SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2013**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-26128

NorthWest Indiana Bancorp

(Exact name of registrant as specified in its charter)

Indiana (State or other jurisdiction of incorporation or organization)	**35-1927981** (I.R.S. Employer Identification No.)
9204 Columbia Avenue **Munster, Indiana** (Address of principal executive offices)	**46321** (Zip Code)

(219) 836-4400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, without par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ○

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:
Large accelerated filer: ☐ Accelerated filer: ☐ Non-Accelerated filer: ☐ Smaller reporting company ☒
(Do not check if a smaller reporting company)

Based on the average bid and ask prices for the registrant's Common Stock at June 30, 2013, at that date, the aggregate market value of the registrant's Common Stock held by nonaffiliates of the registrant (assuming solely for the purposes of this calculation that all directors and executive officers of the registrant are "affiliates") was $53,067,428.

There were 2,841,164 shares of the registrant's Common Stock, without par value, outstanding at January 31, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents have been incorporated by reference into this Annual Report on Form 10-K:

1. 2013 Annual Report to Shareholders. (Part II)
2. Definitive Proxy Statement for the 2014 Annual Meeting of Shareholders. (Part III)

PART I

Item 1. Business

General

NorthWest Indiana Bancorp, an Indiana corporation (the "Bancorp"), was incorporated on January 31, 1994, and is the holding company for Peoples Bank SB, an Indiana savings bank (the "Bank"). The Bank is a wholly owned subsidiary of the Bancorp. The Bancorp has no other business activity other than being the holding company for the Bank and the Bank's wholly owned subsidiaries.

The Bank is primarily engaged in the business of attracting deposits from the general public and the origination of loans, mostly upon the security of single family residences and commercial real estate, as well as, construction loans and various types of consumer loans, commercial business loans and municipal loans, within its primary market area of Lake and Porter Counties, in northwest Indiana. In addition, the Bancorp's Wealth Management Group provides estate and retirement planning, guardianships, land trusts, profit sharing and 401(k) retirement plans, IRA and Keogh accounts, investment agency accounts, and serves as the personal representative of estates and acts as trustee for revocable and irrevocable trusts.

The Bank's deposit accounts are insured up to applicable limits by the Deposit Insurance Fund ("DIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC"), an agency of the federal government. As the holding company for the Bank, the Bancorp is subject to comprehensive examination, supervision and regulation by the Board of Governors of the Federal Reserve System ("FRB"), while the Bank is subject to comprehensive examination, supervision and regulation by both the FDIC and the Indiana Department of Financial Institutions ("DFI"). The Bank is also subject to regulation by the FRB governing reserves required to be maintained against certain deposits and other matters. The Bank is also a member of the Federal Home Loan Bank ("FHLB") of Indianapolis, which is one of the twelve regional banks comprising the system of Federal Home Loan Banks.

The Bancorp maintains its corporate office at 9204 Columbia Avenue, Munster, Indiana, from which it oversees the operation of its twelve branch locations. For further information, see "Properties."

Recent Developments

The Current Economic and Regulatory Environment. We continue to operate in an uncertain economic and regulatory environment, which presents risks associated with our business. In this regard, the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") contains comprehensive provisions governing the practices and oversight of large and small financial institutions alike, including several provisions that profoundly affect the regulation of community banks, thrifts, and small bank and thrift holding companies, such as the Bancorp. The Dodd-Frank Act also established a new financial regulator, the Consumer Financial Protection Bureau (the "CFPB"), which has broad authority to regulate consumer financial products and services and entities offering such products and services, including banks. Additional legislative or regulatory action that may impact our business may result from the numerous provisions and multiple studies mandated under the Dodd-Frank Act.

The evolving regulatory environment causes uncertainty with respect to the manner in which we conduct our business and requirements that may be imposed by our regulators. Regulators have implemented and continue to propose new regulations and supervisory guidance and have been increasing their examination and enforcement action activities. We expect that regulators will continue taking formal enforcement actions against financial institutions in addition to addressing supervisory concerns through non-public supervisory actions or criticisms. We are unable to predict the nature, extent or impact of any additional changes to statutes or regulations, including the interpretation, implementation or enforcement thereof, that may occur in the future.

The impact of the evolving regulatory environment on our business and operations depends upon final implementing regulations and guidance issued by the regulatory agencies, the actions of our competitors, and other marketplace participants, and the behavior of consumers. Regulatory actions could require us to limit or change our business practices, limit our ability to pursue business opportunities, limit our product offerings, require continued investment of management time and resources in compliance efforts, limit fees we can charge for services, require us to meet more stringent capital, liquidity, and leverage ratio requirements (including those under Basel III, as discussed below), increase costs, impact the value of our assets, or otherwise adversely affect our business.

Compliance and other regulatory requirements and expenditures have increased for the Bancorp and other financial institutions, and we expect them to continue to increase as regulators adopt new rules and increase their scrutiny of financial institutions, including controls and operational processes. The additional expense, time, and resources needed to comply with ongoing regulatory requirements may impact our business and results of operations.

New Capital Rules. On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Bancorp and the Bank. The FDIC and the Office of the Comptroller of the Currency ("OCC") have subsequently approved these rules. The final rules were adopted following the issuance of proposed rules by the Federal Reserve in June 2012, and implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which would be phased in from 2015 to 2019, and would refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Bancorp and the Bank under the final rules would be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. This will result in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the "countercyclical buffer," of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to "advanced approach banks" (i.e. , banks with $250 billion or more in total assets or $10 billion or more in total foreign exposures), which currently excludes the Bancorp and the Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes the Bancorp) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including the Bank, if their capital levels begin to show signs of weakness. These revisions take effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we will be required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

Acquisition Activity. On December 20, 2013, the Bank signed a definitive agreement to acquire First Federal Savings and Loan Association of Hammond (the "Association"), a federal mutual savings association headquartered in Hammond, Indiana. The Bank will acquire the Association by merging the Association with and into the Bank immediately following the Association's voluntary supervisory conversion from mutual to stock form. Neither the Bancorp nor the Bank will issue or pay any shares, cash, or other consideration in the merger. The Bank's acquisition of the Association is subject to customary closing conditions, including regulatory approvals by the OCC, FDIC, and DFI. No approval of the members of the Association is required for the transaction. The Bank and the Association make certain customary representations and warranties in the definitive acquisition agreement, which will terminate at the closing. The Association has a home office and branch office in Lake County, Indiana, and is expected to add approximately $40.7 million in assets to the Bank, based on the Association's September 30, 2013 financial statements. The merger is expected to close in the second quarter of 2014.

Forward-Looking Statements

Statements contained in this filing on Form 10-K that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are also intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. The Bancorp cautions readers that forward-looking statements, including without limitation those relating to the Bancorp's future business prospects, interest income and expense, net income, liquidity, and capital needs are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements due to a number of factors, including those set forth above in "Recent Developments" and below in "Regulation and Supervision" of this Form 10-K.

Lending Activities

General. The Bancorp's product offerings include residential mortgage loans, construction loans, commercial real estate loans, consumer loans, commercial business loans and loans to municipalities. The Bancorp's lending strategy stresses quality growth, product diversification, and competitive and profitable pricing. While lending efforts include both fixed and adjustable rate products, the focus has been on products with adjustable rates and/or shorter terms to maturity. It is management's goal that all programs are marketed effectively to our primary market area.

The Bancorp is primarily a portfolio lender. Mortgage banking activities are limited to the sale of fixed rate mortgage loans with contractual maturities generally exceeding fifteen years and greater. These loans are sold, on a case-by-case basis, in the secondary market as part of the Bancorp's efforts to manage interest rate risk. All loan sales are made to Freddie Mac or to the Federal Home Loan Bank of Indianapolis. Additionally, the Bancorp will consider selling to additional investors in the secondary market during 2014. All loans held for sale are recorded at the lower of cost or market value.

Under Indiana Law, an Indiana stock savings bank generally may not make any loan to a borrower or its related entities if the total of all such loans by the savings bank exceeds 15% of its unimpaired capital and unimpaired surplus (plus up to an additional 10% of unimpaired capital and unimpaired surplus, in the case of loans fully collateralized by readily marketable collateral); provided, however, that certain specified types of loans are exempted from these limitations or subject to different limitations. The maximum amount that the Bank could have loaned to one borrower and the borrower's related entities at December 31, 2013, under the 15% of capital and surplus limitation was approximately $11,361,000. At December 31, 2013, the Bank had no loans that exceeded the regulatory limitations.

At December 31, 2013, there were no concentrations of loans in any type of industry that exceeded 10% of total loans that were not otherwise disclosed as a loan category.

Loan Portfolio. The following table sets forth selected data relating to the composition of the Bancorp's loan portfolio by type of loan and type of collateral at the end of each of the last five years. The amounts are stated in thousands (000's).

	2013	2012	2011	2010	2009
Type of loan:					
Conventional real estate loans:					
Construction and development loans	$ 21,462	$ 23,984	$ 21,143	$ 46,371	$ 53,288
Loans on existing properties (1)	336,823	334,452	307,850	298,993	325,880
Consumer loans	232	347	472	763	1,504
Commercial business	57,716	69,329	63,293	61,726	63,099
Government and other (2)	21,588	8,869	8,643	10,380	14,474
Loans receivable (3)	$ 437,821	$ 436,981	$ 401,401	$ 418,233	$ 458,245
Type of collateral:					
Real estate:					
1-to-4 family	$ 161,663	$ 154,627	$ 154,135	$ 152,881	$ 184,437
Other dwelling units, land and commercial real estate	196,622	203,809	174,859	192,482	194,731
Consumer loans	232	347	472	763	1,446
Commercial business	57,716	69,329	63,293	60,232	61,522
Government	21,470	8,740	8,526	10,269	14,385
Loans receivable (4)	$ 437,703	$ 436,852	$ 401,285	$ 416,627	$ 456,521
Average loans outstanding during the period (3)	$ 436,430	$ 423,567	$ 409,787	$ 446,551	$ 472,541

(1) Includes residential and commercial construction loans converted to permanent term loans and commercial real estate loans.
(2) Includes overdrafts to deposit accounts.
(3) Net of unearned income and deferred loan fees.
(4) Net of unearned income and deferred loan fees. Does not include unsecured loans.

Loan Originations, Purchases and Sales. Set forth on the following table loan originations, purchases and sales activity for each of the last three years are shown. The amounts are stated in thousands (000's).

	2013	2012	2011
Loans originated:			
Conventional real estate loans:			
Construction and development loans	$ 5,740	$ 2,128	$ 583
Loans on existing property	38,560	44,171	29,054
Loans refinanced	11,089	15,697	12,909
Total conventional real estate loans originated	55,389	61,996	42,546
Commercial business loans	161,434	162,170	87,943
Consumer loans	144	383	265
Total loans originated	$ 216,967	$ 224,549	$ 130,754
Loan participations purchased	$ 857	$ 14,475	$ 999
Whole loans and participations sold	$ 22,116	$ 38,472	$ 10,647

Loan Maturity Schedule. The following table sets forth certain information at December 31, 2013 regarding the dollar amount of loans in the Bancorp's portfolio based on their contractual terms to maturity. Demand loans, loans having no schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. Contractual principal repayments of loans do not necessarily reflect the actual term of the loan portfolio. The average life of mortgage loans is substantially less than their contractual terms because of loan prepayments and because of enforcement of due-on-sale clauses, which give the Bancorp the right to declare a loan immediately due and payable in the event, among other things, that the borrower sells the property subject to the mortgage. The amounts are stated in thousands (000's).

	Maturing Within one year	After one but within five years	After five years	Total
Real estate loans	$ 27,614	$ 67,021	$ 263,650	$ 358,285
Consumer loans	40	192	-	232
Commercial business, other loans	30,269	32,561	16,474	79,304
Total loans receivable	$ 57,923	$ 99,774	$ 280,124	$ 437,821

The following table sets forth the dollar amount of all loans due after one year from December 31, 2013, which have predetermined interest rates or have floating or adjustable interest rates. The amounts are stated in thousands (000's).

	Predetermined rates	Floating or adjustable rates	Total
Real estate loans	$ 117,979	$ 212,691	$ 330,671
Consumer loans	192	-	192
Commercial business, other loans	41,896	7,139	49,035
Total	$ 160,067	$ 219,830	$ 379,897

Lending Area. The primary lending area of the Bancorp encompasses all of Lake and Porter Counties in northwest Indiana, where a majority of loan activity is concentrated. To a lesser extent, the Bancorp also has lending activity in LaPorte, Newton and Jasper counties in Indiana, and Lake, Cook and Will counties in Illinois. The communities of Munster, Crown Point, Dyer, St. John, Merrillville, Schererville, and Cedar Lake have experienced consistent growth and, therefore, have provided the greatest lending opportunities.

Loan Origination Fees. All loan origination and commitment fees, as well as incremental direct loan origination costs, are deferred and amortized into income as yield adjustments over the contractual lives of the related loans.

Loan Origination Procedure. The primary sources for loan originations are referrals from commercial customers, real estate brokers and builders, solicitations by the Bancorp's lending and retail staff, and advertising of loan programs and rates. The Bancorp employs no staff appraisers. All appraisals are performed by fee appraisers that have been approved by the Board of Directors and who meet all federal guidelines and state licensing and certification requirements.

Designated officers have authorities, established by the Board of Directors, to approve loans. Loans up to $2,000,000 are approved by the loan officers' loan committee. Loans from $2,000,000 to $3,000,000 are approved by the senior officers' loan committee. All loans in excess of $3,000,000, up to the legal lending limit of the Bank, must be approved by the Bank's Board of Directors or its Executive Committee. (All members of the Bank's Board of Directors and Executive Committee are also members of the Bancorp's Board of Directors and Executive Committee, respectively.) The maximum in-house legal lending limit as set by the Board of Directors is $6,000,000. Requests that exceed this amount will be considered on a case-by-case basis, after taking into consideration the legal lending limit, by specific Board action. Peoples Bank will not extend credit to any of its executive officers, directors, or principal shareholders or to any related interest of that person, except in compliance with the insider lending restrictions of Regulation O under the Federal Reserve Act and in an amount that, when aggregated with all other extensions of credit to that person, exceeds $500,000 unless: (1) the extension of credit has been approved in advance by a majority of the entire Board of Directors of the Bank, and (2) the interested party has abstained from participating directly or indirectly in the voting.

All loans secured by personal property must be covered by insurance in an amount sufficient to cover the full amount of the loan. All loans secured by real estate must be covered by insurance in an amount sufficient to cover the full amount of the loan or restore the property to its original state. First mortgage loans must be covered by a lender's title insurance policy in the amount of the loan.

The Current Lending Programs

Residential Mortgage Loans. The primary lending activity of the Bancorp has been the granting of conventional mortgage loans to enable borrowers to purchase existing homes, refinance existing homes, or construct new homes. Conventional loans are made up to a maximum of 95% of the purchase price or appraised value, whichever is less. For loans made in excess of 80% of value, private mortgage insurance is generally required in an amount sufficient to reduce the Bancorp's exposure to 80% or less of the appraised value of the property. Loans insured by private mortgage insurance companies can be made for up to 95% of value. During 2013, 87% of mortgage loans closed were conventional loans with borrowers having 20% or more equity in the property. This type of loan does not require private mortgage insurance because of the borrower's level of equity investment.

Fixed-rate loans currently originated generally conform to Freddie Mac guidelines for loans purchased under the one-to-four family program. Loan interest rates are determined based on secondary market yield requirements and local market conditions. Fixed rate mortgage loans with contractual maturities generally exceeding fifteen years and greater may be sold and/or classified as held for sale to control exposure to interest rate risk.

The 15-year mortgage loan program has gained wide acceptance in the Bancorp's primary market area. As a result of the shortened maturity of these loans, this product has been priced below the comparable 20 and 30 year loan offerings. Mortgage applicants for 15 year loans tend to have a larger than normal down payment; this, coupled with the larger principal and interest payment amount, has caused the 15 year mortgage loan portfolio to consist, to a significant extent, of second time home buyers whose underwriting qualifications tend to be above average.

The Bancorp's Adjustable Rate Mortgage Loans ("ARMs") include offerings that reprice annually or are "Mini-Fixed." The "Mini-Fixed" mortgage reprices annually after a one, three, five or seven year period. ARM originations totaled $5.3 million for 2013 and $4.0 million for 2012. During 2013, ARMs represented 13.5% of total mortgage loan originations. The ability of the Bancorp to successfully market ARM's depends upon loan demand, prevailing interest rates, volatility of interest rates, public acceptance of such loans and terms offered by competitors.

Construction Loans. Construction loans on residential properties are made primarily to individuals and contractors who are under contract with individual purchasers. These loans are personally guaranteed by the borrower. The maximum loan-to-value ratio is 80% of either the current appraised value or the cost of construction, whichever is less. Residential construction loans are typically made for periods of six months to one year.

Loans are also made for the construction of commercial properties. All such loans are made in accordance with well-defined underwriting standards. Generally if the loans are not owner occupied, these types of loans require proof of intent to lease and a confirmed end-loan takeout. In general, loans made do not exceed 80% of the appraised value of the property. Commercial construction loans are typically made for periods not to exceed two years or date of occupancy, whichever is less.

Commercial Real Estate Loans. Commercial real estate loans are typically made to a maximum of 80% of the appraised value. Such loans are generally made on an adjustable rate basis. These loans are typically made for terms of 15 to 20 years. Loans with an amortizing term exceeding 15 years normally have a balloon feature calling for a full repayment within seven to ten years from the date of the loan. The balloon feature affords the Bancorp the opportunity to restructure the loan if economic conditions so warrant. Commercial real estate loans include loans secured by commercial rental units, apartments, condominium developments, small shopping centers, owner occupied commercial/industrial properties, hospitality units and other retail and commercial developments.

While commercial real estate lending is generally considered to involve a higher degree of risk than single-family residential lending due to the concentration of principal in a limited number of loans and the effects of general economic conditions on real estate developers and managers, the Bancorp has endeavored to reduce this risk in several ways. In originating commercial real estate loans, the Bancorp considers the feasibility of the project, the financial strength of the borrowers and lessees, the managerial ability of the borrowers, the location of the project and the economic environment. Management evaluates the debt coverage ratio and analyzes the reliability of cash flows, as well as the quality of earnings. All such loans are made in accordance with well-defined underwriting standards and are generally supported by personal guarantees, which represent a secondary source of repayment.

Loans for the construction of commercial properties are generally located within an area permitting physical inspection and regular review of business records. Projects financed outside of the Bancorp's primary lending area generally involve borrowers and guarantors who are or were previous customers of the Bancorp or projects that are underwritten according to the Bank's underwriting standards.

Consumer Loans. The Bancorp offers consumer loans to individuals for personal, household or family purposes. Consumer loans are either secured by adequate collateral, or unsecured. Unsecured loans are based on the strength of the applicant's financial condition. All borrowers must meet current underwriting standards. The consumer loan program includes both fixed and variable rate products. On a limited basis, the Bancorp purchases indirect dealer paper from various well-established businesses in its immediate banking area.

Home Equity Line of Credit. The Bancorp offers a fixed and variable rate revolving line of credit secured by the equity in the borrower's home. Both products offer an interest only option where the borrower pays interest only on the outstanding balance each month. Equity lines will typically require a second mortgage appraisal and a second mortgage lender's title insurance policy. Loans are generally made up to a maximum of 80% of the appraised value of the property less any outstanding liens.

Home Improvement Loans and Equity Loans—Fixed Term. Home improvement and equity loans are made up to a maximum of 80% of the appraised value of the improved property, less any outstanding liens. These loans are offered on both a fixed and variable rate basis with a maximum term of 120 months. All home equity loans are made on a direct basis to borrowers.

Commercial Business Loans. Although the Bancorp's priority in extending various types of commercial business loans changes from time to time, the basic considerations in determining the makeup of the commercial business loan portfolio are economic factors, regulatory requirements and money market conditions. The Bancorp seeks commercial loan relationships from the local business community and from its present customers. Conservative lending policies based upon sound credit analysis governs the extension of commercial credit. The following loans, although not inclusive, are considered preferable for the Bancorp's commercial loan portfolio: loans collateralized by liquid assets; loans secured by general use machinery and equipment; secured short-term working capital loans to established businesses secured by business assets; short-term loans with established sources of repayment and secured by sufficient equity and real estate; and unsecured loans to customers whose character and capacity to repay are firmly established.

Government Loans. The Bancorp is permitted to purchase non-rated municipal securities, tax anticipation notes and warrants within the local market area.

