusted average assets	8.6%	9.6%

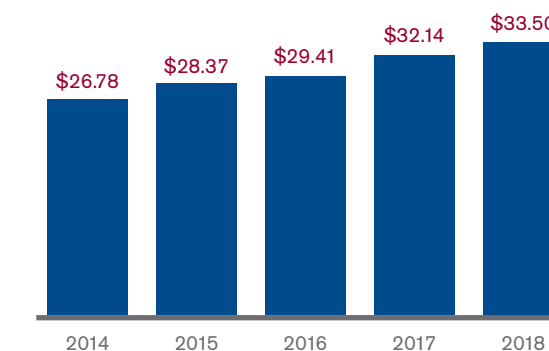
(a) Net revenue represents the Bancorp's net interest income, plus non-interest income.

MARKET INFORMATION

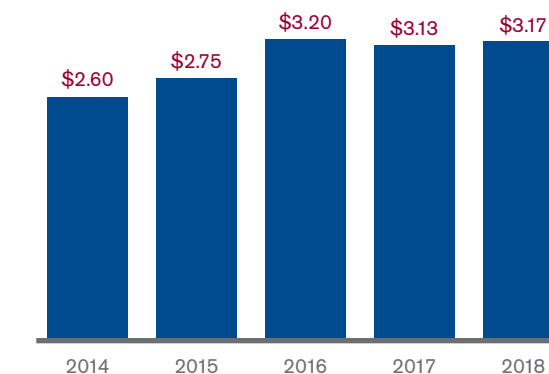
The Bancorp's Common Stock is not listed on any national securities exchange, but rather is quoted in the over-the-market on the OTC Pink Marketplace, which is maintained by OTC Markets Group, Inc., and on the OTC Bulletin Board, which is maintained by the Financial Industry Regulatory Authority, Inc., under the symbol "NWIN." The Bancorp's stock is not actively traded. As of February 22, 2019, the Bancorp had 3,452,199 shares of common stock outstanding and 958 stockholders of record. This does not reflect the number of persons or entities who may hold their stock in nominee or "street" name through brokerage firms. Any over-the-counter market quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year ended December 31, 2018	Per Share Prices		Dividends Declared Per Common Share
	High	Low	
1 st Quarter	\$ 45.00	\$ 42.80	\$ 0.29
2 nd Quarter	44.55	42.75	0.30
3 rd Quarter	46.00	42.85	0.30
4 th Quarter	45.65	41.00	0.30
Year ended December 31, 2017			
1 st Quarter	\$ 40.50	\$ 38.40	\$ 0.28
2 nd Quarter	41.00	39.50	0.29
3 rd Quarter	42.50	40.50	0.29
4 th Quarter	44.50	41.50	0.29

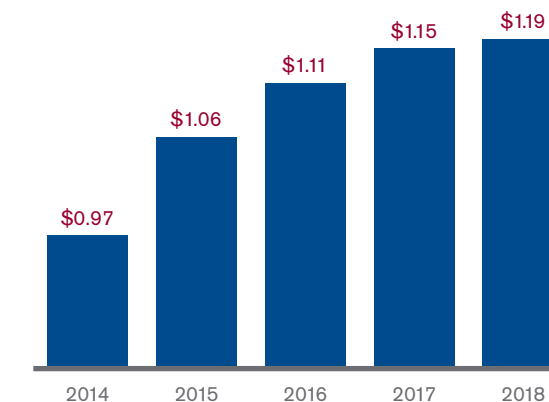
Book Value per Share



Basic Earnings per Share



Dividends per Share



2018 Board of Directors

David A. Bochnowski, *Director since 1977*
Executive Chairman of the Bancorp
Former President and Chief Executive Officer
of Peoples Bank

James L. Wieser, J.D., *Director since 1999*
Attorney, Wieser & Wyllie, LLP

Edward J. Furticella, *Director since 2000*
Former Executive Vice President and CFO of the Bancorp,
Purdue University Northwest Professor Emeritus of Accounting

Joel Gorelick, *Director since 2000*
Former President and Chief Operating Officer of the Bancorp,
Charter Chairman Emeritus of the Lake County Economic
Alliance, Inc., and Director and Chairman of the Audit
Committee of the Indiana Economic Development Corporation

Kenneth V. Krupinski, *Director since 2003*
Retired Certified Public Accountant, Swartz Retson & Co., P.C.

