

**Peoples Bank SB
Risk Management Committee Charter**

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Risk Management Committee Charter for Northwest Indiana Bancorp and Peoples Bank SB

This Charter is written for Northwest Indiana Bancorp and its wholly owned subsidiary Peoples Bank SB.

Purpose

The primary function of the Risk Management Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to the shareholders and others; the systems of internal controls established by management and the Board; and the risk management, fraud monitoring, accounting, and financial reporting processes.

Authority

- To provide open avenues of communication among the Executive President and CFO, internal auditor, compliance officer, loan review officer, the independent accountant, and the Board of Directors.
- To report Committee actions to the full Board of Directors and make recommendations.
- To conduct or authorize investigations into matters within the Committee's scope of responsibilities. The Committee is authorized to retain independent counsel, accountants or others it needs to assist in an investigation.
- To meet at least four times each year, more frequently if circumstances make that preferable. The Risk Management Committee chairman has the power to call a Committee meeting whenever necessary. A Risk Management Committee member may not vote on any matter in which he or she is not independent. The Committee may ask members of management or others to attend the meeting and is authorized to receive all pertinent information from management.
- To appoint, compensate and oversee the work of the independent accountants who will report directly to the Committee.
- To ensure that engagement letters and any related agreements with the independent public account for service to be performed in connection with compliance with 12 CFR 363.3 do not contain any limitation of liability provisions.
- To resolve any disagreements between management and the independent accountants regarding financial reporting.
- To pre-approve all auditing and permitted non-audit services performed by the independent accountants above \$2,500. The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, in accordance with the bank's Pre-Approval of Audit and Non-Audit Services Policy.
- To disclose all audit and non-audit fees in the proxy statement or periodic annual filing.
- To ensure fraud risk is considered in the bank's risk assessment process and strategic plans, and that controls established by management are sufficient and effective.

Composition

The Risk Management Committee shall be comprised of three or more directors determined by the Board. The Risk Management Committee members should be independent directors as defined by SEC Reg § 240.10A, which is referenced by 12 CFR Part 363.5 of Appendix A, and be free from any relationship that may interfere with the exercise of his or her independent judgment as a member, such as, any recent employment by the Bancorp and/or a family relationship to an executive, management or service provider of the Bancorp. In the event a Risk Management Committee member is not independent, the relationship shall be disclosed in the annual proxy statement. Each Risk Management Committee member will be financially literate. In addition, at least one member of the Risk Management Committee shall have past or current employment experience in finance or accounting, professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication.

The members of the Risk Management Committee shall be elected by the Board at the annual meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chairman is elected by the full Board, the members of the Risk Management Committee may designate a Chairman by majority vote of the full Committee membership.

Meetings

The Risk Management Committee will meet at least four times each year and minutes will be maintained. Meetings may occur more frequently as circumstances arise that require a meeting of the members. The Risk Management Committee will meet with the independent accountants at least annually and with management and the internal auditor at least four times each year in separate sessions to discuss any matters that the Committee, or each of these groups, believe should be discussed privately. The Committee will meet in executive sessions whenever necessary.

Responsibilities

The Risk Management Committee shall perform the following activities in effort to fulfill their obligation to the shareholders and others:

Documentation Review

- Review and approve, with the full Board, this Charter annually and periodically modify it as necessary.
- Disclose whether there is a written Charter for the Risk Management Committee in the proxy statement, and include the Charter on the bank's website.
- Review the Bancorp's annual financial statements and determine whether to recommend to the Board that the audited financial statements be included in the Form 10-K.
- Review the risk management reports provided to management and management's response.

- Review internal audit reports and address and resolve any concerns associated with the conduct of accompanying internal audits to ensure independence with the Risk Management Committee is maintained throughout the audit schedule.
- Review with financial management and the independent accountants the interim and annual financial information prior to its filing with the SEC.
- Review with financial management the quarterly Bancorp's financial statements, key performance ratios and operating results.
- Review earnings press releases before filed with the SEC and released to the public.
- Review disclosures made by the CEO and CFO during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the company's internal controls.

Independent Accountants

- Recommend to the Board of Directors the selection of the independent accountants who are ultimately accountable to the Board and the Risk Management Committee. The Risk Management Committee should consider the accountant's independence and effectiveness and approve the fees and other compensation to be paid to the independent accountants. On an annual basis, the Risk Management Committee should review and discuss with the accountants all significant relationships the accountants have with the Bancorp to determine the accountant's independence. A written statement and oral discussion should be obtained from the independent accountants disclosing all relationships or services that may interfere with their objectivity to and independence from the Bancorp.
- Review the performance of the independent accountants and exercise final approval on appointment or dismissal of the independent accountants.
- Review engagement contracts to ensure they do not contain provisions that (a) indemnify the independent accountant against claims made by third parties; (b) hold harmless or release the independent public accountant from liability for claims or potential claims that might be asserted by the bank, other than claims for punitive damages; or (3) limit the remedies available to the bank.
- Discuss with the independent accountants the accuracy of the Bancorp's financial statements and the appropriateness of applied accounting principles, financial disclosures, and judgments made by management.
- Periodically consult with the independent accountants, outside the presence of management, about the internal controls of the Bancorp, including information technology security and control.
- Ensure the rotation of the lead and concurring partners every five years and other audit partners every seven years.

Financial Reporting Processes

- Discuss with the independent accountants and the internal auditor the integrity of the Bancorp's financial reporting processes.

- Discuss the annual audited financial statements and quarterly financial statements with management and independent accountants, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Consider and approve, if necessary, major changes to the Bancorp's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditor.
- Review any significant disagreement or limitation of scope of information among management and the independent accountants, or the internal auditor, in connection with the preparation of the financial statements.

Risk Management Group

- Review and approve activities, organizational structure, and qualifications of the internal audit, compliance, and loan review functions. The administrative activities of the internal auditor shall be coordinated and directed by the Executive Vice President and CFO. The internal auditor shall report directly and independently to the Risk Management Committee on all substantive issues.
- Review any difficulties the risk management personnel encountered while conducting audits, including any restrictions on the scope of, or access to, required information.
- Review security and transaction loss activities. Review the annual security report pursuant to FDIC Regulation 326.4.
- Review changes to the planned scope of the internal audit, compliance, and loan review plans, and approve these changes as necessary.
- Review and approve the Risk Management Group's budget and proposed risk-based plan for the upcoming year.
- Review whether the internal auditor has complied with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
- Appoint, replace, reassign, or dismiss the internal auditor.
- Review the internal auditor's recommendations for the hiring, replacement, and dismissal of audit departmental staff.

Ethical and Legal Compliance

- Establish procedures for the confidential and anonymous submission, retention, and treatment of complaints received by third parties or employees regarding accounting, internal accounting controls, auditing matters, or any inappropriate conduct of a director and/or executive officer, and investigate the matter further if necessary.
- Review, with the Bancorp's counsel, legal compliance matters including corporate securities trading policies.
- Review, with the Bancorp's counsel, any legal matter that could have a significant impact on the Bank's financial statements.
- Review regulatory compliance matters and the effectiveness of the monitoring procedures with the compliance officer.

- Perform any other activities consistent with this Charter and the Audit, Compliance, Security, and Loan Review Policies, the Bancorp's by-laws and governing laws, as the Risk Management Committee or Board deems necessary or appropriate.
- Discuss with management, the independent accountants, the Vice President – Strategy and Risk, internal auditor, compliance officer, and loan review officer significant risks or exposures to the Bancorp and steps management has taken to reduce these risks.
- Review recommendations made by the regulators and independent auditors and monitor management's response to any such recommendations.