Non-Performing Assets, Asset Classification and Provision for Loan Losses

Loans are reviewed on a regular basis and are generally placed on a non-accrual status when, in the opinion of management, serious doubt exists as to the collectability of a loan. Loans are generally placed on non-accrual status when either principal or interest is 90 days or more past due. Consumer non-residential loans are generally charged off when the loan becomes over 120 days delinquent. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance, tax and insurance reserve or recorded as interest income, depending on the assessment of the ultimate collectability of the loan.

The Bancorp's mortgage loan collection procedures provide that, when a mortgage loan is 15 days or more delinquent, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower. In certain instances, the Bancorp will recast the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize his, her or its financial affairs. If the loan continues in a delinquent status for 60 days, the Bancorp will generally initiate foreclosure proceedings. Any property acquired as the result of foreclosure or by voluntary transfer of property made to avoid foreclosure is classified as foreclosed real estate until such time as it is sold or otherwise disposed of by the Bancorp. Foreclosed real estate is recorded at fair value at the date of foreclosure. At foreclosure, any write-down of the property is charged to the allowance for loan losses. Costs relating to improvement of property are capitalized, whereas holding costs are expensed. Valuations are periodically performed by management, and a valuation allowance is established by a charge to operations if the carrying value of a property exceeds its estimated fair value less selling costs. Subsequent gains or losses on disposition, including expenses incurred in connection with the disposition, are charged to operations. Collection procedures for consumer loans provide that when a consumer loan becomes ten days delinquent, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower. In certain instances, the Bancorp may grant a payment deferral. If a loan continues to be delinquent after 90 days and all collection efforts have been exhausted, the Bancorp will initiate legal proceedings. Collection procedures for commercial business loans provide that when a commercial loan becomes ten days delinquent, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower pursuant to the commercial loan collection policy. In certain instances, the Bancorp may grant a payment deferral or restructure the loan. Once it has been determined that collection efforts are unsuccessful, the Bancorp will initiate legal proceedings.

At December 31, 2013, the Bancorp classified eleven loans totaling $9.3 million as troubled debt restructurings, which involves modifying the terms of a loan to forego a portion of interest or principal or reducing the interest rate on the loan to a rate materially less than market rates, or materially extending the maturity date of a loan. The Bancorp's troubled debt restructurings includes one commercial real estate hotel loan in the amount of $4.8 million, for which significant deferrals of principal repayments were granted; one commercial real estate loan in the amount of $2.4 million for which a significant deferral of principal and interest repayment was granted; one commercial real estate loan in the amount of $535 thousand for which a significant deferral of principal and interest repayment was granted by the Bank as required by a bankruptcy plan; one development loan in the amount of $707 thousand for which credit underwriting concessions were granted; and seven mortgage loans totaling $887 thousand, for which maturity dates were materially extended. At December 31, 2013, $8.1 million of the Bancorp's loans classified as troubled debt restructurings are accruing loans. The valuation basis for the Bancorp's troubled debt restructurings is based on the present value of cash flows, unless consistent cash flows are not present, then the fair value of the collateral securing the loan is the basis for valuation.

The following table sets forth information regarding the Bancorp's non-performing assets as of December 31 for each period indicated. The amounts are stated in thousands (000's).

	2013	2012	2011	2010	2009
Loans accounted for on a non-accrual basis:					
Real estate:					
Residential	$ 2,526	$ 1,846	$ 2,481	$ 2,843	$ 2,789
Commercial	807	7,753	10,603	20,642	13,927
Commercial business	447	1,644	926	482	358
Consumer	-	10	-	-	-
Total	$ 3,780	$ 11,253	$ 14,010	$ 23,967	$ 17,074
Accruing loans which are contractually past due 90 days or more:					
Real estate:					
Residential	$ 174	$ -	$ 279	$ 145	$ 1,268
Commercial	-	-	-	-	-
Commercial business	-	229	-	-	-
Consumer	-	-	-	3	223
Total	$ 174	$ 229	$ 279	$ 148	$ 1,491
Loans that qualify as troubled debt restructurings and accruing:					
Real estate:					
Residential	$ 491	$ 534	$ 1,123	$ -	$ -
Commercial	7,657	9,113	7,373	5,016	-
Commercial business	-	88	-	-	-
Consumer	-	-	-	-	-
Total	$ 8,148	$ 9,735	$ 8,496	$ 5,016	$ -
Total of non-accrual, 90 days past due, and restructurings	$ 12,102	$ 21,217	$ 22,785	$ 29,131	$ 18,565
Ratio of non-performing loans to total assets	0.57%	1.66%	2.19%	3.82%	2.81%
Ratio of non-performing loans to total loans	0.90%	2.63%	3.56%	5.77%	4.05%
Foreclosed real estate	$ 1,084	$ 425	$ 2,457	$ 3,298	$ 3,747
Ratio of foreclosed real estate to total assets	0.16%	0.06%	0.38%	0.52%	0.57%

During 2013, gross interest income of $331,000 would have been recorded on loans accounted for on a non-accrual basis if the loans had been current throughout the period. Interest on such loans included in income during the period amounted to $77,000.

Federal regulations require savings banks to classify their own loans and to establish appropriate general and specific allowances, subject to regulatory review. These regulations are designed to encourage management to evaluate loans on a case-by-case basis and to discourage automatic classifications. Loans classified as substandard or doubtful must be evaluated by management to determine loan loss reserves. Loans classified as loss must either be written off or reserved for by a specific allowance. Amounts reported in the general loan loss reserve are included in the calculation of the Bancorp's total risk-based capital requirement (to the extent that the amount does not exceed 1.25% of total risk-based assets), but are not included in Tier 1 leverage ratio calculations and Tier 1 risk-based capital requirements. Loans internally classified as substandard totaled $12.2 million at December 31, 2013, compared to $19.7 million at December 31, 2012. No loans are internally classified as doubtful at December 31, 2013 or 2012. No loans were classified as loss at either December 31, 2013 or 2012. Substandard loans include non-performing loans and potential problem loans, where information about possible credit issues or other conditions causes management to question the ability of such borrowers to comply with loan covenants or repayment terms. In addition to identifying and monitoring non-performing and other classified loans, management maintains a list of watch loans. Watch loans represent loans management is closely monitoring due to one or more factors that may cause the loan to become classified. Watch loans totaled $7.5 million at December 31, 2013, compared to $17.7 million at December 31, 2012.

A loan is considered impaired when, based on current information and events, it is probable that a borrower will be unable to pay all amounts due according to the contractual terms of the loan agreement. At December 31, 2013, impaired loans totaled $9.9 million, compared to $19.9 million at December 31, 2012 a decrease of $10.0 million or 50.3%. The December 31, 2013, impaired loan balances consist of ten commercial real estate and commercial business loans totaling $9.0 million that are secured by business assets and real estate, and are personally guaranteed by the owners of the businesses. In addition, seven mortgage loans totaling $887 thousand, which are troubled debt restructurings have also been classified as impaired. The December 31, 2013 ALL contained $1.7 million in specific allowances for collateral deficiencies, compared to $2.0 million at December 31, 2012. Typically, management does not individually classify smaller-balance homogeneous loans, such as residential mortgages or consumer loans, as impaired, unless they are troubled debt restructurings.

At December 31, 2013, management is of the opinion that there are no loans, except those discussed above, where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which will imminently result in disclosure of such loans as non-accrual, past due or restructured loans. Management does not presently anticipate that any of the non-performing loans or classified loans would materially impact future operations, liquidity or capital resources.

The Bancorp is a party to financial instruments in the normal course of business to meet financing needs of its customers. These financial instruments, which include commitments to make loans and standby letters of credit, are not reflected in the accompanying consolidated financial statements. Such financial instruments are recorded when they are funded. The Bancorp has a $1.1 million participation in a $5.7 million letter of credit, which acts as payment support to bondholders. The letter of credit is secured by a cash collateral account in the amount of $2.9 million and a collateralized guarantee in the amount of $658,000. In June of 2012 the participants approved a two year extension of the letter of credit. Currently, the letter of credit participants have secured a signed lease from a tenant that opened for operations during May 2009. This lease will expire in June 2015. The lease contains escalating payments that will continue to provide sufficient cash flow to allow the borrower to meet debt obligations to the participants.

For 2013, $450 thousand in provisions to the ALL were required, compared to $2.4 million for 2012 a decrease of $1.9 million or 80.8%. The ALL provision decrease for 2013 is primarily a result of improved asset quality. The current year ALL provisions were primarily related to the current credit risk in the commercial real estate loan portfolio and 2013 loan growth. For 2013, charge-offs, net of recoveries, totaled $1.7 million, compared to $1.9 million for 2012. The net loan charge-offs for 2013 were comprised of $788 thousand in commercial real estate loans, $567 thousand in commercial business loans, $332 thousand in commercial real estate participation loans, $153 thousand in residential real estate loans, and $17 thousand in consumer loans. The ALL provisions take into consideration management's current judgments about the credit quality of the loan portfolio, loan portfolio balances, changes in the portfolio mix and local economic conditions. In determining the provision for loan losses for the current period, management has given consideration to historically elevated risks associated with the local economy, changes in loan balances and mix, and asset quality.

The ALL to total loans was 1.64% at December 31, 2013, compared to 1.93% at December 31, 2012. The ALL to non-performing loans (coverage ratio) was 181.82% at December 31, 2013, compared to 73.34% at December 31, 2012. The December 31, 2013 balance in the ALL account of $7.2 million is considered adequate by management after evaluation of the loan portfolio, past experience and current economic and market conditions. While management may periodically allocate portions of the allowance for specific problem loans, the whole allowance is available for any loan charge offs that occur. The allocation of the ALL reflects performance and growth trends within the various loan categories, as well as consideration of the facts and circumstances that affect the repayment of individual loans, and loans which have been pooled as of the evaluation date, with particular attention given to non-performing loans and loans which have been classified as substandard, doubtful or loss. Management has allocated reserves to both performing and non-performing loans based on current information available.

The table that follows sets forth the allowance for loan losses and related ratios for the periods indicated. The amounts are stated in thousands (000's).

	2013	2012	2011	2010	2009
Balance at beginning of period	$ 8,421	$ 8,005	$ 9,121	$ 6,114	$ 5,830
Loans charged-off:					
Real estate - residential	(153)	(336)	(470)	(764)	(489)
Commercial real estate	(788)	(256)	(880)	(900)	(268)
Commercial real estate participations	(333)	(873)	(3,366)	(987)	(7,133)
Commercial business	(567)	(619)	(163)	(182)	(504)
Consumer	(16)	(17)	(55)	(35)	(46)
Total charge-offs	(1,857)	(2,101)	(4,934)	(2,868)	(8,440)
Recoveries:					
Residential real estate	1	4	112	38	1
Commercial real estate	9	13	182	-	15
Commercial real estate participations	137	108	-	248	45
Commercial business	23	37	3	10	116
Consumer	5	5	11	9	7
Total recoveries	175	167	308	305	184
Net (charge-offs) / recoveries	(1,682)	(1,934)	(4,626)	(2,563)	(8,256)
Provision for loan losses	450	2,350	3,510	5,570	8,540
Balance at end of period	$ 7,189	$ 8,421	$ 8,005	$ 9,121	$ 6,114
ALL to loans outstanding	1.64%	1.93%	1.99%	2.18%	1.33%
ALL to nonperforming loans	181.81%	73.34%	56.03%	37.82%	32.93%
Net charge-offs / recoveries to average loans out - standing during the period	-0.39%	-0.46%	-1.13%	-0.57%	-1.75%

The following table shows the allocation of the allowance for loan losses at December 31, for the dates indicated. The dollar amounts are stated in thousands (000's). The percent columns represent the percentage of loans in each category to total loans.

	2013		2012		2011		2010		2009	
	$	%	$	%	$	%	$	%	$	%
Real estate loans:										
Residential	1,444	36.9	1,024	35.4	1,161	38.4	994	36.6	241	40.2
Commercial and other dwelling	4,820	44.9	6,158	46.6	5,728	43.5	7,477	45.9	5,371	42.5
Consumer loans	12	0.1	19	0.1	15	0.1	30	0.2	51	0.3
Commercial business and other	913	18.1	1,220	17.9	1,101	18.0	620	17.3	451	17.0
Total	7,189	100.0	8,421	100.0	8,005	100.0	9,121	100.0	6,114	100.0

Investment Activities

The primary objective of the investment portfolio is to provide for the liquidity needs of the Bancorp and to contribute to profitability by providing a stable flow of dependable earnings. Securities can be classified as either held-to-maturity (HTM) or available-for-sale (AFS) at the time of purchase. No securities are classified as trading or as held-to-maturity. AFS securities are those the Bancorp may decide to sell if needed for liquidity, asset-liability management or other reasons. During 2013, the Bancorp did not have derivative instruments and was not involved in hedging activities as defined by Accounting Standards Codification Topic 815 Derivatives and Hedging. It has been the policy of the Bancorp to invest its excess cash in U.S. government agency securities, mortgage-backed securities, collateralized mortgage obligations and municipal securities. In addition, short-term funds are generally invested as interest-bearing balances in financial institutions and federal funds. At December 31, 2013, the Bancorp's investment portfolio totaled $194.3 million. In addition, the Bancorp had $110 thousand of federal funds sold, and $3.1 million in FHLB stock.

The table below shows the carrying values of the components of the investment securities portfolio at December 31, on the dates indicated. The amounts are stated in thousands (000's).

	2013	2012	2011
U.S. government agencies:			
Available-for-sale	18,360	23,096	15,648
Mortgage-backed securities (1):			
Available-for-sale	41,003	36,068	50,683
Collateralized Mortgage Obligations (1):			
Available-for-sale	59,312	63,846	60,514
Municipal Securities:			
Available-for-sale	73,653	63,073	58,756
Trust Preferred Securities:			
Available-for-sale	1,968	1,392	1,361
Totals	$ 194,296	$ 187,475	$ 186,962

(1) Mortgage-backed securities and Collateralized Mortgage Obligations are U.S. government agency and sponsored securities.

The contractual maturities and weighted average yields for the U.S. government securities, agency securities, municipal securities, and trust preferred securities at December 31, 2013, are summarized in the table below. Securities not due at a single maturity date, such as mortgage-backed securities and collateralized mortgage obligations are not included in the following table. The carrying values are stated in thousands (000's).

Yields presented are not on a tax-equivalent basis.

	Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. government Securities:								
AFS	-	0.00%	-	0.00%	-	0.00%	-	0.00%
U.S. government Agencies:								
AFS	-	0.00%	10,743	1.09%	7,617	1.56%	-	0.00%
Municipal Securities:								
AFS	1,887	4.71%	7,600	4.18%	19,205	4.23%	44,961	3.53%
Trust Preferred Securities:								
AFS	-	0.00%	-	0.00%	-	0.00%	1,968	0.99%
Totals	$ 1,887	4.71%	$ 18,343	2.37%	$ 26,822	3.47%	$ 46,929	3.42%

The Bancorp currently holds four trust preferred securities of which three of the securities' quarterly interest payments have been placed in "payment in kind" status. Payment in kind status results in a temporary delay in the payment of interest. As a result of a delay in the collection of the interest payments, management placed these securities in non-accrual status. At December 31, 2013, the cost basis of the three trust preferred securities in non-accrual status totaled $3.9 million. Current estimates indicate that the interest payment delays may continue through 2019. One trust preferred security with a cost basis of $1.3 million remains in accrual status.

Sources of Funds

General. Deposits are the major source of the Bancorp's funds for lending and other investment purposes. In addition to deposits, the Bancorp derives funds from maturing investment securities and certificates of deposit, dividend receipts from the investment portfolio, loan principal repayments, repurchase agreements, advances from the Federal Home Loan Bank of Indianapolis (FHLB) and other borrowings. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may be used on a short-term basis to compensate for reductions in the availability of other sources of funds. They may also be used on a longer-term basis for general business purposes. The Bancorp uses repurchase agreements, as well as a line-of-credit and advances from the FHLB for borrowings. At December 31, 2013, the Bancorp had $14.0 million in repurchase agreements. Other borrowings totaled $30.9 million, of which $30.1 million represents FHLB advances.

Deposits. Retail and commercial deposits are attracted principally from within the Bancorp's primary market area. The Bancorp offers a broad selection of deposit instruments including non-interest bearing demand accounts, interest bearing demand accounts, savings accounts, money market deposit accounts, certificate accounts and retirement savings plans. Deposit accounts vary as to terms, with the principal differences being the minimum balance required, the time period the funds must remain on deposit and the interest rate. Certificate accounts currently range in maturity from ten days to 42 months. The deregulation of federal controls on insured deposits has allowed the Bancorp to be more competitive in obtaining funds and to be flexible in meeting the threat of net deposit outflows. The Bancorp does not obtain funds through brokers.

The following table presents the average daily amount of deposits bearing interest and average rates paid on such deposits for the years indicated. The amounts are stated in thousands (000's).

	2013		2012		2011	
	Amount	Rate %	Amount	Rate %	Amount	Rate %
Noninterest bearing demand deposits	$ 73,834	-	$ 62,746	-	$ 54,126	-
Interest bearing demand deposits	110,831	0.06	97,735	0.09	99,040	0.17
MMDA accounts	132,794	0.17	125,035	0.21	116,527	0.30
Savings accounts	83,340	0.05	75,541	0.07	69,529	0.15
Certificates of deposit	162,264	0.50	177,523	0.66	186,730	0.99
Total deposits	$ 563,063	0.20	$ 538,580	0.29	$ 525,952	0.47

Maturities of time certificates of deposit and other time deposits of $100,000 or more at December 31, 2013 are summarized as follows. The amounts are stated in thousands (000's).

3 months or less	$ 21,081
Over 3 months through 6 months	14,674
Over 6 months through 12 months	22,232
Over 12 months	9,156
Total	$ 67,143

Borrowings. Borrowed money is used on a short-term basis to compensate for reductions in the availability of other sources of funds and is generally accomplished through repurchase agreements, as well as, through a line of credit and advances from the FHLB. Repurchase agreements generally mature within one year and are generally secured by U.S. government securities or U.S. agency securities, under the Bancorp's control. FHLB advances with maturities ranging from one year to five years are used to fund securities and loans of comparable duration, as well as to reduce the impact that movements in short-term interest rates have on the Bancorp's overall cost of funds. Fixed rate advances are payable at maturity, with a prepayment penalty. Putable advances are fixed for a period of one to five years and then may adjust annually to the three-month London Interbank Offered Rate (LIBOR) until maturity. Once the putable advance interest rate adjusts, the Bancorp has the option to prepay the advance on specified annual interest rate reset dates without prepayment penalty.

The following tables set forth certain information regarding borrowing and repurchase agreements by the Bancorp at the end of and during the periods indicated. The amounts are stated in thousands (000's).

	At December 31, 2013	At December 31, 2012	At December 31, 2011
Repurchase agreements:			
Balance	$ 14,031	$ 16,298	$ 15,395
Securities underlying the agreements:			
Ending carrying amount	23,729	28,002	26,622
Ending fair value	23,729	28,002	26,622
Weighted average rate (1)	0.38%	0.31%	0.43%

	For year ended December 31, 2013	For year ended December 31, 2012	For year ended December 31, 2011
Highest month-end balance	$ 21,652	$ 25,278	$ 24,258
Average outstanding balance	18,016	20,561	20,767
Weighted average rate on securities sold under agreements to repurchase (2)	0.38%	0.38%	0.51%

	At December 31, 2013	At December 31, 2012	At December 31, 2011
Fixed rate short-term advances from the FHLB	$ 8,000	$ 14,000	$ 5,000
Fixed rate long-term advances from the FHLB	$ 22,100	$ 14,000	$ 26,000
Putable advances from the FHLB	-	5,000	5,000
Variable advances from the FHLB	-	-	-
FHLB line-of-credit	714	-	-
Limited partnership obligation	-	-	-
Overdrawn due from other financial institutions	84	207	618
Total borrowings	$ 30,898	$ 33,207	$ 36,618

(1) The weighted average rate for each period is calculated by weighting the principal balances outstanding for the various interest rates.

(2) The weighted average rate is calculated by dividing the interest expense for the period by the average daily balances of securities sold under agreements to repurchase for the period.

Wealth Management Group

The activities of the Bancorp's Wealth Management Group provides estate and retirement planning, guardianships, land trusts, profit sharing and 401(k) retirement plans, IRA and Keogh accounts, investment agency accounts, and serves as personal representative of estates and acts as trustee for revocable and irrevocable trusts. At December 31, 2013, the market value of the Wealth Management Group's assets totaled $266.9 million, an increase of $3.0 million, compared to December 31, 2012.