Anthony M. Puntillo, D.D.S., M.S.D., *Director since 2004*
Orthodontist, CEO of Puntillo and Crane Orthodontics, P.C.

Donald P. Fesko, O.D., FACHE, *Director since 2005*
President, Chief Executive Officer, Community Foundation
of Northwest Indiana

Amy W. Han, Ph.D., *Director since 2008*
Indiana University School of Medicine – Northwest

Danette Garza, J.D., CPA, *Director since 2013*
Owner of Jack Gray Transport, Inc., Owner of Lakes
& Rivers Logistics, Inc.

Benjamin J. Bochnowski, *Director since 2014*
President, Chief Executive Officer of the Bancorp
and Peoples Bank

Robert E. Johnson III, *Director since 2016*
President, Chief Executive Officer, Cimcor Inc.

Leroy F. Cataldi, P.D., *Director Emeritus*
Lourdes M. Dennison, *Director Emeritus*
Martin A. Dybel, *Director Emeritus*
Stanley E. Mize, *Director Emeritus*
Gloria C. Gray Weissman, *Director Emeritus*

Executive Team

David A. Bochnowski
Executive Chairman

Benjamin J. Bochnowski
President, Chief Executive Officer

Robert T. Lowry
Executive Vice President, Chief Financial Officer
and Treasurer

2018 Board Committees

Compensation and Benefits

Amy W. Han, *Chairwoman*
Donald P. Fesko
Edward J. Furticella
Anthony M. Puntillo

Executive Committee

David A. Bochnowski, *Chairman*
Edward J. Furticella
Joel Gorelick
Kenneth V. Krupinski
James L. Wieser

Nominating and Corporate Governance

James L. Wieser, *Chairman*
Donald P. Fesko
Edward J. Furticella
Danette Garza
Amy W. Han
Robert E. Johnson III
Kenneth V. Krupinski
Anthony M. Puntillo

Risk Management

Anthony M. Puntillo, *Chairman*
Edward J. Furticella
Danette Garza
Robert E. Johnson III
Kenneth V. Krupinski

Strategic Planning

Edward J. Furticella, *Chairman*
Danette Garza
Joel Gorelick
Robert E. Johnson III
Kenneth V. Krupinski
Anthony M. Puntillo
James L. Wieser

Wealth Management

Danette Garza, *Chairwoman*
Donald P. Fesko
Amy W. Han
Kenneth V. Krupinski

Leane E. Cerven
Executive Vice President, General Counsel
and Corporate Secretary

Tanya A. Leetz
Executive Vice President, Chief Information
and Technology Officer

Todd M. Scheub
Executive Vice President, Chief Banking Officer



Stock Transfer Agent

Broadridge Corporate Issuer Solutions

Independent Auditors

Plante & Moran, PLLC
10 S. Riverside Plaza, 9th Floor
Chicago, Illinois 60606-3564

Special Legal Counsel

Barnes & Thornburg LLP
11 S. Meridian Street
Indianapolis, Indiana 46204

Annual Stockholders Meeting

The Annual Meeting of Stockholders
of NorthWest Indiana Bancorp will be
held at 8:00 am on April 25, 2019 at:

Peoples Bank Corporate Center

9204 Columbia Avenue,
Munster, Indiana 46321

Annual Report on Form 10-K

A copy of the Annual Report on Form
10-K, for the NorthWest Indiana
Bancorp, as filed with the Securities
and Exchange Commission, will
be furnished without charge to
stockholders as of the record date
upon written request to the:

Corporate Secretary

NorthWest Indiana Bancorp
9204 Columbia Avenue
Munster, Indiana 46321