Analysis of Profitability and Key Operating Ratios

Distribution of Assets, Liabilities and Shareholders' Equity;
Interest Rates and Interest Differential.

The net earnings of the Bancorp depend primarily upon the "spread" (difference) between (a) the income it receives from its loan portfolio and other investments, and (b) its cost of money, consisting principally of the interest paid on savings accounts and on other borrowings.

The following table presents the weighted average yields on loans and securities, the weighted average cost of interest-bearing deposits and other borrowings, and the interest rate spread for the year ended December 31, 2013.

Weighted average yield:	
Securities	2.73%
Loans receivable	4.79%
Federal Home Loan Bank stock	3.50%
Total interest-earning assets	4.03%
Weighted average cost:	
Deposit accounts	0.20%
Borrowed funds	1.15%
Total interest-bearing liabilities	0.28%
Interest rate spread:	
Weighted average yield on interest-earning assets minus the weighted average cost of interest-bearing funds	3.75%

Financial Ratios and the Analysis of Changes in Net Interest Income.

The tables below set forth certain financial ratios of the Bancorp for the periods indicated:

	Year ended December 31,		
	2013	2012	2011
Return on average assets	1.03%	1.02%	0.84%
Return on average equity	10.17%	10.27%	8.90%
Average equity-to-average assets ratio	10.12%	9.95%	9.40%
Dividend payout ratio	33.90%	29.83%	31.57%

	At December 31,		
	2013	2012	2011
Total stockholders’ equity to total assets	9.63%	9.78%	9.66%

The average balance sheet amounts, the related interest income or expense, and average rates earned or paid are presented in the following table. The amounts are stated in thousands (000's).

	Year ended December 31, 2013			Year ended December 31, 2012			Year ended December 31, 2011		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:									
Interest bearing balances in financial institutions	$ 15,638	$ 40	0.26%	$ 8,715	$ 22	0.25%	$ 7,215	$ 18	0.25%
Federal funds sold	4,961	1	0.02	7,460	1	0.01	5,366	1	0.01
Securities	191,680	5,225	2.73	190,101	5,387	2.83	178,089	6,074	3.41
Total investments	212,279	5,266	2.48	206,276	5,410	2.62	190,670	6,093	3.20
Loans:*									
Real estate mortgage loans	358,003	17,772	4.96	348,169	17,167	4.93	335,529	17,258	5.14
Commercial business loans	78,152	3,101	3.97	74,916	3,466	4.63	73,664	3,590	4.87
Consumer loans	274	18	6.57	482	31	6.43	594	45	7.58
Total loans	436,429	20,891	4.79	423,567	20,664	4.88	409,787	20,893	5.10
Total interest-earning assets	648,708	26,157	4.03	629,843	26,074	4.14	600,457	26,986	4.49
Allowance for loan losses	(7,899)			(8,334)			(9,092)		
Cash and due from banks	9,893			8,795			8,365		
Premises and equipment	17,402			17,963			18,780		
Other assets	22,986			22,812			25,211		
Total assets	$ 691,090			$ 671,079			$ 643,721		
Liabilities:									
Demand deposit	$ 73,834	-	-%	$ 62,746	-	-%	$ 54,126	-	-%
NOW accounts	110,831	72	0.06	97,735	86	0.09	99,040	172	0.17
Money market demand accounts	132,794	226	0.17	125,035	268	0.21	116,527	350	0.30
Savings accounts	83,340	42	0.05	75,541	54	0.07	69,529	102	0.15
Certificates of deposit	162,264	804	0.50	177,523	1,167	0.66	186,730	1,849	0.99
Total interest-bearing deposits	563,063	1,144	0.20	538,580	1,575	0.29	525,952	2,473	0.47
Borrowed funds	51,056	586	1.15	58,688	773	1.32	50,538	758	1.50
Total interest-bearing liabilities	614,119	1,730	0.28	597,268	2,348	0.39	576,490	3,231	0.56
Other liabilities	7,005			7,069			6,720		
Total liabilities	621,124			604,337			583,210		
Stockholders' equity	69,966			66,742			60,511		
Total liabilities and stockholders' equity	$ 691,090			$ 671,079			$ 643,721		
Net interest income		$ 24,427			$ 23,726			$ 23,755	
Net interest spread			3.75%			3.75%			3.93%
Net interest margin**			3.77%			3.77%			3.96%

* Non-accruing loans have been included in the average balances.

** Net interest income divided by average interest-earning assets.

The table below sets forth certain information regarding changes in interest income and interest expense of the Bancorp for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to: (1) changes in volume (change in volume multiplied by old rate) and (2) changes in rate (change in rate multiplied by old volume). Changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate. The amounts are stated in thousands (000's).

	Year Ended December 31, 2013 vs. 2012 Increase / (Decrease) Due To			Year Ended December 31, 2012 vs. 2011 Increase / (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Loans receivable	$ 620	$ (393)	$ 227	$ 689	$ (918)	$ (229)
Securities	44	(206)	(162)	390	(1,077)	(687)
Other interest-earning assets	7	11	18	5	(1)	4
Total interest-earning assets	671	(588)	83	1,084	(1,996)	(912)
Interest Expense:						
Deposits	69	(500)	(431)	58	(956)	(898)
Borrowed Funds	(94)	(93)	(187)	114	(99)	15
Total interest-bearing liabilities	(25)	(593)	(618)	172	(1,055)	(883)
Net change in net interest income/(expense)	$ 696	$ 5	$ 701	$ 912	$ (941)	$ (29)

Bank Subsidiary Activities

Peoples Service Corporation, a wholly owned subsidiary of the Bank was incorporated under the laws of the State of Indiana. The subsidiary currently provides insurance and annuity investments to the Bank's wealth management customers. At December 31, 2013, the Bank had an investment balance of $170 thousand in Peoples Service Corporation.

NWIN, LLC is a wholly owned subsidiary of the Bank. NWIN, LLC was incorporated under the laws of the State of Nevada as an investment subsidiary. The investment subsidiary currently holds Bank security investments, which are managed by a professional portfolio manager. In addition, the investment subsidiary is the parent of a real estate investment trust, NWIN Funding, Inc., that invests in real estate loans originated by the Bank. At December 31, 2013, the Bank had an investment balance of 232.9 million in NWIN, LLC. The investment balance represents an increase of $14.2 million, as a result of additional capital contributions made during 2013.

NWIN Funding, Inc. is a subsidiary of NWIN, LLC, and was formed as an Indiana Real Estate Investment Trust (REIT). The formation of NWIN Funding, Inc. provides the Bancorp with a vehicle that may be used to raise capital utilizing portfolio mortgages as collateral, without diluting stock ownership. In addition, NWIN Funding, Inc. will receive favorable state tax treatment for income generated by its operations. At December 31, 2013, the REIT held assets of $33.1 million in real estate loans.

Columbia Development Company, LLC is a wholly owned subsidiary of the Bank and was incorporated under the laws of the State of Indiana. The subsidiary holds real estate properties that the Bank has acquired through the foreclosure process. At December 31, 2013, the Bank had an investment balance of $3.0 million in Columbia Development Company, LLC.

The consolidated financial statements include NorthWest Indiana Bancorp (the Bancorp), its wholly owned subsidiary, Peoples Bank SB (the Bank), and the Bank's wholly owned subsidiaries, Peoples Service Corporation and NWIN, LLC. The Bancorp has no other business activity other than being a holding company for the Bank. The Bancorp's earnings are dependent upon the earnings of the Bank. All significant inter-company accounts and transactions have been eliminated in consolidation.

Competition

The Bancorp's primary market area for deposits, loans and financial services encompasses Lake and Porter Counties, in northwest Indiana, where all of its offices are located. Ninety-five percent of the Bancorp's business activities are within this area.

The Bancorp faces strong competition in its primary market area for the attraction and retention of deposits and in the origination of loans. The Bancorp’s most direct competition for deposits has historically come from commercial banks, savings associations, and credit unions located in its primary market area. Particularly in times of high interest rates, the Bancorp has had significant competition from mutual funds and other firms offering financial services. The Bancorp’s competition for loans comes principally from savings associations, commercial banks, mortgage banking companies, credit unions, insurance companies, and other institutional lenders.

The Bancorp competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of the services it provides borrowers and other third-party sources. It competes for deposits by offering depositors a wide variety of savings accounts, checking accounts, competitive interest rates, convenient banking center locations, drive-up facilities, automatic teller machines, tax deferred retirement programs, electronic banking, and other miscellaneous services.

The activities of the Bancorp and the Bank in the geographic market served involve competition with other banks as well as with other financial institutions and enterprises, many of which have substantially greater resources than those available to the Bancorp. In addition, non-bank financial services companies with which the Bancorp and Bank compete, while subject to regulation by the CFPB, are generally not subject to the same type of extensive regulation by the federal and state banking agencies applicable to the Bancorp and the Bank.

Personnel

As of December 31, 2013, the Bank had 150 full-time and 24 part-time employees. The employees are not represented by a collective bargaining agreement. Management believes its employee relations are good. The Bancorp has five officers (listed below under Item 4.5 “Executive Officers of the Bancorp”), but has no other employees. The Bancorp’s officers also are full-time employees of the Bank, and are compensated by the Bank.

Regulation and Supervision

Bank Holding Company Regulation. As a registered bank holding company for the Bank, the Bancorp is subject to the regulation and supervision of the FRB under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Bank holding companies are required to file periodic reports with and are subject to periodic examination by the FRB.

Under the BHCA, without the prior approval of the FRB, the Bancorp may not acquire direct or indirect control of more than 5% of the voting stock or substantially all of the assets of any company, including a bank, and may not merge or consolidate with another bank holding company. In addition, the Bancorp is generally prohibited by the BHCA from engaging in any nonbanking business unless such business is determined by the FRB to be so closely related to banking as to be a proper incident thereto. Under the BHCA, the FRB has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the FRB's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

Under the Dodd-Frank Act, a bank holding company is expected to serve as a source of financial and managerial strength to its subsidiary banks. Pursuant to this requirement, a bank holding company should stand ready to use its resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity. This support may be required by the FRB at times when the Bancorp may not have the resources to provide it or, for other reasons, would not be inclined to provide it. Additionally, under the Federal Deposit Insurance Corporation Improvements Act of 1991 ("FDICIA"), a bank holding company is required to provide limited guarantee of the compliance by any insured depository institution subsidiary that may become "undercapitalized" (as defined in the statute) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency.

Savings Bank Regulation. As an Indiana stock savings bank, the Bank is subject to federal regulation and supervision by the FDIC and to state regulation and supervision by the DFI. The Bank's deposit accounts are insured by DIF, which is administered by the FDIC. The Bank is not a member of the Federal Reserve System.

Both federal and Indiana law extensively regulate various aspects of the banking business such as reserve requirements, truth-in-lending and truth-in-savings disclosures, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Current federal law also requires savings banks, among other things, to make deposited funds available within specified time periods.

Under FDICIA, insured state chartered banks are prohibited from engaging as principal in activities that are not permitted for national banks, unless: (i) the FDIC determines that the activity would pose no significant risk to the appropriate deposit insurance fund, and (ii) the bank is, and continues to be, in compliance with all applicable capital standards.

Branches and Acquisitions. Branching by the Bank requires the approval of the Federal Reserve and the DFI. Under current law, Indiana chartered banks may establish branches throughout the state and in other states, subject to certain limitations. Congress authorized interstate branching, with certain limitations, beginning in 1997. Indiana law authorizes an Indiana bank to establish one or more branches in states other than Indiana through interstate merger transactions and to establish one or more interstate branches through de novo branching or the acquisition of a branch. The Dodd-Frank Act permits the establishment of de novo branches in states where such branches could be opened by a state bank chartered by that state. The consent of the state is no longer required.

Transactions with Affiliates. Under Indiana law, the Bank is subject to Sections 22(h), 23A and 23B of the Federal Reserve Act, which restrict financial transactions between banks and affiliated companies, such as the Bancorp. The statute limits credit transactions between a bank and its executive officers and its affiliates, prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices, and restricts the types of collateral security permitted in connection with a bank's extension of credit to an affiliate.

Capital Requirements. The FRB and the FDIC have issued substantially similar risk-based and leverage capital guidelines that are applicable to the Bancorp and the Bank. The current guidelines require a minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities such as standby letters of credit) of 8%. At least half of the total required capital must be "Tier 1 capital," consisting principally of common stockholders' equity, noncumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, less certain goodwill items. The remainder ("Tier 2 capital") may consist of a limited amount of subordinated debt and intermediate-term preferred stock, certain hybrid capital instruments and other debt securities, cumulative perpetual preferred stock, and a limited amount of the allowance for loan losses.

In addition to the risk-based capital guidelines, the Bancorp and the Bank are subject to a Tier 1 (leverage) capital ratio which requires a minimum level of Tier 1 capital to adjusted average assets of 3% in the case of financial institutions that have the highest regulatory examination ratings and are not contemplating significant growth or expansion. All other institutions are expected to maintain a ratio of at least 1% to 2% above the stated minimum.

The Dodd-Frank Act requires the FRB to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository subsidiaries; provided, however, that bank holding companies with less than $500 million in assets are exempt from these capital requirements. The legislation also established a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months that take into account off-balance sheet activities and risks, including risks related to securitized products and derivatives.

FDICIA requires, among other things, federal bank regulatory authorities to take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. The FDIC has adopted regulations to implement the prompt corrective action provisions of FDICIA, which, among other things, define the relevant capital measures for five capital categories. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a leverage ratio of 5% or greater, and is not subject to a regulatory order, agreement or directive to meet and maintain a specific capital level for any capital measure.

The following table shows that, at December 31, 2013, the Bancorp’s capital exceeded all regulatory capital requirements. At December 31, 2013 the Bancorp’s and the Bank’s regulatory capital ratios were substantially the same. At December 31, 2013, the Bancorp and the Bank were categorized as well capitalized. The dollar amounts are stated in millions.

	Actual		Required for adequate capital		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk weighted assets	$ 75.0	15.6%	$ 38.5	8.0%	$ 48.2	10.0%
Tier 1 capital to risk weighted assets	$ 69.0	14.3%	$ 19.3	4.0%	$ 28.9	6.0%
Tier 1 capital to adjusted average assets	$ 69.0	10.0%	$ 20.8	3.0%	$ 34.6	5.0%

The Bancorp and the Bank will become subject to the new capital requirements mandated under Basel III, which will be phased in from 2015 to 2019. See “Recent Development” – New Capital Rules” above. Banking regulators may change these requirements from time to time, depending on the economic outlook generally and the outlook for the banking industry. The Bancorp is unable to predict whether and when any such further capital requirements would be imposed and, if so, to what levels and on what schedule.

Dividend Limitations. The Bancorp is a legal entity separate and distinct from the Bank. The primary source of the Bancorp's cash flow, including cash flow to pay dividends on the Bancorp's Common Stock, is the payment of dividends to the Bancorp by the Bank. Under Indiana law, the Bank may pay dividends of so much of its undivided profits (generally, earnings less losses, bad debts, taxes and other operating expenses) as is considered expedient by the Bank's Board of Directors. However, the Bank must obtain the approval of the DFI for the payment of a dividend if the total of all dividends declared by the Bank during the current year, including the proposed dividend, would exceed the sum of retained net income for the year to date plus its retained net income for the previous two years. For this purpose, "retained net income" means net income as calculated for call report purposes, less all dividends declared for the applicable period. An exemption from DFI approval would require that the Bank have been assigned a composite uniform financial institutions rating of 1 or 2 as a result of the most recent federal or state examination; the proposed dividend would not result in a Tier 1 leverage ratio below 7.5%; and that the Bank not be subject to any corrective action, supervisory order, supervisory agreement, or board approved operating agreement.

The FDIC has the authority to prohibit the Bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice in light of the financial condition of the Bank. In addition, under FRB supervisory policy, a bank holding company generally should not maintain its existing rate of cash dividends on common shares unless (i) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the organization's capital needs, assets, quality, and overall financial condition. The FRB issued a letter dated February 24, 2009, to bank holding companies providing that it expects banks holding companies to consult with it in advance of declaring dividends that could raise safety and soundness concerns (i.e., such as when the dividend is not supported by earnings or involves a material increase in the dividend rate) and in advance of repurchasing shares of common preferred stock.

Federal Deposit Insurance. Deposits in the Bank are insured by the Deposit Insurance Fund of the FDIC up to a maximum amount, which is generally $250,000 per depositor, subject to aggregation rules. There is no longer unlimited insurance coverage for noninterest-bearing transaction accounts, which expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with interest-bearing deposits the owner may hold in the same ownership category, and the combined insured up to at least $250,000. The Bank is subject to deposit insurance assessments by the FDIC pursuant to its regulations establishing a risk-related deposit insurance assessment system, based on the institution's capital levels and risk profile. Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk-weighted categories based on supervisory evaluations, regulatory capital levels, and certain other factors with less risky institutions paying lower assessments. An institution's initial assessment rate depends upon the category to which it is assigned. There are also adjustments to a bank's initial assessment rates based on levels of long-term unsecured debt, secured liabilities in excess of 25% of domestic deposits and, for certain institutions, brokered deposit levels. Pursuant to FDIC rules adopted under the Dodd-Frank Act (described below), initial assessments ranged from 5 to 35 basis points of the institution's total assets minus its tangible equity. The Bank paid deposit insurance assessments of $520 thousand during the year ended December 31, 2013. For 2013, the deposit insurance assessment rate before applying one time credits was approximately 0.085% of insured deposits. No institution may pay a dividend if it is in default of the federal deposit insurance assessment.

The Bank is also subject to assessment for the Financing Corporation (FICO) to service the interest on its bond obligations. The amount assessed on individual institutions, including the Bank, by FICO is in addition to the amount paid for deposit insurance according to the risk-related assessment rate schedule. These assessments will continue until the FICO bonds are repaid between 2017 and 2019. During 2013, the FICO assessment rate ranged between 0.62 and 0.64 basis points for each $100 of insured deposits per quarter. The Bank paid interest payment assessments of $40 thousand during the year ended December 31, 2013. Future increases in deposit insurance premiums or changes in risk classification would increase the Bank's deposit related costs.

On December 30, 2009, banks were required to pay the fourth quarter assessment and to prepay estimated insurance assessments for the years 2010 through 2012. The pre-payment did not affect the Bank's earnings on that date. The Bank paid an aggregate of $3.7 million in premiums on December 30, 2009, $3.5 million of which constituted prepaid premiums. During June of 2013, the remainder of this prepaid premium, which amounted to approximately $870,000, was refunded to the Bank.

Under the Dodd-Frank Act, the FDIC is authorized to set the reserve ratio for the Deposit Insurance Fund at no less than 1.35%, and must achieve the 1.35% designated reserve ratio by September 30, 2020. The FDIC must offset the effect of the increase in the minimum designated reserve ratio from 1.15% to 1.35% on insured depository institutions of less than $10 billion, and may declare dividends to depository institutions when the reserve ratio at the end of a calendar quarter is at least 1.5%, although the FDIC has the authority to suspend or limit such permitted dividend declarations. In December 2010, the FDIC adopted a final rule setting the designated reserve ratio for the deposit insurance fund at 2% of estimated insured deposits.

On October 19, 2010, the FDIC proposed a comprehensive long-range plan for Deposit Insurance Fund management with the goals of maintaining a positive fund balance, even during periods of large fund losses, and maintaining steady, predictable assessment rates throughout economic and credit cycles. The FDIC determined not to increase assessments in 2011 by 3 basis points, as previously proposed, but to keep the current rate schedule in effect. In addition, the FDIC proposed adopting a lower assessment rate schedule when the designated reserve ratio reaches 1.15% so that the average rate over time should be about 8.5 basis points. In lieu of dividends, the FDIC proposed adopting lower rate schedules when the reserve ratio reaches 2% and 2.5%, so that the average rates will decline about 25 percent and 50 percent, respectively.

Under the Dodd-Frank Act, the assessment base for deposit insurance premiums changed from adjusted domestic deposits to average consolidated total assets minus average tangible equity. Tangible equity for this purpose means Tier 1 capital. Since this is a larger base than adjusted domestic deposits, assessment rates are expected to be lower. In February 2011, the FDIC approved a new rule effective April 1, 2011 (to be reflected in invoices for assessments due September 30, 2011), which implemented these changes. The new rule includes new rate schedules scaled to the increase in the assessment base, including schedules that will go into effect when the reserve ratio reaches 1.15%, 2%, and 2.5%. The FDIC staff projected that the new rate schedules would be approximately revenue neutral.

The schedule would reduce the initial base assessment rate in each of the four risk-based pricing categories.

- For small Risk category I banks, the rates would range from 5-9 basis points.
- The proposed rates for small institutions in Risk Categories II, III and IV would be 14, 23 and 35 basis points, respectively.
- For large institutions and large, highly complex institutions, the proposed rate schedule ranges from 5 to 35 basis points.

There are also adjustments made to the initial assessment rates based on long-term unsecured debt, depository institution debt, and brokered deposits. The FDIC also revised the assessment system for large depository institutions with over $10 billion in assets.

The Dodd-Frank Act extended unlimited insurance on non-interest bearing accounts for no additional charges through December 31, 2012. Under this program, traditional non-interest demand deposit (or checking) accounts that allow for an unlimited number of transfers and withdrawals at any time, whether held for a business, individual, or other type of depositor, are covered. Later, Congress added Lawyers' Trust Accounts (IOLTA) to this unlimited insurance protection through December 31, 2012.

The FDIC has the authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe and unsound condition to continue operations or has violated any applicable law, regulation, order or any condition imposed in writing by, or written agreement with, the FDIC. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital.

Federal Home Loan Bank System. The Bank is a member of the Federal Home Loan Bank of Indianapolis, which is one of 12 regional Federal Home Loan Banks. Each Federal Home Loan Bank serves as a reserve or central bank for its members within its assigned region. It is funded primarily from funds deposited by member institutions and proceeds from the sale of consolidated obligations of the Federal Home Loan Bank system. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of trustees of the Federal Home Loan Bank. As a member, the Bank is required to purchase and maintain stock in the Federal Home Loan Bank of Indianapolis in an amount equal to the greater of 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year or 5% of our outstanding advances from the Federal Home Loan Bank. At December 31, 2013, the Bank was in compliance with this requirement.

At December 31, 2013, the Bancorp owned $3.09 million of stock of the Federal Home Loan Bank of Indianapolis ("FHLBI") and had outstanding borrowings of $30.1 million from the FHLBI. The FHLBI stock entitles the Bancorp to dividends from the FHLBI. The Bancorp recognized dividend income of approximately $108 thousand in 2013. At December 31, 2013, the Bancorp's excess borrowing capacity based on collateral from the FHLBI was $67.7 million. Generally, the loan terms from the FHLBI are better than the terms the Bancorp can receive from other sources making it cheaper to borrow money from the FHLBI.

Federal Reserve System. Under regulations of the FRB, the Bank is required to maintain reserves against its transaction accounts (primarily checking accounts) and non-personal money market deposit accounts. The effect of these reserve requirements is to increase the Bank's cost of funds. The Bank is in compliance with its reserve requirements.

Community Reinvestment Act. Under the Community Reinvestment Act ("CRA"), the Bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC in connection with its examination of the Bank, to assess its record of meeting the credit needs of its community and to take that record into account in its evaluation of certain applications by the Bank. For example, the regulations specify that a bank's CRA performance will be considered in its expansion (e.g., branching) proposals and may be the basis for approving, denying or conditioning the approval of an application. As of the date of its most recent regulatory examination, the Bank was rated "satisfactory" with respect to its CRA compliance.

Gramm-Leach-Bliley Act. Under the Gramm-Leach-Bliley Act ("Gramm-Leach"), bank holding companies are permitted to offer their customers virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. In order to engage in these new financial activities, a bank holding company must qualify and register with the FRB as a "financial holding company" by demonstrating that each of its bank subsidiaries is well capitalized, well managed and has at least a satisfactory rating under the CRA. The Bancorp has no current intention to elect to become a financial holding company under Gramm-Leach.

Gramm-Leach established a system of functional regulation, under which the federal banking agencies regulate the banking activities of financial holding companies, the U.S. Securities and Exchange Commission regulates their securities activities and state insurance regulators regulate their insurance activities.

Under Gramm-Leach, federal banking regulators adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of Gramm-Leach affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

The Bancorp does not disclose any nonpublic information about any current or former customers to anyone except as permitted by law and subject to contractual confidentiality provisions which restrict the release and use of such information.

Consumer Financial Protection Bureau. The Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB") within the Federal Reserve, which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of Gramm-Leach and certain other statutes. Many of the consumer financial protection functions formerly assigned to the federal banking and other designated agencies are now performed bythe CFPB. The CFPB has a large budget and staff, and has the authority to implement regulations under federal consumer protection laws and enforce those laws against, and examine, financial institutions. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Smaller institutions are subject to rules promulgated by the CFPB but continue to be examined and supervised by the federal banking regulators for consumer compliance purposes. The CFPB has the authority to prevent unfair, deceptive or abusive practice in connection with the offering of consumer financial products. Additionally, this bureau is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data, and promote the availability of financial services to underserved consumers and communities.

Moreover, the Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the CFPB has published several final regulations impacting the mortgage industry, including rules related to ability-to-pay, mortgage servicing, and mortgage loan originator compensation. The ability-to-repay rule makes lenders liable if they fail to assess ability to repay under a prescribed test, but also creates a safe harbor for so-called "qualified mortgages." Failure to comply with the ability-to-repay rule may result in possible CFPB enforcement action and special statutory damages plus actual, class action, and attorneys' fees damages, all of which a borrower may claim in defense of a foreclosure action at any time. The Dodd-Frank Act also permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations. Federal preemption of state consumer protection law requirements, traditionally an attribute of the federal savings association charter, has also been modified by the Dodd-Frank Act and now requires a case-by-case determination of preemption by the OCC and eliminates preemption for subsidiaries of a bank. Depending on the implementation of this revised federal preemption standard, the operations of the Bank could become subject to additional compliance burdens in the states in which it operates. There continues to be significant uncertainty as to how the CFPB's regulatory, supervisory, examination, and enforcement strategies and priorities will impact the Bancorp's business.

Mortgage Reform and Anti-Predatory Lending. Title XIV of the Dodd-Frank Act, the Mortgage Reform and Anti-Predatory Lending Act, includes a series of amendments to the Truth In Lending Act with respect to mortgage loan origination standards affecting, among other things, originator compensation, minimum repayment standards and pre-payments. With respect to mortgage loan originator compensation, except in limited circumstances, an originator is prohibited from receiving compensation that varies based on the terms of the loan (other than the principal amount). The amendments to the Truth In Lending Act also prohibit a creditor from making a residential mortgage loan unless it determines, based on verified and documented information of the consumer's financial resources, that the consumer has a reasonable ability to repay the loan. The amendments also prohibit certain pre-payment penalties and require creditors offering a consumer a mortgage loan with pre-payment penalty to offer the consumer the option of a mortgage loan without such a penalty. In addition, the Dodd-Frank Act expands the definition of a "high-cost mortgage" under the Truth In Lending Act, and imposes new requirements on high-cost mortgages and new disclosure, reporting and notice requirements for residential mortgage loans, as well as new requirements with respect to escrows and appraisal practices.

Interchange Fees for Debit Cards. Under the Dodd-Frank Act, interchange fees for debit card transactions must be reasonable and proportional to the issuer's incremental cost incurred with respect to the transaction plus certain fraud related costs. Although institutions with total assets of less than $10 billion are exempt from this requirement, competitive pressures are likely to require smaller depository institutions to reduce fees with respect to these debit card transactions. The Federal Reserve issued final implementing regulations on these statutory requirements in 2011, which were then challenged by certain retailers and merchant associations in a federal lawsuit. In July 2013, the court issued its ruling in that case, finding for the retailers and holding that the Federal Reserve did not appropriately implement the statutory requirements. In particular, the court ruled that the Federal Reserve included impermissible costs in the cap on interchange fees (*i.e.*, set the cap too high), and did not sufficiently implement the statute's prohibition against issuers and payment card networks restricting merchant electronic debit transaction routing options to a single network or multiple affiliated networks. The Federal Reserve appealed the decision and, in September 2013, the judge in the district court issued a stay of his decision to vacate the portions of the regulations that were challenged by the plaintiffs, pending the outcome of the appeals process. Therefore, the current regulations will remain in effect until the court of appeals issues its decision and the district court issues a further order in light of that decision. The ultimate impact of the court decision will depend on the content of the court's final order following the full appeals process.

Federal Securities Law. The shares of Common Stock of the Bancorp have been registered with the SEC under the Securities Exchange Act (the "1934 Act"). The Bancorp is subject to the information, proxy solicitation, insider trading restrictions and other requirements of the 1934 Act and the rules of the SEC there under. If the Bancorp has fewer than 300 shareholders, it may deregister its shares under the 1934 Act and cease to be subject to the foregoing requirements.

Shares of Common Stock held by persons who are affiliates of the Bancorp may not be resold without registration unless sold in accordance with the resale restrictions of Rule 144 under the Securities Act of 1933. If the Bancorp meets the current public information requirements under Rule 144, each affiliate of the Bancorp who complies with the other conditions of Rule 144 (including those that require the affiliate's sale to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of (i) 1% of the outstanding shares of the Bancorp or (ii) the average weekly volume of trading in such shares during the preceding four calendar weeks.

Under the Dodd-Frank Act, the Bancorp is required to provide its shareholders an opportunity to vote on the executive compensation payable to its named executive officers and on golden parachute payments in connection with mergers and acquisitions. These votes are non-binding and advisory. At least once every six years, the Bancorp must also permit shareholders to determine on an advisory basis whether such votes should be held every one, two, or three years.

Financial System Regulatory Reform. On July 21, 2011, President Obama signed into law the Dodd-Frank Act which significantly changed the regulation of financial institutions and the financial services industry. Many provisions of the Dodd-Frank Act went into effect on July 21, 2011. The Dodd-Frank Act includes provisions affecting large and small financial institutions alike, including several provisions that profoundly affect how community banks, thrifts, and small bank and thrift holding companies, such as the Bancorp, are regulated. Among other things, the Dodd-Frank Act abolished the Office of Thrift Supervision and transferred its functions to the other federal banking agencies, relaxes rules regarding interstate banking, allows financial institutions to pay interest on business checking accounts, changes the scope of the federal deposit insurance coverage, and imposes new capital requirements on bank and thrift holding companies. The Dodd-Frank Act also established the CFPB as an independent entity within the Federal Reserve, which has the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting, among other things, originator compensation, minimum repayment standards, and pre-payments. The Dodd-Frank Act contains numerous other provisions affecting financial institutions of all types, many of which have an impact on the operating environment of the Bancorp in substantial and unpredictable ways. Consequently, the Dodd-Frank Act is likely to affect our cost of doing business, it may limit or expand our permissible activities, and it may affect the competitive balance within our industry and market areas. The nature and extent of future legislative and regulatory changes affecting financial institutions, including as a result of the Dodd-Frank Act, is very unpredictable at this time. The Bancorp's management continues to actively monitor the implementation of the Dodd-Frank Act and the regulations promulgated thereunder and assess its probable impact on the business, financial condition, and results of operations of the Bancorp. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and the Bancorp in particular, continues to be uncertain at this time.

Other Future Legislation and Change in Regulations. Various other legislation, including proposals to expand or contract the powers of banking institutions and bank holding companies, is from time to time introduced. This legislation may change banking statutes and the operating environment of the Bancorp and the Bank in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Bancorp cannot accurately predict whether any of this potential legislation will ultimately be enacted, and, if enacted, the ultimate effect that it, or implementing regulations, would have upon the financial condition or results of operations of the Bancorp or the Bank.

Federal Taxation

For federal income tax purposes, the Bank reports its income and expenses on the accrual method of accounting. The Bancorp and the Bank file a consolidated federal income tax return for each fiscal year ending December 31. In the last five years, the Bank's federal income returns have not been subject to any examination by a taxing authority.

State Taxation

The Bank is subject to Indiana's Financial Institutions Tax ("FIT"), which is imposed at a flat rate of 8.5% on "adjusted gross income." "Adjusted gross income," for purposes of FIT, begins with taxable income as defined by Section 63 of the Code and, thus, incorporates federal tax law to the extent that it affects the computation of taxable income. Federal taxable income is then adjusted by several Indiana modifications. Other applicable state taxes include generally applicable sales and use taxes plus real and personal property taxes.

During 2010, the Bank's state income tax returns were subject to an examination by the Indiana Department of Revenue for the years 2007, 2008, and 2009. No improper tax positions were identified during examination. In the last five years, the Bank's state income returns have not been subject to any other examination by a taxing authority.

Accounting for Income Taxes

At December 31, 2013, the Bancorp's consolidated total deferred tax assets were $6.2 million and the consolidated total deferred tax liabilities were $2.1 million, resulting in a consolidated net deferred tax asset of $4.1 million, net of a $288,000 valuation allowance. The valuation allowance of $288,000 was provided for the state net operating loss and state tax credit, as management does not believe these amounts will be fully utilized before statutory expiration.

Item 1A. Risk Factors

Not applicable.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Bancorp maintains its corporate office at 9204 Columbia Avenue, Munster, Indiana, from which it oversees the operation of the Bank's twelve banking locations. The Bancorp owns all of its office properties.

The following table sets forth additional information with respect to the Bank's offices as of December 31, 2013. Net book value and total investment figures are for land, buildings, furniture and fixtures.

Office location	Year facility opened	Net book value	Approximate square footage	Total cost
9204 Columbia Avenue Munster, IN 46321-3517	1985	$ 710,865	11,640	$ 3,227,979
141 W. Lincoln Highway Schererville, IN 46375-1851	1990	688,304	9,444	2,148,447
7120 Indianapolis Blvd. Hammond, IN 46324-2221	1979	107,073	2,600	922,796
1300 Sheffield Dyer, IN 46311-1548	1976	127,406	2,100	886,149
7915 Taft Merrillville, IN 46410-5242	1968	66,578	2,750	801,864
8600 Broadway Merrillville, IN 46410-7034	1996	1,086,673	4,400	2,434,522
4901 Indianapolis Blvd. East Chicago, IN 46312-3604	1995	714,664	4,300	1,637,771
1501 Lake Park Avenue Hobart, IN 46342-6637	2000	1,660,003	6,992	2,892,230
9204 Columbia Avenue Corporate Center Building Munster, IN 46321-3517	2003	5,355,644	36,685	12,128,564
855 Stillwater Parkway Crown Point, IN 46307-5361	2007	1,722,789	3,945	2,452,128
1801 W. 25th Avenue Gary, IN 46404-3546	2008	1,470,271	2,700	1,921,662
2905 Calumet Avenue Valparaiso, IN 46383-2645	2009	1,924,956	2,790	2,304,533
9903 Wicker Avenue Saint John, IN 46373-9402	2010	1,625,129	2,980	2,155,528

At December 31, 2013, the Bank had an investment totaling $340 thousand in one location, which has been acquired for future development. The Bank outsources its core processing activities to Fidelity National Information Services, Inc., or FIS Corporation located in Jacksonville, Florida. FIS provides real time services for loans, deposits, retail delivery systems, card solutions and electronic banking. Additionally, the Bank utilizes Accutech in Muncie, Indiana for its Wealth Management operations.

The net book value of the Bank's property, premises and equipment totaled $17.3 million at December 31, 2013.

Item 3. Legal Proceedings
Not applicable

Item 4. Mine Safety Disclosures
Not applicable

Item 4.5 Executive Officers of the Bancorp

Pursuant to General Instruction G(3) of Form 10-K, the following information is included as an unnumbered item in this Part I in lieu of being included in the Bancorp's Proxy Statement for the 2014 Annual Meeting of Shareholders:

The executive officers of the Bancorp are as follows:

	Age at December 31, 2013	**Position**
David A. Bochnowski	68	Chairman, Chief Executive Officer, and President
Benjamin J. Bochnowski	33	Executive Vice President and Chief Operating Officer
John J. Diederich	61	Executive Vice President
Robert T. Lowry	52	Executive Vice President, Chief Financial Officer and Treasurer
Leane E. Cerven	55	Executive Vice President, General Counsel Corporate Secretary

The following is a description of the principal occupation and employment of the executive officers of the Bancorp during at least the past five years:

David A. Bochnowski is Chairman, Chief Executive Officer, and President of the Bancorp and the Bank, and is accountable to the Board of Directors, customers, shareholders, employees and stakeholders for the operation of the company. He has been the Chief Executive Officer since 1981 and became the Chairman in 1995. He has been a director since 1977 and was the Bank's legal counsel from 1977 to 1981. Mr. Bochnowski is a past Chairman of America's Community Bankers (ACB), now known as the new American Bankers Association (ABA) a national bank trade association. He is a member of the Security and Exchange Commission's Advisory Committee on Small and Emerging Companies. He is a trustee and treasurer of the Munster Community Hospital, a director of the Community Healthcare System, a former chairman of the Legacy Foundation of Lake County, a Director of One Region, a trustee of the Purdue Technology Center Northwest Indiana, a trustee of Calumet College, and an advisory trustee for the Gary YWCA. He is a former Chairman of the Indiana Department of Financial Institutions; former Chairman of the Indiana League of Savings Institutions, now known as the Indiana Bankers Association; former director of the Federal Home Loan Bank of Indianapolis; and, a former member of the Federal Reserve Thrift Institutions Advisory Committee. Before joining the Bank, Mr. Bochnowski was an attorney, self-employed in private practice. He holds undergraduate and Juris Doctorate degrees from Georgetown University and a Masters Degree from Howard University. He served as an officer in the United States Army and is a Vietnam veteran. Mr. Bochnowski is the father of Benjamin Bochnowski, the Executive Vice President and Chief Operating Officer of the Bancorp and Bank.

Benjamin J. Bochnowski has served as Executive Vice President and Chief Operating Officer of Northwest Indiana Bancorp and Peoples Bank, SB(“Peoples”) since August 2013. Since joining Peoples in 2010, Mr. Bochnowski has had bank-wide responsibility for project management, strategic planning and enterprise risk management. Prior to his appointment, Mr. Bochnowski held the position of Senior Vice President, Strategy and Risk. He earned a bachelor’s degree from the University of Michigan, followed by an MBA from ESADE business school in Barcelona, Spain. He speaks Spanish, and is a graduate of the American Bankers Association’s Stonier Graduate School of Banking with a Leadership Certificate from the Wharton School at the University of Pennsylvania. Mr. Bochnowski volunteers with the Volunteer Income Tax Assistance (VITA) Program for low-income individuals. He is a Board Member at the Dunes National Park Association, and is a mentor for the Entrepreneurship Bootcamp for Veterans at Purdue University. Mr. Bochnowski is the son of David A. Bochnowski, the Chairman, Chief Executive Officer, and President of the Bancorp and the Bank.

John J. Diederich is Executive Vice President of the Bancorp and the Bank. Mr. Diederich has responsibility for coordinating the daily activities of retail banking and for the solicitation of new customers for the Bank’s commercial lending, wealth management, municipal, and retail areas. Prior to joining the Bank in 2009, Mr. Diederich spent 35 years with JP Morgan Chase where his most recent responsibilities were as Regional President in Northwest Indiana. Mr. Diederich is involved in many community service organizations including serving as past Chairman of the Board of the Northwest Indiana Forum, the Crisis Center, Inc., the Northwest Indiana Regional Development Company and the Northwest Indiana Boys and Girls Clubs. He has also been a Director of the Crown Point Community Foundation, the Valparaiso Family YMCA, and the Adult Education Alliance. Mr. Diederich is currently a trustee of the John W. Anderson Foundation, a Managing Director of the Northwest Indiana Forum, a Director of One Region, and is on the Finance Committee for the Diocese of Gary. Mr. Diederich holds a B.S. Degree in Finance from St. Joseph’s College and a B.S. Degree in Accounting from Calumet College.

Robert T. Lowry is Executive Vice President, Chief Financial Officer and Treasurer of the Bancorp and the Bank. He is responsible for finance, accounting, financial reporting, and risk management activities. Mr. Lowry has been with the Bank since 1985 and has previously served as the Bank’s Assistant Controller, Internal Auditor and Controller. Mr. Lowry is a Certified Public Accountant (CPA) and a Chartered Global Management Accountant (CGMA). Mr. Lowry holds a Masters of Business Administration Degree from Indiana University and is a graduate of America’s Community Bankers National School of Banking. Mr. Lowry is an instructor for the American Bankers Association online banking courses. Mr. Lowry is currently serving on the board of the Food Bank of Northwest Indiana as board treasurer and chairman of the finance committee. In addition, Mr. Lowry is a volunteer for the IRS Volunteer Income Tax Assistance (VITA) program. He is a member of the American Institute of Certified Public Accountants, the Indiana CPA Society and the Financial Managers Society.

Leane E. Cerven is Executive Vice President, General Counsel, and Corporate Secretary of the Bancorp and the Bank. Ms. Cerven joined the Bancorp and the Bank in May of 2010. Prior to joining the Bancorp and Bank, she practiced law for sixteen years in Chicago, first as an Associate Attorney with Mayer, Brown & Platt where she practiced primarily in the banking area, which included transactions involving the Resolution Trust Corporation/FDIC, corporate, international, bankruptcy, and litigation practice areas, and then as Vice President and Legal Counsel for Bank One where she practiced primarily in the commercial finance area, including secured and unsecured transactions, mergers and acquisitions, workouts, purchase of assets out of bankruptcy, international and multicurrency transactions, syndications, ESOP financings, and capital regulations. She is licensed to practice law in Indiana and Illinois. Ms. Cerven holds a Juris Doctorate degree from Valparaiso University School of Law and a Bachelor of Arts degree from the University of Minnesota, Minneapolis. Ms. Cerven is actively involved in community service and serves on the Bioethics Committees for St. Catherine’s Hospital, East Chicago, and St. Mary’s Hospital, Hobart. She is a Master Fellow of the Indiana Bar Foundation and a member of the Lake County Bar Association, the Indiana State Bar Association, the Chicago Bar Association, and the American Bar Association.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The information contained under the caption "Market Information" in the 2013 Annual Report to Shareholders is incorporated herein by reference. Also see the information in Item 12 of this Annual Report on Form 10-K captioned “Equity Compensation Plan Information,” which is incorporated by reference herein.

Item 6. Selected Financial Data

The information contained in the table captioned "Selected Consolidated Financial Data" in the 2013 Annual Report to Shareholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2013 Annual Report to Shareholders is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements

The financial statements contained in the 2013 Annual Report to Shareholders, which are listed under Item 15 herein, are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no items reportable under this item.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

NorthWest Indiana Bancorp (the “Bancorp”) conducted an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2013. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer determined that the disclosure controls and procedures were effective to ensure that material information required to be disclosed by the Bancorp in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported as and when required. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management’s best estimates and judgments.

The Risk Management Committee of the Board of Directors meets regularly with the independent registered public accounting firm, Plante & Moran PLLC, and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Risk Management Committee is responsible for the engagement of the independent auditors. The independent auditors have free access to the Risk Management Committee.

(b) Report on Management's Assessment of Internal Control Over Financial Reporting.

(i) Management's Responsibility for Financial Statements

The Bancorp's management is responsible for the integrity and objectivity of all information presented in this report including the financial statements contained in the Annual Report to shareholders which are incorporated by reference into Item 8 of this Form 10-K. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Bancorp's financial position and results of operations for the periods and as of the dates stated therein.

(ii) Management's Assessment of Internal Control Over Financial Reporting

The management of the Bancorp is responsible for establishing and maintaining adequate internal control over financial reporting for the Bancorp as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Bancorp's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bancorp; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bancorp are being made only in accordance with authorizations of management and the directors of the Bancorp; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bancorp's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

With the participation of the Bancorp's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control-Integrated Framework*,* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management determined that the Bancorp's system of internal control over financial reporting was effective as of December 31, 2013.

(c) Evaluation of Changes in Internal Control Over Financial Reporting.

There were no changes in the Bancorp's internal control over financial reporting in the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Bancorp's internal control over financial reporting.

Item 9B. Other Information

There are no items reportable under this item.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the sections captioned "Proposal 1 - Election of Directors," "Corporate Governance - Board Committees," "Security Ownership by Certain Beneficial Owners and Management," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance - Code of Ethics" in the Bancorp's definitive Proxy Statement for the 2014 Annual Meeting of Shareholders is incorporated herein by reference. Information regarding the Bancorp's executive officers is included under Item 4.5 captioned "Executive Officers of the Bancorp" at the end of Part I hereof and is incorporated herein by reference, in accordance with General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

Item 11. Executive Compensation

The information contained under the section captioned "Executive Compensation" in the Bancorp's definitive Proxy Statement for its 2014 Annual Meeting of Shareholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained within the Bancorp's definitive Proxy Statement for the 2014 Annual Meeting of Shareholders, under the section captioned "Security Ownership by Certain Beneficial Owners and Management," and the table providing information on the Bancorp's director nominees and continuing directors in the section captioned "Proposal 1 - Election of Directors" is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides certain information as of December 31, 2013 with respect to the Company's existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders	6,350	$ 29.82	232,000
Equity compensation plans not approved by security holders	0	0	0
Total	6,350	$ 29.82	232,000

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained under the sections captioned “Transactions with Related Persons” and “Corporate Governance-Director Independence,” and the information contained in the “Summary Compensation Table for 2013” under the section captioned “Executive Compensation,” in the Bancorp’s definitive Proxy Statement for its 2014 Annual Meeting of Shareholders, is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information contained under the section captioned "Independent Registered Public Accounting Firm’s Services and Fees" in the Bancorp’s definitive Proxy Statement for its 2014 Annual Meeting of Shareholders, is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) **Financial Statements:**

The following financial statements of the Bancorp are incorporated herein by reference to the 2013 Annual Report to Shareholders, filed as Exhibit 13 to this report:

(a) Report of Independent Registered Public Accounting Firm

(b) Consolidated Balance Sheets, December 31, 2013 and 2012

(c) Consolidated Statements of Income for the years ended December 31, 2013 and 2012

(d) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013 and 2012

(e) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2013 and 2012

(f) Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012

(g) Notes to Consolidated Financial Statements

All other financial statements, schedules and historical financial information have been omitted as the subject matter is not required, not present or not present in amounts sufficient to require submission.

(3) **Exhibits:**

Exhibit Number	Description
2.1	Plan of Conversion of Peoples Bank, A Federal Savings Bank, dated December 18, 1993 (incorporated herein by reference to Exhibit A to the Bancorp’s Definitive Proxy Statement/Prospectus dated March 23, 1994, as filed pursuant to Rule 424(b) under the 1933 Act on March 28, 1994).
2.2@	Agreement and Plan of Voluntary Supervisory Merger Conversion dated December 20, 2013 by and between Peoples Bank SB and First Federal Savings & Loan Association of Hammond (incorporated herein by reference to Exhibit 10.1 of the Bancorp’s Form 8-K dated December 20, 2013)
3.1.	Articles of Incorporation (incorporated herein by reference to Exhibit 3(i) to the Bancorp’s Registration Statement on Form S-4 filed March 3, 1994 (File No. 33-76038)).
3.2.	By-Laws of NorthWest Indiana Bancorp (incorporated herein by reference to Exhibit 3.1 of the Bancorp’s Form 8-K dated August 3, 2009).
10.1. *	1994 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit A to the Bancorp’s Definitive Proxy Statement/Prospectus dated March 23, 1994, as filed pursuant to Rule 424(b) under the 1933 Act on March 28, 1994).
10.2. *	Amended and Restated Employment Agreement, dated December 29, 2008, between Peoples Bank SB, NorthWest Indiana Bancorp and David A. Bochnowski.

10.3. *	Unqualified Deferred Compensation Plan for the Officers of Peoples Bank effective January 1, 2005 (incorporated herein by reference to Exhibit 10.3 of the Banorp's Form 10-K for the year ended December 31, 2012).
10.4. *	Amended and Restated 2004 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.5 of the Bancorp's Form 10-K for the year ended December 31, 2011).
10.5 *	Post 2004 Unfunded Deferred Compensation Plan for the Directors of Peoples Bank SB effective January 1, 2005 (incorporated herein by reference to Exhibit 10.5 of the Bancorp's Form 10-K for the year ended December 31, 2012).
10.6 *	Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.7 of the Bancorp's Form 10-K for the year ended December 31, 2011).
10.7 *	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.7 of the Bancorp's Form 10-K for the year ended December 31, 2011).
10.8 *	Form of Agreement for Restricted Stock (incorporated by reference to Exhibit 10.7 of the Bancorp's Form 10-K for the year ended December 31, 2011).
10.9 *	Consulting agreement dated January 16, 2013 between Peoples Bank SB and Joel Gorelick.
13.	2013 Annual Report to Shareholders.
21.	Subsidiaries of the Bancorp.
23.1	Plante & Moran, PLLC - Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32	Section 1350 Certifications.
101	The following materials from the Bancorp's Form 10-K for the fiscal year ended December 31, 2013, formatted in an XBRL Interactive Data File: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Changes in Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, with detailed tagging of notes and financial statement schedules.**

@ – The Bancorp has omitted schedules and similar attachments to the subject agreement pursuant to Item 601(b) of Regulation S-K. The Bancorp will furnish a copy of any omitted schedule or similar attachment to the SEC upon request.

* - The indicated exhibit is a management contract, compensatory plan or arrangement required to be filed by Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTHWEST INDIANA BANCORP

By /s/David A. Bochnowski
David A. Bochnowski
Chairman of the Board and
Chief Executive Officer

Date: February 25, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on February 25, 2014:

Signature	Title
Principal Executive Officer:	
/s/David A. Bochnowski David A. Bochnowski	Chairman of the Board and Chief Executive Officer
Principal Financial Officer and Principal Accounting Officer:	
/s/Robert T. Lowry Robert T. Lowry	Executive Vice President, Chief Financial Officer and Treasurer
The Board of Directors:	
/s/Frank J. Bochnowski Frank J. Bochnowski	Director
/s/Edward J. Furticella Edward J. Furticella	Director
/s/Joel Gorelick Joel Gorelick	Director
/s/Kenneth V. Krupinski Kenneth V. Krupinski	Director
/s/Stanley E. Mize Stanley E. Mize	Director

/s/Anthony M. Puntillo Anthony M. Puntillo	Director
/s/James L. Wieser James L. Wieser	Director
/s/Donald P. Fesko Donald P. Fesko	Director
/s/Amy W. Han Amy W. Han	Director
/s/Danette Garza Danette Garza	Director

EXHIBIT INDEX

Exhibit	Description
10.2	Amended and Restated Employment Agreement, dated December 29, 2008, between Peoples Bank SB, NorthWest Indiana Bancorp and David A. Bochnowski.
10.9	Consulting Agreement dated January 16, 2013 between Peoples Bank SB and Joel Gorelick.
13	2013 Annual Report to Shareholders
21	Subsidiaries of the Bancorp
23.1	Plante & Moran, PLLC - Consent of Independent Registered Public Accounting Firm.
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AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

BETWEEN

PEOPLES BANK SB

AND

NORTHWEST INDIANA BANCORP

AND

DAVID A. BOCHNOWSKI

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AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of ~~July~~ December 29, 2008 (the "Effective Date"), by and between Northwest Indiana Bancorp (the "Company") and Peoples Bank SB (together, the "Bank" unless otherwise noted) and David A. Bochnowski (the "Executive") but effective as of April 19, 2006.

This Agreement amends and restates the prior Employment Agreement between the Company and the Executive dated April 19, 2006 (the "Prior Agreement"). It has been amended and restated for compliance with the final regulations under Section 409A of the Internal Revenue Code of 1986, as amended.

W I T N E S S E T H THAT:

WHEREAS, the Bank acting through its Board of Directors ("Board") desires to continue to employ the Executive as its Chairman and Chief Executive Officer, and the Executive desires to continue in such employment;

NOW, THEREFORE, the Bank and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. Employment and Term.

(a) Employment. The Bank shall employ the Executive as the Chairman and Chief Executive Officer of the Bank, and the Executive shall so serve, for the term set forth in Paragraph 1(b).

(b) Term. The initial term of the Executive's employment under this Agreement shall commence as of the Effective Date and end thirty-six calendar months thereafter, subject to the extension of such term as hereinafter provided and subject to earlier termination as provided in Paragraph 7, below. Beginning on the day immediately after the Effective Date, the term of this Agreement shall be extended automatically for one (1) additional day for each day which has then elapsed since the Effective Date, unless, at any time after the Effective Date, either the Board of Directors of the Bank or the Executive gives written notice to the other, in accordance with Paragraph 15, below, that such automatic extension of the term of this Agreement shall cease. Any such notice shall be effective immediately upon delivery. The initial term of this Agreement, plus any extension by operation of this Paragraph 1, shall be hereinafter referred to as the "Term."

2. Duties. During the period of employment as provided in Paragraph 1(b) hereof, the Executive shall serve as Chairman and Chief Executive Officer of the Bank and have all powers and duties consistent with such positions, subject to the reasonable direction of the Board. The Executive shall also continue to serve as a member of the Board if elected. The Executive shall devote his best efforts to fulfill faithfully, responsibly and to the best of his ability his duties hereunder; provided, however, that with the approval of the Board, the Executive may serve, or continue to serve, on the boards of directors of, and hold any other

offices or positions in, companies or organizations, which, in the Board's judgment, will not present any material conflict of interest with the Bank or any of its subsidiaries or affiliates or divisions, or unfavorably affect the performance of the Executive's duties, or will not violate any applicable statute or regulation. The Executive shall keep track of his time and expenses spent on the affairs of the Company and shall so advise the Bank so as to allow for a proper allocation of the Executive's salary and expenses between the Company and the Bank.

3. Salary.

(a) Base Salary. For services performed by the Executive for the Bank pursuant to this Agreement during the period of employment as provided in Paragraph 1(b) hereof, the Bank shall pay the Executive a base salary at the rate of Three Hundred Thirty-Five Thousand Dollars ($335,000.00) per year, payable in substantially equal installments in accordance with the Bank's regular payroll practices. The Executive's base salary (with any increases under paragraph (b), below) shall not be subject to reduction, except that prior to a Change of Control, the Bank may decrease the Executive's base salary if the consolidated operating results of the Company are significantly less favorable than those achieved for the fiscal year ended December 31, 2005, and the Bank makes similar decreases in the base salaries it pays to the executive officers of the Bank. Any compensation which may be paid to the Executive under any additional compensation or incentive plan of the Bank (including those under Paragraphs 4, 5 and 6) or which may be otherwise authorized from time to time by the Board (or an appropriate committee thereof) shall be in addition to the base salary to which the Executive shall be entitled under this Agreement.

(b) Salary Increases or Decreases. During the period of employment as provided in Paragraph 1(b) hereof, the base salary of the Executive shall be reviewed no less frequently than annually by the Board to determine whether or not the same should be increased in light of the duties and responsibilities of the Executive and the performance of the Bank or decreased under the circumstances permitted in Section 3(a). If it is determined that an increase or decrease is merited, such increase or decrease shall be promptly put into effect and the base salary of the Executive as so increased or decreased shall constitute the base salary of the Executive for purposes of Paragraph 3(a).

(c) Expenses, Automobile and Clubs. The Bank shall pay or reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in the performance of his services under this Agreement. The Bank further agrees to provide the Executive with the full time use of an automobile of a make and model selected by the Executive, not more than two years old, commensurate with his position and as approved by the Compensation Committee of the Board of Directors. Subject to the approval of the Board of Directors of the Bank, the Bank shall reimburse the Executive for all initiation fees and dues associated with membership in professional, social, civic and service organizations which the Executive joins or has joined and which membership, in whole or in part, furthers the interests of or promotes the interests of the Bank or assists the Executive in business relationships on behalf of the Bank.

4. Annual Bonuses. For each calendar year during the term of employment, the Executive shall be eligible to receive in cash an annual performance bonus as may be set by Board.

5. Equity Incentive Compensation. During the term of employment hereunder the Executive shall be eligible to participate, in an appropriate manner relative to other senior executives of the Bank, in any equity-based incentive compensation plan or program approved by the Board from time to time, including (but not by way of limitation) the Company's Amended and Restated 2004 Stock Option and Incentive Plan.

6. Other Benefits.

(a) Insurance Plans. The Bank agrees to continue funding all premiums as they become due pursuant to the following insurance policies, and any other insurance policies that may in the future be purchased, under which the Executive is an insured until such time as the Executive attains the age of sixty-six (66).

Company/Policy No.	Type	Benefit Amount
Assurant Employee Benefits Group Policy #54075 Certificate No. 36	Group Life and AD&D	$400,000
Principal Financial Group Group Policy #N31368 Location 09	Group Life and AD&D	$148,000
Mass. Mutual Life Insurance And New York Life Insurance Policy Nos. 0064748 and 56608619	Endorsement Split Dollar Plan	$200,000
American States Life Insurance Policy No. 0100432728	Individual Life Insurance	$500,000
Valley Forge Life Insurance Co. Policy No. 84040058	Universal Life Insurance	$438,659*
New York Life Policy No. 56612175	Universal Life Insurance	$100,000

*Death Benefit Value as of Feb. 7, 2006

Notwithstanding the above, in the event of a Change in Control (as defined in Paragraph 8(c)) of the Bank, the Bank agrees to immediately pay the Executive the amount of all such future premiums on the above policies as shall be reasonably expected to become due, plus any amount as may be necessary under Paragraph 10, prior to the Executive attaining the age of sixty-six (66). In the event such payment is made, the Bank shall be relieved of its obligation to continue funding premiums as they become due.

(b) Vacation. Notwithstanding anything herein to the contrary, the Executive shall be entitled to a maximum of six weeks vacation to be taken during such times as may be chosen by the Executive. Any vacation time not taken during any calendar year and any unused vacation days in existence as of the date hereof may be taken with the consent of the Compensation Committee of the Board, which consent shall not be unreasonably withheld. Vacation time for each calendar year shall be considered earned as of the first day of each calendar year.

(c) Other. The Executive shall be entitled to participate in all of the various retirement, welfare, fringe benefit and executive perquisite plans, programs and arrangements of the Bank as they may exist from time to time. Notwithstanding the limitations of any health benefit plan maintained by the Bank, the Bank agrees to pay the costs of any necessary physical examinations and the costs of all diagnostic testing incurred by the Executive on his own behalf.

7. Termination. Unless this Agreement is earlier terminated in accordance with the following provisions of this Paragraph 7, the Bank shall continue to employ the Executive and the Executive shall remain employed by the Bank during the entire Term of this Agreement as set forth in Paragraph 1(b). Paragraph 9 hereof sets forth certain obligations of the Bank in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Agreement are defined in Paragraph 8, below.

(a) Death or Disability. Except to the extent otherwise provided in Paragraph 9, this Agreement shall terminate immediately (a Date of Termination) in the event of the Executive's death or in the event that the Executive becomes disabled. The Executive will be deemed to be disabled if he (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank. If any question arises as to whether the Executive is disabled, upon reasonable request therefor by the Board, the Executive shall submit to reasonable medical examination for the purpose of determining the existence, nature and extent of any such disability. In accordance with Paragraph 15, the Bank shall promptly give the Executive written notice of any such determination of the Executive's disability and of any decision of the Bank to terminate the Executive's employment by reason thereof. In the event of disability, until the Date of Termination, the base salary payable to the Executive under Paragraph 3(a) hereof shall be reduced dollar-for-dollar by the amount of disability benefits paid to the Executive in accordance with any disability policy or program of the Bank.

(b) Discharge for Cause. In accordance with the procedures hereinafter set forth, the Board may discharge the Executive from his employment hereunder for Cause. Except to the extent otherwise provided in Paragraph 9, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for Cause. Any discharge of the Executive for Cause shall be communicated by a Notice of Termination to the Executive given in accordance with Paragraph 15 of this Agreement. For purposes of this Agreement, a

"Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) specifies the termination date, which may be as early as the date of the giving of such notice. In the case of a discharge of the Executive for Cause, the Notice of Termination shall include a copy of a resolution duly adopted by the Board at a meeting called and held for such purpose (after reasonable notice to the Executive and reasonable opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote), finding that, in the reasonable and good faith opinion of the Board, the Executive was guilty of conduct constituting Cause. No purported termination of the Executive's employment for Cause shall be effective without a Notice of Termination.

(c) Termination for Other Reasons. The Bank may discharge the Executive for reason other than Cause by giving written notice to the Executive in accordance with Paragraph 15 at least thirty (30) days prior to the Date of Termination. The Executive may resign from his employment, without liability to the Bank, by giving written notice to the Bank in accordance with Paragraph 15 at least thirty (30) days prior to the Date of Termination. Except to the extent otherwise provided in Paragraph 9, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for reasons other than Cause or resigns.

8. Definitions. For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

(a) "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's base salary under Paragraph 3(a) through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any unused vacation, expense reimbursements (regardless of whether a claim for such has yet been filed) and other cash entitlements due the Executive as of the Date of Termination. For the purpose of this Paragraph 8(a), dollar amounts shall be deemed to accrue ratably over the period during which they are earned, but no discretionary compensation shall be deemed earned or accrued unless it has been specifically approved by the Board in accordance with the applicable plan, program or policy.

(b) "Cause" shall mean: (A) the Executive's commission of an act materially and demonstrably detrimental to the goodwill of the Bank or any of its subsidiaries, which act constitutes gross negligence or willful misconduct by the Executive in the performance of his material duties to the Bank or (B) the Executive's conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability. No act or failure to act will be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that his action or omission was in the best interests of the Bank. In addition, no act or omission will constitute Cause unless the Bank has given detailed written notice thereof to the Executive and, where remedial action is feasible, he then fails to remedy the act or omission within a reasonable time after receiving such notice.

(c) "Change of Control" shall mean any of the following:

(i) a change in the ownership of the Bank or the Company, which shall occur on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Bank or the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Bank or the Company. Such acquisition may occur as a result of a merger of the Company or the Bank into another entity which pays consideration for the shares of capital stock of the merging Company or Bank. However, if any one person, or more than one person acting as a group, is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Bank or the Company, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the Bank or the Company (or to cause a change in the effective control of the Bank or the Company within the meaning of subsection (ii)). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Bank or the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this subsection. This subsection applies only when there is a transfer of stock of the Bank or the Company (or issuance of stock of the Bank or the Company) and stock in the Bank or the Company remains outstanding after the transaction.

(ii) a change in the effective control of the Bank or the Company, which shall occur only on either of the following dates:

1) the date any one person, or more than one person acting as a group acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Bank or the Company possessing thirty percent (30%) or more of the total voting power of the stock of the Bank or the Company.

2) the date a majority of members of the Company's board of directors is replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors before the date of the appointment or election; provided, however, that this provision shall not apply if another corporation is a majority shareholder of the Company.

If any one person, or more than one person acting as a group, is considered to effectively control the Bank or the Company, the acquisition of additional control of the Bank or the Company by the same person or persons is not considered to cause a change in the effective control of the Bank or the Company (or to cause a change in the ownership of the Bank or the Company within the meaning of subsection (i) of this section).

(iii) a change in the ownership of a substantial portion of the Bank's assets, which shall occur on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Bank that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Bank immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Bank, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. No change in control occurs under this subsection (iii) when there is a transfer to an entity that is controlled by the shareholders of the Bank immediately after the transfer. A transfer of assets by the Bank is not treated as a change in the ownership of such assets if the assets are transferred to –

1) a shareholder of the Bank (immediately before the asset transfer) in exchange for or with respect to its stock;

2) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Bank.

3) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Bank; or

4) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

For purposes of this subsection (iii) and except as otherwise provided in paragraph 1) above, a person's status is determined immediately after the transfer of the assets.

(iv) For purposes of this section, persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering. Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Bank or the Company; provided, however, that they will not be considered to be acting as a group if they are owners of an entity that merges into the Bank or the Company where the Bank or the Company is the surviving corporation.

(d) "Date of Termination" shall mean (A) in the event of a discharge of the Executive by the Board for Cause, the date specified in such Notice of Termination, (B) in the event of a discharge of the Executive without Cause or a resignation by the Executive, the date specified in the written notice to the Executive (in the case of discharge) or the Bank (in the case of resignation), which date shall be no less than thirty (30) days from the date of such written notice, (C) in the event of the Executive's death, the date of the Executive's death, (D) in the event of termination of the Executive's employment by reason of disability pursuant to Paragraph 7(a), the date the Executive receives written notice of such termination, and (E) upon termination of this Agreement due to a Change in Control, the date of such Change in Control.

(e) "Good Reason" shall mean any of the following: (A) the failure to re-elect the Executive as Chairman and Chief Executive Officer and as a member of the Board of Directors with full voting rights, (B) assignment of duties inconsistent with the Executive's position, authority, duties or responsibilities, or any other action by the Bank which results in a substantial diminution of such position, authority, duties or responsibilities, (C) any substantial failure by the Bank to comply with any of the provisions of this Agreement or (D) the Bank's giving notice to the Executive to stop further operation of the evergreen feature described in Paragraph 1 above; provided, however, that actions taken by the Board of Directors of the Bank under subparagraphs (A) and (B) by reason of the Executive's inability to perform the responsibilities contemplated by those sections because of a physical or mental injury or disease shall not be deemed "Good Reason." In addition, resignation by the Executive for any reason during the one (1)-year period immediately after a Change of Control shall be deemed to be a resignation for Good Reason.

(f) The Executive shall have a "Termination of Employment" if there is a termination of services provided by the Executive to the Bank, whether voluntarily or involuntarily, other than by reason of death or disability, as determined by the Board in accordance with Treas. Reg. §1.409A-1(h). In determining whether an Executive has experienced a Termination of Employment, the following provisions shall apply:

1) To the extent the Executive provides services to the Bank or Company (the "Employer") solely as an employee, except as otherwise provided in part (3) of this subsection, a Termination of Employment shall occur when the Executive has experienced a termination of employment with the Employer. The Executive shall be considered to have experienced a termination of employment when the facts and circumstances indicate that the Executive and the Employer reasonably anticipate that either (i) no further services will be performed for the Employer after a certain date, or (ii) that the level of bona fide services the Executive will perform for the Employer after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Executive (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Employer if the Executive has been providing services to the Employer less than 36 months).

If the Executive is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between the Executive and the Employer shall be treated as continuing intact, provided that the period of such leave does not exceed 6 months, or if longer, so long as the Executive retains a right to reemployment with the Employer under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds 6 months and the Executive does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of this Agreement as of the first day immediately following the end of such 6-month period. In applying the provisions of this paragraph, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that the Executive will return to perform services for the Employer.

2) If the Executive provides services to the Employer as an independent contractor, except as otherwise provided in part (3) of this subsection, a Termination of Employment shall occur upon the expiration of the contract (or in the case of more than one contract, all contracts) under which services are performed for the Employer, provided that the expiration of such contract(s) is determined by the Board to constitute a good-faith and complete termination of the contractual relationship between the Executive and the Employer.

3) If the Executive provides services to the Employer as both an employee and an independent contractor, a Termination of Employment generally shall not occur until the Executive has ceased providing services for the Employer as both as an employee and as an independent contractor, as determined in accordance with the provisions set forth in parts (1) and (2) of this subsection, respectively. Similarly, if the Executive either (i) ceases providing services for the Employer as an independent contractor and begins providing services for the Employer as an employee, or (ii) ceases providing services for the Employer as an employee and begins providing services for the Employer as an independent contractor, the Executive will not be considered to have experienced a Termination of Employment until the Executive has ceased providing services for the Employer in both capacities, as determined in accordance with the applicable provisions set forth in parts (1) and (2) of this subsection.

Notwithstanding the foregoing provisions in this part (3), if the Executive provides services for the Employer as both an employee and as a director, to the extent permitted by Treas. Reg. §1.409A-1(h)(5) the services provided by the Executive as a director shall not be taken into account in determining whether the Executive has experienced a Termination of Employment as an employee, and the services provided by the Executive as an employee shall not be taken into account in determining whether the Executive has experienced a Termination of Employment as a director.

4) For the purpose of determining whether the Executive has experienced a Termination of Employment, the term "Employer" shall mean:

(I) The entity for which the Executive performs services and with respect to which the legally binding right to compensation deferred or contributed under this Agreement arises; and

(II) All other entities with which the entity described above would be aggregated and treated as a single employer under Code Section 414(b) (controlled group of corporations) and Code Section 414(c) (a group of trades or businesses, whether or not incorporated, under common control), as applicable. In order to identify the group of entities described in the preceding sentence, an ownership threshold of at least 50% shall be substituted for the 80% minimum ownership threshold that appears in, and otherwise must be used when applying, the applicable provisions of (A) Code Section 1563 for determining a controlled group of corporations under Code Section 414(b), and (B) Treas. Reg. §1.414(c)-2 for determining the trades or businesses that are under common control under Code Section 414(c).

Any reference in this Agreement to a "termination of employment," severance from employment, separation from employment, resignation or discharge otherwise entitling the Executive to payment hereunder shall be deemed to mean a Termination of Employment.

9. Obligations of the Bank Upon Termination. The following provisions describe the obligations of the Bank to the Executive under this Agreement upon termination of his employment. However, except as explicitly provided in this Agreement, nothing in this Agreement shall limit or otherwise adversely affect any rights which the Executive may have under applicable law, under any other agreement with the Bank or any of its subsidiaries, or under any compensation or benefit plan, program, policy or practice of the Bank or any of its subsidiaries.

(a) Death, Disability, Discharge for Cause or Resignation Without Good Reason. In the event of the death or disability of the Executive, or upon the Executive's Termination of Employment by reason of his discharge by the Bank for Cause, or upon the Executive's Termination of Employment by reason of his resignation other than for Good Reason, the Bank shall pay to the Executive, or his heirs or estate in the event of the Executive's death, all Accrued Obligations in a lump sum in cash within thirty (30) days after the Date of Termination; provided, however, that any portion of the Accrued Obligations which consists of bonus, deferred compensation or incentive compensation, shall be determined and paid in accordance with the terms of the relevant plan as applicable to the Executive. In addition to the foregoing, in the event this Agreement terminates by reason of the death of the Executive, then within thirty (30) days of the death of the Executive, the Bank shall pay to the Executive's heirs or estate in a lump sum in cash an amount equal to the sum of the Executive's then-current annual base salary and the amount of the most recent annual bonus received by the Executive.

(b) Discharge Without Cause or Resignation with Good Reason. In the event of the Executive's Termination of Employment by reason of the discharge of the Executive by the Bank without Cause, or by reason of the resignation of the Executive for Good Reason, then the Bank shall pay to Executive, or his heirs or estate in the event of the Executive's death, in addition to the compensation and benefits described in paragraph (a), the following benefits:

(i) A cash bonus for the year of termination equal to the most recent annual bonus received by the Executive,

(ii) Payment in a lump sum of an amount equal to three (3) times the Executive's then-current base salary as in effect prior to the termination,

(iii) Payment in a lump sum of an amount equal to three (3) times the most recent annual bonus received by the Executive,

(iv) Continuation, for a period of three (3) years after the Date of Termination, of welfare benefits and senior executive perquisites at least equal to those which would have been provided if the Executive's employment had continued for that time,

(v) A payment equal to that described in Paragraph 6(a) as necessary to fund the future premiums on such insurance policies as shall be reasonably expected to become due prior to the Executive reaching the age of sixty-six (66); and

(vi) Outplacement services, at the expense of the Bank, from a provider reasonably selected by the Executive.

The amounts payable under paragraphs (b)(i), (ii), (iii) and (v) shall be paid no later than thirty (30) days after the Date of Termination. To the extent any benefits or perquisites provided under paragraph (b)(iv) provide for reimbursements of expenses incurred by the Executive, or in-kind benefits, the following conditions must be satisfied:

(1) The benefit or perquisite must provide an objectively determinable nondiscretionary definition of the expenses eligible for reimbursement or of the in-kind benefits to be provided;

(2) The benefit or perquisite must provide for the reimbursement of expenses incurred or for the provision of the in-kind benefits during an objectively and specifically prescribed period;

(3) The benefit or perquisite must provide that the amount of expenses eligible for reimbursement, or in-kind benefits provided, during the Executive's taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year;

(4) The reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred; and

(5) The right to reimbursement or in-kind benefit must not be subject to liquidation or exchange for another benefit.

(c) Disability. In the event of the disability of the Executive, then the Bank shall pay to the Executive in addition to the compensation and benefits described in paragraph (a), the following benefits:

(i) A cash bonus for the year of termination equal to the most recent annual bonus received by the Executive, payable within thirty (30) days after the Date of Termination;

(ii) Cash compensation during each year between the Date of Termination and the earlier of the date upon which the Executive attains age seventy (70) or the death of the Executive equal to sixty-six percent (66%) of both the then current base salary and the most recent annual bonus received by the Executive, payable at such time as compensation is payable to employees of the Bank generally; and

(iii) Continuation of welfare benefits and senior executive perquisites at least equal to those which would have been provided if the Executive's employment had continued for that time as the cash compensation in (ii) continues (payable in accordance with the same rules as apply to those benefits payable under Section 9(b)(iv)).

Notwithstanding the foregoing, the payments due under this section following the Date of Termination shall be offset dollar-for-dollar by the amount of disability payments paid to the Executive for periods following the Date of Termination in accordance with any disability policy or program of the Bank.

(d) Level of Bonus and Welfare Benefits after a Change of Control. If the Executive's employment terminates for any reason after a Change of Control, the phrase "most recent annual bonus" as used in paragraphs (b)(i) and (iii) and (c) shall be replaced by the phrase "most recent annual bonus received by the Executive prior to the Change of Control," and the phrase "would have been provided if the Executive's employment had continued for that time" as used in paragraph (b)(iv) and (c)(iii) shall be replaced by the phrase "were provided to the Executive immediately prior to the Change of Control;" provided, however, that this paragraph (d) shall not apply to (b)(i) and (iii) and (c) or to (b)(iv) and (c)(iii) if the benefits the Executive would receive under (b)(i) and (iii) and (c) or (b)(iv) and (c)(iii) would be greater without the application of this paragraph (d).

(e) Continuing Obligations After Termination. If the Executive's employment with the Bank terminates for any reason, the Bank's obligations and the Executive's obligations under Paragraphs 9 through 19 shall continue after termination of the employment relationship.

(f) Six Month Delay. To the extent the Executive is a "specified employee" (as defined below) as of his Termination of Employment, payments due to the Executive as a result of his Termination of Employment shall begin no sooner than six months after the Executive's Termination of Employment; provided, however, that any payments not made during the six month period described in this subsection (f) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six month period. For purposes of this Agreement, the term "specified employee" shall have the meaning set forth in

Treasury Reg. Section 1.409A-1(i) and shall include, without limitation, (1) an officer of the Bank or the Company having annual compensation greater than $130,000 (as adjusted for inflation under the Code), (2) a five percent owner of the Bank or the Company, or (3) a one percent owner of the Bank or the Company having annual compensation of more than $150,000. The determination of whether the Executive is a "specified employee" shall be made by the Bank in good faith applying the applicable Treasury regulations.

10. Certain Additional Payments by the Bank. The Bank agrees that:

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Bank to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Paragraph 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or if any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of paragraph (c), below, all determinations required to be made under this Paragraph 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which is then serving as the auditors for the Bank (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Bank and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Bank. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint a nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Bank. Any Gross-Up Payment, as determined pursuant to this Paragraph 10, shall be paid by the Bank to the Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any good faith determination by the Accounting Firm shall be binding upon the Bank and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Bank should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Bank exhausts its remedies pursuant to paragraph (c), below, and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Bank to or for the benefit of the Executive.

(c) The Executive shall notify the Bank in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Bank of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than thirty (30) business days after the Executive is informed in writing of such claim and shall apprise the Bank of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30)-day period following the date on which Executive gives such notice to the Bank (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Bank notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) Give the Bank any information reasonably requested by the Bank relating to such claim,

(ii) Take such action in connection with contesting such claim as the Bank shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Bank,

(iii) Cooperate with the Bank in good faith in order effectively to contest such claim, and

(iv) Permit the Bank to participate in any proceedings relating to such claim;

provided, however, that the Bank shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this paragraph (c), the Bank shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner; and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Bank shall determine; provided, however, that if the Bank directs the Executive to pay such claim and sue for a refund, the Bank shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Bank's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Bank pursuant to paragraph (c), above, the Executive receives any refund with respect to such claim, the Executive shall (subject to the Bank's complying with the requirements of said paragraph (c)) promptly pay to the Bank the amount of such refund (together with any interest paid or credited thereon, after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Bank pursuant to said paragraph (c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Bank does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid; and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

(e) Notwithstanding anything contained in this Paragraph 10 to the contrary, if the present value of the payments made under this Agreement, without taking into account the Gross-Up Payment, is no greater than one hundred and five percent (105%) of the amount payable to the Executive assuming the Executive's payments under this Agreement were limited to the maximum amount that could be payable without application of the excise tax imposed by Section 4999 of the Code (the "Section 4999 Limit"), the Executive's payments shall be limited to the Section 4999 Limit.

(f) For purposes of complying with Section 409A of the code, any Gross-Up Payment will be made by the end of the Executive's taxable year next following Executive's taxable year in which the Executive remits the related taxes. In addition, any reimbursement of expenses incurred due to a tax audit or litigation addressing the existence or amount of a tax liability, whether Federal, state, local, or foreign, must be made by the end of the Executive's taxable year following the Executive's taxable year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the Executive's taxable year following the Executive's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

11. No Set-Off or Mitigation. The Bank's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, bankers right of set-off, counterclaim, recoupment, defense or other claim, right or action which the Bank may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

12. Payment of Certain Expenses. The Bank agrees to pay promptly as incurred, to the fullest extent permitted by law, all legal fees and expenses which the Executive may

reasonably incur as a result of any contest by the Bank, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest initiated by the Executive about the amount of any payment due pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code.

13. Indemnification and Joint Obligation. To the fullest extent permitted by law, the Bank shall indemnify the Executive (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' and experts' fees, incurred by the Executive in connection with the defense of any lawsuit or other claim to which he is made a party by reason of being an officer, director or employee of the Bank or any of its subsidiaries. The Company and the Bank are jointly and severally liable to provide the payment of all compensation, payments and/or benefits due to the Executive or his beneficiaries under this Agreement or any of the plans, programs or arrangements referred to hereby.

14. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the successors and assigns of the Bank and the Company. The Bank and the Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its assets, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Bank and the Company would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Bank and the Company in accordance with the operation of law, and such successor shall be deemed the "Bank" or the "Company," as appropriate, for purposes of this Agreement.

15. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or by recognized commercial delivery service or if mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Board or the Bank, to:
Peoples Bank SB
9204 Columbia Avenue
Munster, Indiana 46321
Attention: Corporate Secretary
If to the Executive, to:
David A. Bochnowski
10203 Cherrywood Lane
Munster, Indiana 46321

Such addresses may be changed by written notice sent to the other party at the last recorded address of that party.

16. Tax Withholding. The Bank shall provide for the withholding of any taxes required to be withheld by federal, state or local law with respect to any payment in cash, shares

of stock and/or other property made by or on behalf of the Bank to or for the benefit of the Executive under this Agreement or otherwise. The Bank may, at its option: (a) withhold such taxes from any cash payments owing from the Bank to the Executive, (b) require the Executive to pay to the Bank in cash such amount as may be required to satisfy such withholding obligations and/or (c) make other satisfactory arrangements with the Executive to satisfy such withholding obligations.

17. Arbitration. Except as to any controversy or claim which the Executive elects, by written notice to the Bank, to have adjudicated by a court of competent jurisdiction, any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration at a mutually agreed site in accordance with the laws of the State of Indiana. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The costs and expenses of the arbitrator(s) shall be borne by the Bank. The award of the arbitrator(s) shall be binding upon the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

18. No Assignment. Except as otherwise expressly provided herein, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

19. Nonsolicitation. The Executive covenants that upon his Date of Termination, he shall not, for a period of one (1) year following the Date of Termination directly recruit any person who is an employee of the Bank; solicit, encourage or induce any such employee to leave the Bank's employ or solicit, encourage or induce any customer of the Bank to cease doing business with the Bank.

20. Execution in Counterparts. This Agreement may be executed by the parties hereto in two (2) or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

21. Jurisdiction and Governing Law. This Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of Indiana, without regard to the conflict of laws provisions of such laws.

22. Severability. If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement. Furthermore, if the scope of any restriction or requirement contained in this Agreement is too broad to permit enforcement of such restriction or requirement to its full extent, then such restriction or requirement shall be enforced to the maximum extent permitted by law, and the Executive consents and agrees that any court of competent jurisdiction may so modify such scope in any proceeding brought to enforce such restriction or requirement. Nothing herein shall be construed as requiring the Bank to make any payment which would be prohibited under 12 C.F.R. 359. In the event a payment required under the terms of this Agreement cannot lawfully be made because of the limitations of 12 C.F.R. 359, the obligation to make such payment shall be deferred until such time as the limitations of 12 C.F.R. 359 shall no longer apply. Upon deferring any payment required under

this Agreement due to the limitations of 12 C.F.R. 359, the Bank shall provide the Executive with a legal opinion of counsel addressing the exact provisions of 12 C.F.R. 359 which pose the barrier to payment.

23. Prior Understandings. This Agreement embodies the entire understanding of the parties hereto and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for convenience of reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

24. Payments upon Income Inclusion under Section 409A of the Code. Upon the inclusion of any amount into the Executive's income as a result of the failure of this Agreement to comply with the requirements of Section 409A of the Code, a payment not to exceed the amount that shall be included in income shall be made as soon as is administratively practicable following the discovery of the failure of the Agreement to comply with Section 409A of the Code and the regulations promulgated thereunder.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the Company and the Bank have caused this Agreement to be executed by its duly authorized officer and the Executive has signed this Agreement, effective as of the date first written above.

PEOPLES BANK SB

By: ________________________
Name: JAMES L. WIESER
Title: CHAIRMAN COMPENSATION COMMITTEE

NORTHWEST INDIANA BANCORP

By: ________________________
Name: JAMES L. WIESER
Title: CHAIRMAN COMPENSATION COMMITTEE

DAVID A. BOCHNOWSKI

____
10203 Cherrywood Lane
Munster, Indiana 46321

INDS01 CVS 838297v5

POST-EMPLOYMENT
CONSULTING AGREEMENT

THIS AGREEMENT made effective as of the 16th day of January, 2013 (the "Effective Date"), by and between **Peoples Bank SB** and its subsidiaries (hereinafter referred to as "Peoples," which term shall for all purposes include its subsidiaries and each of their successors and assigns) and the undersigned Consultant, **Joel Gorelick** (the "Consultant").

WITNESSETH:

WHEREAS, Peoples is engaged in the depository, lending and financial services businesses (collectively the "Business"); and

WHEREAS, Consultant has expertise, experience and capability in the Business, including having served as a director and executive officer of Peoples; and

WHEREAS, Peoples wishes to retain the services of the Consultant, and the Consultant wishes to perform services for Peoples, on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration are mutually acknowledged by the parties, it is hereby agreed as follows:

1. **Recitals.** The recitals hereinbefore set forth constitute an integral part of this Agreement, evidencing the intent of the parties in executing this Agreement and describing the circumstances of its execution. Said recitals are by express reference made a part of the covenants hereof, and this Agreement shall be construed in the light thereof.

2. **Engagement of Consultant.** Peoples engages the Consultant to provide services, as specified in Section 4 below, to Peoples, and the Consultant hereby agrees to provide these services in accordance with the terms and conditions set forth in this Agreement.

3. **Term.** This Agreement shall commence on the Effective Date and shall expire on the day prior to the fifth anniversary of the Effective Date, unless earlier terminated by agreement of the parties. Upon termination of this Agreement, neither party shall have any further obligations hereunder, except that Peoples shall be obligated to pay to Consultant any compensation earned or expenses to be reimbursed under Sections 5 and 6 below, and Consultant's obligations described in Section 8 and Peoples' remedies under Section 9 (for breaches under Section 8) shall continue notwithstanding the termination of this Agreement.

4. **Duties of Consultant.** The Consultant shall be employed as a part-time exempt employee and shall assist Peoples for a period of five (5) years after the Effective Date at such times and in such manner as Peoples' Chairman and Chief Executive Officer shall reasonably request; provided, however, that (i) during the term of this Agreement, Consultant shall not

work, nor be required to work, 1000 or more hours per calendar year, and (ii) Consultant shall, upon reasonable advance notice, be required to travel from time to time. Except as otherwise provided herein, Consultant shall be subject to the terms and conditions of Peoples' employee handbook and policies as in effect from time to time.

5. **Compensation.** As compensation for his services and the restrictive covenants contained herein, Consultant shall be paid an annual base salary of $120,000.00, reduced by any director's fees that he may receive from time to time and increased by any additional compensation paid to Consultant pursuant to any incentive compensation agreement entered into between Peoples and Consultant from time to time (the "Incentive Compensation Agreement") . All compensation shall be payable, subject to applicable withholdings, in accordance with the then current payment policies of Peoples.

6. **Assistance/Expenses.** Peoples agrees to provide or to cause to be provided to Consultant an office and such other assistance as Peoples determines to be required for Consultant to discharge any responsibilities assigned pursuant to Section 4. Peoples shall pay or reimburse the Consultant for the reasonable and appropriate out-of-pocket expenses incurred by him in connection with the performance or services under this Agreement in accordance with the employee reimbursement policy of Peoples. Consultant must provide proper documentation to Peoples for all such expenses.

7. **Fringe Benefits.** In addition to Consultant's compensation as provided in Section 5 hereof, Consultant shall also be entitled to receive during the term of this Agreement:

(a) use of the corporate car currently provided to Consultant by Peoples; provided, however, Consultant shall be responsible for maintenance expenses not required to maintain the car's existing warranty, which required warranty expenses shall be the responsibility of Peoples. When the car currently in use by Consultant reaches 50,000 miles, Consultant shall be entitled to trade such car in for a new car pursuant to Peoples' corporate car program then in effect so long as Consultant exercises such trade in option no later than the first anniversary of the Effective Date. Such new car shall be subject to the same terms and conditions for maintenance expenses as the current car. At the termination of this Agreement, Peoples shall transfer title of the car to the Consultant, and Consultant shall be responsible for any taxes arising as a result of said transfer. Prior to the termination of this Agreement, Consultant shall have the option to purchase the car at a price to be determined by Peoples, which price shall not exceed the car's then blue-book value; and

(b) subject to the satisfaction of all eligibility requirements by Consultant, life insurance coverage in an amount equal to $600,000.00 pursuant to a policy issued by an insurance company of Consultant's choosing; provided however, that such coverage amount shall be adjusted as necessary so that coverage can be provided at a cost to Peoples of no more than $6,500.00 per year. Proceeds of benefit shall be payable to Consultant's designated beneficiary. Consultant and Peoples agree that they shall each use their best efforts to obtain such insurance coverage as soon as practicable after the Effective Date hereof.

8. **Confidential Information and Non-Compete.** Consultant understands and acknowledges that his obligations relating to confidential information shall continue to apply to and obligate Consultant during and after the term of this Agreement. Consultant agrees that during the term of this Agreement he will not (a) compete with Peoples, directly or indirectly, through employment on a full-time or part-time basis by, or by rendering consulting or advisory services or other assistance to, any other business organization or other entity regarding any matter or in any manner which might be deemed competitive with Peoples in Lake or Porter County, Indiana; or (b) in any manner personally solicit or cause to be solicited in competition with Peoples (including any of its divisions, branches, subsidiaries or affiliates) any persons, companies or other entities who were, are, or will be customers of Peoples (including any of its divisions, branches, subsidiaries or affiliates).

9. **Remedies.** Consultant acknowledges that the restraints and agreements herein provided are fair and reasonable, that enforcement of the obligations described in Section 8 will not cause him undue hardship and that said provisions are reasonably necessary and commensurate with the need to protect Peoples and its legitimate and proprietary business interests and property from irreparable harm. Consultant acknowledges and agrees that (a) a breach of any of the obligations described in Section 8 above will result in irreparable harm to the business of Peoples, (b) a remedy at law in the form of monetary damages for any breach by him of any of the obligations described in Section 8 is inadequate, (c) in addition to any other remedy at law or equity for such breach, Peoples shall be entitled to institute and maintain appropriate proceedings in equity, including a suit for injunction to enforce the specific performance by Consultant of the obligations hereunder and to enjoin Consultant from engaging in any activity in violation hereof, and (d) the obligations on his part described in Section 8 shall be construed as agreements independent of any other provisions in this Agreement, and the existence of any claim, set off or cause of action by Consultant against Peoples, whether predicated on this Agreement or otherwise, shall not constitute a defense or bar to the specific enforcement by Peoples of said covenants.

10. **Employee Benefits.** Consultant shall not accrue or receive any benefits under any employee benefit plan maintained by Peoples attributable to his services hereunder; provided that nothing in this Agreement shall affect any rights to benefits Consultant (and Consultant's spouse and dependents) might have under any employee benefit plans of Peoples by virtue of his prior service as an employee of Peoples or its subsidiaries.

11. **Entire Understanding.** Other than the Incentive Compensation Agreements, this Agreement constitutes the entire understanding between the parties relating to Consultant's services hereunder and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters. Any amendment of this Agreement shall be effective only to the extent that it is in writing, executed by Peoples and Consultant.

12. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Consultant's executors, administrators, legal representatives, heirs and legatees, and Peoples and its successors and assigns.

13. **Payment in the Event of Death.** In the event of Consultant's death prior to the expiration of the term of this Agreement, Peoples shall pay to such beneficiary as the Consultant may designate in writing, or to the executor of his estate in the absence of such designation, any earned but unpaid payment pursuant to Section 5 for the year in which the death shall occur and any unpaid reimbursable expenses pursuant to Section 6. Any such payment shall be in full settlement and satisfaction of all claims and demands on behalf of the Consultant under this Agreement.

14. **Waiver.** The waiver by any party hereto of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

15. **Governing Law.** This Agreement shall be governed by, and interpreted, construed and enforced in accordance with, the laws of the State of Indiana.

16. **Headings.** The headings of the sections of this Agreement are for reference purposes only and do not define or limit, and shall not be used to interpret or construe, the contents of this Agreement.

17. **Notice.** Any notice, request, demand, or instruction required or desired to be given hereunder by either party hereto to the other shall be in writing and shall be delivered personally or sent by registered or certified mail, postage prepaid, as follows:

(a) If to Peoples, to Mr. David A. Bochnowski, Chairman and Chief Executive Officer, Peoples Bank, SB, 9204 Columbia Avenue, Munster, Indiana 46321.

(b) If to Consultant, to Mr. Joel Gorelick, 8589 W. 85th, Schererville, Indiana 46375.

Either party hereto may from time to time change its or his above address by written notice to the other party given as provided above.

18. **Superseding Agreement.** Upon execution by the parties hereto, this Agreement shall supersede any and all previous contracts, arrangements, or understandings between Peoples and Consultant as of the Effective Date.

19. **Acknowledgement.** Consultant acknowledges that he has read fully and understands the provisions of this Consulting Agreement, that it constitutes the entire understanding of the parties, and that he freely and voluntarily has entered into this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the date above set forth.

CONSULTANT

JOEL GORELICK

PEOPLES BANK SB

By:

DAVID A. BOCHNOWSKI

Its: Chairman and Chief Executive Officer

Peoples Bank

CORPORATE CENTER
9204 Columbia Avenue • Munster, Indiana 46321
219/836-4400 • fax 219/836-2396
www.ibankpeoples.com

January 16, 2013

Mr. Joel Gorelick
8589 W. 85th
Schererville, IN 46375

Re: 2013 Incentive Compensation

Dear Joel:

Reference is made to the Post-Employment Consulting Agreement, effective as of January 16, 2013 (as amended or modified from time to time, the "Consulting Agreement"), between you and Peoples Bank SB ("Peoples"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Consulting Agreement.

Pursuant to Section 4 of the Consulting Agreement, Peoples has requested that you assist it in achieving its commercial banking growth objectives for 2013. In addition to the compensation described in Section 5 of the Consulting Agreement, Peoples hereby agrees to pay you cash bonus awards for new commercial loan portfolio growth in excess of $5 million that you originate on the terms and conditions set forth herein.

Cash bonus awards will be paid, on a quarterly basis, for originating new commercial loans in excess of the first $5 million in that aggregate that are approved, funded, and remain on Peoples books, regardless of whether such loans are made to new or existing customers of Peoples, in an amount equal to the product of (i) the aggregate approved and funded amount of such new loans, net of any sales or participations and excluding any refinances thereof ("Funded Loans"), made during the applicable quarter multiplied by (ii) the percentage that is applicable after taking into account the amount of Funded Loans made during any previous quarters as follows:

- For the first $2.5 million in Funded Loans in excess of the first $5 million of Funded Loans in the aggregate, 10 basis points or 0.10%;

- For the second $2.5 million in Funded Loans in excess of the first $5 million of Funded Loans in the aggregate, 15 basis points or 0.15%; and

- For Funded Loans in amounts in excess of the first $10 million in Funded Loans in the aggregate, 20 basis points or 0.20%.

Funded Loans will be tracked by Peoples in accordance with its normal practices and procedures. Upon your request, but no more frequently than monthly, Peoples shall provide you with a summary and detail of actual Funded Loans then outstanding. Cash bonus awards will be paid quarterly no later than the second pay date of the second month following the end of the calendar quarter. All services provided and cash bonus awards paid hereunder will be subject to the terms and conditions of the Consulting Agreement except as provided otherwise herein.

This letter agreement shall be effective from the date hereof until December 31, 2013, unless extended by mutual agreement of the parties. Any amendment, modification or extension of this letter agreement shall be effective only to the extent that it is in writing, executed by you and Peoples. Other than the Consulting Agreement, this letter agreement constitutes the entire understanding of the parties relative to your consulting services and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters. This letter agreement shall be governed by the laws of the State of Indiana.

If the provisions of this letter agreement are acceptable to you, please sign this letter in the space below and return one fully executed copy of this letter to the undersigned.

Sincerely,

PEOPLES BANKS SB

By: David A. Bochnowski

David A. Bochnowski
Its: Chairman and Chief Executive Officer

Acknowledged and agreed to as of the date first above written:

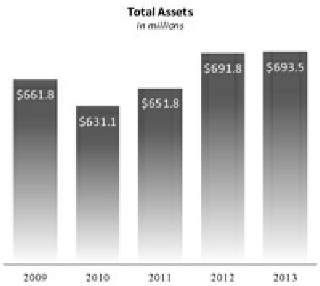
Joel Gorelick

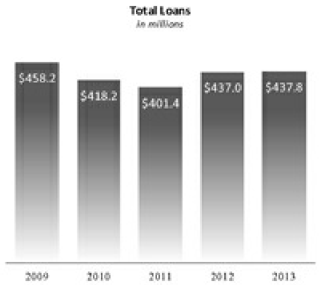
Joel Gorelick

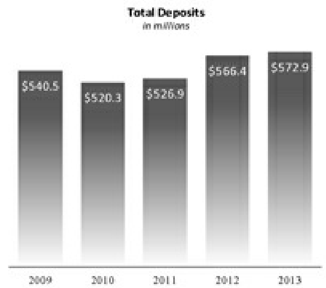
2013 Annual Report

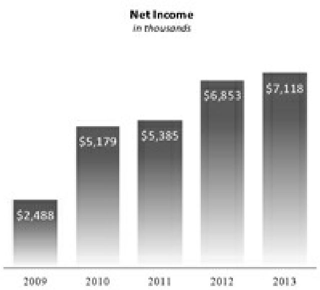
NorthWest Indiana
BANCORP

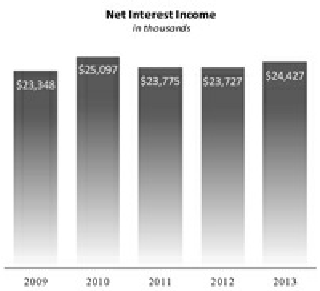
Financial Highlights

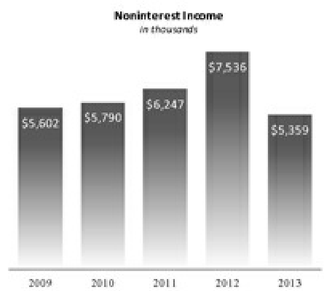


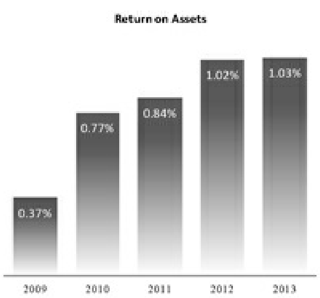


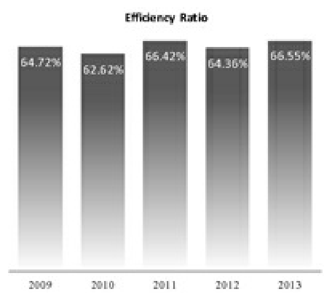












Dear Shareholder:

In 2013, the Peoples team executed at a high level and delivered another year of stellar performance. We reported record earnings of $7.1 million which surpassed last year's record of $6.9 million. Highlights of the year included a strong capital position, improved asset quality, enhanced electronic delivery channels, expansion through a pending bank acquisition, and the successful execution of banking fundamentals and a management succession plan. Investors reacted well to our progress as the price of your stock rose steadily throughout the year.

As the economy and banking industry recover from the lingering effects of the Great Recession, our strategic plan has let us emerge from the storm stronger than ever to take advantage of opportunities for creating shareholder value in a consolidating industry. Our strategic vision is clear: we will remain an independent bank with sustained core earnings that will drive asset growth and result in the Bancorp reaching a larger scale. Growth will not be pursued for its own sake; but rather to help the Bancorp absorb increased regulatory and operational costs, reinvest in growing our core business, and continue to deliver an exceptional experience to our customers.

2013 Achievements

Strong Capital Position – Because of our balance sheet strategy, we attained our strongest capital position since the onset of the Great Recession. At the end of the year, stockholders equity stood at 9.6% of total assets with our Tier 1 regulatory ratio at 10.0% and our Total Risk Based regulatory ratio at 15.6%. As a result, the Bancorp is well positioned to pursue strategies that will provide greater economic growth in our community and financial security for our customers. We have the earnings record and capital to expand our footprint, increase the outreach of our loan production to consumers and small business, and invest in technology-driven delivery channels in response to changing customer banking preferences.

Improved Asset Quality – The last several years challenged the banking industry's ability to maintain strong asset quality; and the Bancorp was no exception. Our loan work-out team, headed by Chief Lending Officer Todd Scheub, endeavored throughout the year with great success to reduce our non-performing loans to normal levels. The results are nearly without parallel among community banks, as our ratio of non-performing loans to total loans declined from 2.63% at the end of 2012 to .90% at the end of December 2013. Consequently, our non-performing loan ratio fell to levels not seen since the beginning of the recession, permitting the Bancorp to reduce our loan loss provision expense during the year.

Electronic Banking – For today's customer, the best technology provides the most value to the customer's banking experience. Your Bank offers customer banking technology that rivals the biggest banks in the country and we deliver for our customers on the strength of our team. The Bancorp will continue to invest in technologies that streamline processes and enhance the customer experience. Our technology enhancements were ambitious, consistent with our belief that the Bank has to be positioned today for the increased electronic banking demands of tomorrow's customers. The goal of these investments is to empower customers to focus on financial needs, not process. Similarly, our goal is to empower our team members with technology to engage our customers and not focus on process. Our customer surveys show that our electronic and mobile banking efforts have met with success as we have attracted new and younger customers and households to our customer base.

Banking Fundamentals – The Bancorp does not stray from the fundamentals of banking. We keep an eye on the bottom line by watching our expenses, maintaining our core earnings by growing core accounts, and diversifying income through expansion of our Wealth Management products and services. Like the customers and households we serve, we tightened our belts this year and reduced operating expenses by $298 thousand while continuing to make smart investments that drive the Bank's strategic plan.

Focusing on the fundamentals of banking has consistently resulted in high returns to our shareholders as measured by key banking performance metrics. We are pleased that our results received national recognition during the year as the NorthWest Indiana Bancorp again was named one of the top 200 Community Banks in America by *U.S. Banker* magazine. This award is based upon the three-year average return on equity (ROE) of publicly traded community banks.

Maintaining our core earnings, or net interest margin, is highly dependent on our ability to grow core deposits. For the Bancorp, this means growing our checking, savings, and money market accounts in order to maintain a low cost of funding. Combined, these accounts grew 5.7% or $22.5 million, and at year-end represented 72.8% of the Bancorp's deposit base.

Consumers have shown a growing demand throughout the nation for banking as well as investment and fiduciary services. To meet this growing demand as well as to diversify our income sources, the Bancorp established a Wealth Management Group to serve the growing financial needs of our customers. Again this year, Wealth Management operations increased their income by over 10%, and at year-end the market value of assets under management was $266.9 million.

Expanding Our Footprint – Your Board of Directors and Management Team understand that the landscape of the banking industry is changing, both locally and nationally. As banks consolidate, the Bancorp strives to be on "offense" and on the buy side of the equation in order to remain independent.

Over the years, we have looked at a number of such opportunities with our analysis determining that the targets were not a good fit each time. That changed in the last quarter of 2013 as we announced the acquisition, subject to regulatory approvals, of First Federal Savings and Loan of Hammond; a small but important first step to achieving a larger scale.

The transaction is a unique voluntary supervisory merger conversion that will add $38 million in assets and two banking center locations with minimal expense to the Bancorp. No cash or shares will be paid in the acquisition, with our costs limited mainly to the accounting and legal fees of the transaction. This deal will be accretive to earnings in 2014 and final regulatory approval is expected by the end of the first quarter of 2014.

Management Succession – The goal of our management succession plan is to build a strong forward looking management team capable of leading the successful implementation of the Bancorp's strategic plan and continuing our tradition of outstanding performance.

Our Senior Management group has demonstrated exceptional experience and achievements, and collectively has over two hundred years of banking experience. Internally, they operate under the title of the G-10; and beginning in 2012, they took responsibility for mapping the strategic direction of the Bancorp and executing the plan under the leadership of Ben Bochnowski. Despite the economic stress and slow recovery of the past few years, the G-10 produced a Board-approved plan that resulted in record earnings in 2012 and 2013.

The Board initiated an independent and rigorous review of the long-term leadership requirements of the Bancorp that included the attributes and skill sets an individual must possess to lead a community bank. These included vision, honesty, integrity, communication, passion and commitment, initiative, teamwork, organization skills, time management, and the ability to focus on priorities.

As a next step in the Bancorp's succession plan, the Board's outside Directors unanimously agreed to promote Ben Bochnowski to the position of Chief Operating Officer (COO) of the Bancorp and Peoples Bank. This position leads the execution of the strategic plan and provides oversight for day-to-day banking activities with all operating units of the Bancorp reporting directly to the COO. The COO coordinates with the Chairman and CEO in the overall administration of the Bancorp and Bank.

The Board recognized Ben's vision, talent, and passion for community banking along with his proven track record of performance. He becomes the fourth generation of the Bochnowski family to serve the Bank's stakeholders, and he will uphold the Bank's ongoing commitment to help consumers and small business owners achieve their financial goals. As a part of his new role, Ben will join me as a co-writer of next year's annual report.

NWIN Performance

At the end of December 2013, your stock in the NorthWest Indiana Bancorp (NWIN) had a closing price of $25.00 per share, an increase of 30.9% over the closing price of $19.10 a year earlier. The Bancorp's performance permitted your Directors to increase your dividend per share from $.19 per share to $.22 per share, an increase of 15.7%. The Monroe Securities Chicago Area Trading Multiples Report for the fourth quarter of 2013 listed 25 companies including NWIN. According to this report, seven of these companies were paying a dividend to their shareholders, and the highest dividend yield came from your company, NWIN, at 3.5%.

2014 Opportunities

The Bancorp's franchise is built upon three pillars: asset growth, funding growth and income growth. Supporting these pillars is Enterprise Risk Management (ERM), a system that serves to ensure that value from pursuit of opportunities presented by each pillar is realized safely. Executing ERM is the responsibility of every member of the Peoples team in support of achieving the desired outcome of our strategic initiatives.

2013 was a highly successful year with earnings bolstered by the favorable disposition of several problem loans. The resolution of one of those credits resulted in the collection of $1.4 million in back interest which improved our interest income last year. That advantageous outcome will not be repeated this year, and the Bancorp will be challenged to safely and soundly ensure the replacement of that income source without stressing our commitment to the principles of ERM.

I'm pleased to report that your Bank was named one of the 2013 Best Places to Work in Indiana, based on results of surveys of our employees and employment practices conducted by Best Companies Group. Along with our customers, our employees are the Bank's most valuable assets and we remain committed to providing a dynamic and positive work environment.

During 2013, the Bancorp recruited several experienced business bankers and mortgage lenders who have been tasked with engaging our customers to safely and soundly enhance our loan originations. These seasoned professionals have been added to the mix of our experienced lenders and we are optimistic that their combined ability will increase income from loan balances that will grow as the economic recovery takes hold.

The Bancorp will continue its commitment to growing our core deposits as an essential ingredient to maintaining a reliable, low-cost source of funding for the Bancorp's growth. Success hinges on having the right products and ensuring that the Bancorp has traditional as well as electronic channels to efficiently deliver those products to our customers. This year we will continue to sharpen our banking processes so that we have more time to devote to customer relationship-building and engagement.

Growing our Wealth Management group will continue to be a driver of our effort to create a diversified source of income. By adding well trained professionals to our staff and re-energizing our delivery of wealth management products and services, Wealth Management will provide our customers the value as well as the resources to help them reach their financial goals. Effectively scaling up our wealth management line of business also will create value for our shareholders through increased income from products and services.

This year, the Bancorp is again committed to carefully reviewing our expense structure while recognizing that in order to drive future growth, we need to make investments for the future. It continues to be incumbent on the Bancorp to grow efficiently so that revenue growth outpaces expense growth, which was a key achievement for 2013. Expense management strategies will be utilized to drive efficient operations so that the Bancorp can invest in growing our business.

A Personal Note

With much happiness, it is my pleasure to inform you that in the latter part of January 2014, my medical team concluded that the treatments for multiple myeloma that was diagnosed in late May of 2013 were a complete success. My prior condition, which stems from exposure to Agent Orange, a highly toxic defoliant, during my tour of duty in Vietnam some 43 years ago, is in complete remission and I am cancer free. The power of modern medicine as practiced by the professionals at Community Hospital in Munster, especially Dr. Erwin Robin, and the Stem Cell Transplant Team of Dr. Jayesh Mehta of Northwestern University Hospital in Chicago, along with the Grace of God, deserve the credit for my favorable outcome. The outpouring of support from my family, the Peoples family, and friends has been a humbling experience. I am grateful for your prayers and shall always cherish the difference so many of you made during this experience.

On behalf of your Directors and the entire Peoples team, I thank you for your continuing support of the Bancorp and encourage you to refer your family, friends, and business associates to us to fulfill their lending and financial needs.

Sincerely,

David A. Bochnowski
Chairman and Chief Executive Officer

Selected Consolidated Financial Data

in thousands of dollars, except per share data

Fiscal Year Ended	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Statement of Income:										
Total interest income	$ 26,157	$ 26,075	$ 26,986	$ 30,086	$ 32,189	$ 35,167	$ 35,768	$ 34,979	$ 30,024	$ 26,614
Total interest expense	1,730	2,348	3,231	4,989	8,841	12,933	17,882	15,737	9,758	6,858
Net interest income	24,427	23,727	23,755	25,097	23,348	22,234	17,886	19,242	20,266	19,756
Provision for loan losses	450	2,350	3,510	5,570	8,540	2,388	552	15	245	385
Net interest income after provision for loan losses	23,977	21,377	20,245	19,527	14,808	19,846	17,334	19,227	20,021	19,371
Noninterest income	5,359	7,536	6,247	5,790	5,602	4,528	4,431	4,219	3,540	3,312
Noninterest expense	19,821	20,119	19,928	19,341	18,735	16,999	14,525	14,296	13,771	13,174
Net noninterest expense	14,462	12,583	13,681	13,551	13,133	12,471	10,094	10,077	10,231	9,862
Income tax expenses/(benefit)	2,397	1,941	1,179	797	(813)	1,445	1,651	2,674	3,118	3,219
Cumulative effect of changes in accounting	-	-	-	-	-	-	-	-	-	-
Net income	$ 7,118	$ 6,853	$ 5,385	$ 5,179	$ 2,488	$ 5,930	$ 5,589	$ 6,475	$ 6,672	$ 6,290
Basic earnings per common share	$ 2.50	$ 2.41	$ 1.90	$ 1.83	$ 0.88	$ 2.11	$ 1.99	$ 2.32	$ 2.40	$ 2.28
Diluted earnings per common share	$ 2.50	$ 2.41	$ 1.90	$ 1.83	$ 0.88	$ 2.10	$ 1.98	$ 2.30	$ 2.37	$ 2.24
Cash dividends declared per common share	$ 0.85	$ 0.72	$ 0.60	$ 0.72	$ 1.21	$ 1.44	$ 1.44	$ 1.40	$ 1.32	$ 1.24
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Balance Sheet:										
Total assets	$ 693,453	$ 691,845	$ 651,758	$ 631,053	$ 661,017	$ 664,732	$ 628,718	$ 617,518	$ 627,439	$ 557,393
Loans receivable	437,821	436,981	401,401	418,233	458,245	489,509	468,459	471,716	469,043	433,790
Investment securities	194,296	187,475	186,962	160,452	144,333	126,722	114,644	99,012	79,979	79,979
Deposits	572,893	566,409	526,881	520,271	540,527	528,148	512,931	512,931	525,731	451,573
Borrowed funds	44,929	49,505	52,013	48,618	63,022	74,795	76,930	51,501	51,152	57,201
Total stockholders' equity	66,761	67,651	62,960	56,089	53,078	52,773	52,733	49,902	46,433	44,097
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Interest Rate Spread During Period:										
Average effective yield on loans and investment securities	4.03%	4.14%	4.50%	4.84%	5.16%	5.78%	6.21%	6.02%	5.49%	5.31%
Average effective cost of deposits and borrowings	0.28%	0.39%	0.56%	0.82%	1.45%	2.19%	3.18%	2.77%	1.82%	1.40%
Interest rate spread	3.75%	3.75%	3.94%	4.02%	3.71%	3.59%	3.03%	3.25%	3.67%	3.91%
Net interest margin	3.77%	3.77%	3.96%	4.04%	3.74%	3.65%	3.10%	3.31%	3.71%	3.94%
Return on average assets	1.03%	1.02%	0.84%	0.77%	0.37%	0.91%	0.91%	1.04%	1.14%	1.17%
Return on average equity	10.17%	10.27%	8.90%	9.03%	4.55%	10.96%	10.78%	13.42%	14.67%	14.64%
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Tier 1 capital to risk-weighted assets	15.6%	14.6%	14.3%	12.9%	11.5%	12.0%	12.0%	11.1%	10.7%	11.2%
Total capital to risk-weighted assets	14.3%	13.4%	13.1%	11.7%	10.3%	10.8%	11.0%	12.1%	11.6%	12.2%
Tier 1 capital leverage ratio	10.0%	9.4%	9.2%	8.5%	7.8%	8.2%	8.3%	8.0%	7.9%	8.0%
Allowance for loan losses to total loans	1.64%	1.93%	1.99%	2.18%	1.33%	1.19%	0.98%	0.90%	0.89%	0.90%
Allowance for loan losses to non-performing loans	181.81%	73.34%	56.03%	37.82%	32.93%	46.97%	53.16%	153.95%	198.00%	371.00%
Non-performing loans to total loans	0.90%	2.63%	3.56%	5.77%	4.05%	2.54%	1.02%	0.58%	0.45%	0.24%
Total loan accounts	4,416	4,416	4,567	4,594	4,846	5,193	5,268	5,422	5,370	5,213
Total deposit accounts	27,970	27,790	28,303	28,912	32,616	33,692	30,760	33,963	32,866	32,502
Total branches (all full service)	12	12	12	12	11	10	9	8	8	8

(1) Includes the $1.6 million one-time special assessment on FDIC-assessable deposits to recapitalize SAIF.

Business

NorthWest Indiana Bancorp (the Bancorp) is a bank holding company registered with the Board of Governors of the Federal Reserve System. Peoples Bank (the Bank), an Indiana bank, is a wholly owned subsidiary of the Bancorp. The Bancorp has no other business activity other than being the holding company for the Bank.

The Bancorp conducts business from its Corporate Center in Munster and its twelve full-service offices located in Crown Point, Dyer, East Chicago, Gary, Hammond, Hobart, Merrillville, Munster, St. John, Schererville, and Valparaiso, Indiana. The Bancorp is primarily engaged in the business of attracting deposits from the general public and the origination of loans secured by single family residences and commercial real estate, as well as, construction loans, various types of consumer loans and commercial business loans, and loans to local municipalities. In addition, the Bancorp's Wealth Management Group provides estate and retirement planning, guardianships, land trusts, profit sharing and 401(k) retirement plans, IRA and Keogh accounts, and investment agency accounts. The Wealth Management Group may also serve as the personal representative of estates and act as trustee for revocable and irrevocable trusts.

The Bancorp's common stock is traded in the over-the-counter market and is quoted on the OTC Bulletin Board. On January 31, 2014, the Bancorp had 2,841,164 shares of common stock outstanding and 407 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Bancorp's earnings are dependent upon the earnings of the Bank. The Bank's earnings are primarily dependent upon net interest margin. The net interest margin is the difference between interest income earned on loans and investments and interest expense paid on deposits and borrowings stated as a percentage of average interest earning assets. The net interest margin is perhaps the clearest indicator of a financial institution's ability to generate core earnings. Fees and service charges, wealth management operations income, gains and losses from the sale of assets, provisions for loan losses, income taxes and operating expenses also affect the Bancorp's profitability.

A summary of the Bancorp's significant accounting policies is detailed in Note 1 to the Bancorp's consolidated financial statements included in this report. The preparation of our financial statements requires management to make estimates and assumptions that affect our financial condition and operating results. Actual results could differ from those estimates. Estimates associated with the allowance for loan losses, fair values of foreclosed real estate, financial instruments and status of contingencies are particularly susceptible to material change in the near term as further information becomes available and future events occur.

At December 31, 2013, the Bancorp had total assets of $693.5 million and total deposits of $572.9 million. The Bancorp's deposit accounts are insured up to applicable limits by the Deposit Insurance Fund (DIF) that is administered by the Federal Deposit Insurance Corporation (FDIC), an agency of the federal government. At December 31, 2013, stockholders' equity totaled $66.8 million, with book value per share at $23.50. Net income for 2013 was $7.1 million, or $2.50 basic and diluted earnings per common share. The return on average assets was 1.03%, while the return on average stockholders' equity was 10.17%.

Recent Developments

The Current Economic and Regulatory Environment. We continue to operate in an uncertain economic and regulatory environment, which presents risks associated with our business. In this regard, the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") contains comprehensive provisions governing the practices and oversight of large and small financial institutions alike, including several provisions that profoundly affect the regulation of community banks, thrifts, and small bank and thrift holding companies, such as the Bancorp. The Dodd-Frank Act also established a new financial regulator, the Consumer Financial Protection Bureau (the "CFPB"), which has broad authority to regulate consumer financial products and services and entities offering such products and services, including banks. Additional legislative or regulatory action that may impact our business may result from the numerous provisions and multiple studies mandated under the Dodd-Frank Act.

The evolving regulatory environment causes uncertainty with respect to the manner in which we conduct our business and requirements that may be imposed by our regulators. Regulators have implemented and continue to propose new regulations and supervisory guidance and have been increasing their examination and enforcement action activities. We expect that regulators will continue taking formal enforcement actions against financial institutions in addition to addressing supervisory concerns through non-public supervisory actions or criticisms. We are unable to predict the nature, extent or impact of any additional changes to statutes or regulations, including the interpretation, implementation or enforcement thereof, that may occur in the future.

The impact of the evolving regulatory environment on our business and operations depends upon final implementing regulations and guidance issued by the regulatory agencies, the actions of our competitors, and other marketplace participants, and the behavior of consumers. Regulatory actions could require us to limit or change our business practices, limit our ability to pursue business opportunities, limit our product offerings, require continued investment of management time and resources in compliance efforts, limit fees we can charge for services, require us to meet more stringent capital, liquidity, and leverage ratio requirements (including those under Basel III, as discussed below), increase costs, impact the value of our assets, or otherwise adversely affect our business.

Compliance and other regulatory requirements and expenditures have increased for the Bancorp and other financial institutions, and we expect them to continue to increase as regulators adopt new rules and increase their scrutiny of financial institutions, including controls and operational processes. The additional expense, time, and resources needed to comply with ongoing regulatory requirements may impact our business and results of operations.

New Capital Rules. On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Bancorp and the Bank. The FDIC and the Office of the Comptroller of the Currency ("OCC") have subsequently approved these rules. The final rules were adopted following the issuance of proposed rules by the Federal Reserve in June 2012, and implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which would be phased in from 2015 to 2019, and would refine the definition of what constitutes “capital” for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Bancorp and the Bank under the final rules would be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a “capital conservation buffer” above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. This will result in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the “countercyclical buffer,” of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to “advanced approach banks” (i.e. , banks with $250 billion or more in total assets or $10 billion or more in total foreign exposures), which currently excludes the Bancorp and the Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes the Bancorp) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including the Bank, if their capital levels begin to show signs of weakness. These revisions take effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as “well capitalized:” (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we will be required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the “advance approach rules” that apply to banks with greater than $250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

Acquisition Activity. On December 20, 2013, the Bank signed a definitive agreement to acquire First Federal Savings and Loan Association of Hammond (the “Association”), a federal mutual savings association headquartered in Hammond, Indiana. The Bank will acquire the Association by merging the Association with and into the Bank immediately following the Association’s voluntary supervisory conversion from mutual to stock form. Neither the Bancorp nor the Bank will issue or pay any shares, cash, or other consideration in the merger. The Bank’s acquisition of the Association is subject to customary closing conditions, including regulatory approvals by the OCC, FDIC, and DFI. No approval of the members of the Association is required for the transaction. The Bank and the Association make certain customary representations and warranties in the definitive acquisition agreement, which will terminate at the closing. The Association has a home office and branch office in Lake County, Indiana, and is expected to add approximately $40.7 million in assets to the Bank, based on the Association’s September 30, 2013 financial statements. The merger is expected to close in the second quarter of 2014.

Financial Condition

During the year ended December 31, 2013, total assets increased by $1.6 million (0.2%), to $693.5 million, with interest-earning assets decreasing by $8.4 million (1.3%). At December 31, 2013, interest-earning assets totaled $644.7 million and represented 93.0% of total assets. Loans totaled $437.8 million and represented 67.9% of interest-earning assets, 63.1% of total assets and 76.4% of total deposits. The loan portfolio, which is the Bancorp's largest asset, is a significant source of both interest and fee income. The Bancorp's lending strategy emphasizes quality growth, product diversification, and competitive and profitable pricing. The loan portfolio includes $161.9 million (36.9%) in residential real estate loans, $144.4 million (33.0%) in commercial real estate loans, $57.8 million (13.2%) in commercial business loans, $30.8 million (7.0%) in multifamily loans, $21.5 million (4.9%) in construction and land development loans, $21.6 million (4.9%) in government and other loans, and $237 thousand (0.1%) in consumer loans. Adjustable rate loans comprised 59.7% of total loans at year-end. During 2013, loan balances increased by $840 thousand (0.2%), with government, residential real estate, and home equity line of credit balances increasing while commercial business, commercial real estate, construction and land development, and multifamily balances decreased. The increase in loans during the year is the result of improving credit and economic conditions.

The Bancorp is primarily a portfolio lender. Mortgage banking activities historically have been limited to the sale of fixed rate mortgage loans with contractual maturities greater than 15 years. However, during 2012, as a result of the low interest rate environment, management began selling some newly originated fixed rate mortgage loans with contractual maturities greater than 10 years in an effort to reduce interest rate risk. These loans are identified as held for sale when originated and sold, on a loan-by-loan basis, in the secondary market. During 2013, the Bancorp sold $13.2 million in newly originated fixed rate mortgage loans, compared to $26.4 million during 2012. Net gains realized from the mortgage loan sales totaled $379 thousand for 2013, compared to $804 thousand for 2012. Also, during the second quarter of 2012, the Bancorp conducted a $3.4 million one-time sale of portfolio fixed rate mortgage loans, which the Bancorp's management considered an interest rate risk mitigation strategy to reduce loan prepayment risk. The segment of loans that were sold had a higher premium value and was projected to prepay significantly faster than the mortgage portfolio's average repayment speed. The gain realized from the prepayment risk reduction strategy totaled $183 thousand and was recorded during the second quarter of 2012. The proceeds from the loan sale were used to fund loans with longer durations and similar yields to the loans that were included in the sales strategy. At December 31, 2013, the Bancorp had $136 thousand in loans that were classified as held for sale.

The allowance for loan losses (ALL) is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses, and decreased by charge-offs net of recoveries. A loan is charged off against the allowance by management as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur. The determination of the amounts of the ALL and provisions for loan losses is based on management's current judgments about the credit quality of the loan portfolio with consideration given to all known relevant internal and external factors that affect loan collectability as of the reporting date. The appropriateness of the current period provision and the overall adequacy of the ALL are determined through a disciplined and consistently applied quarterly process that reviews the Bancorp's current credit risk within the loan portfolio and identifies the required allowance for loan losses given the current risk estimates.

Non-performing loans include those loans that are 90 days or more past due and those loans that have been placed on non-accrual status. Non-performing loans totaled $4.0 million at December 31, 2013, compared to $11.5 million at December 31, 2012, a decrease of $7.5 million or 65.2%. The ratio of non-performing loans to total loans was 0.90% at December 31, 2013, compared to 2.63% at December 31, 2012. The ratio of non-performing loans to total assets was 0.57% at December 31, 2013, compared to 1.66% at December 31, 2012. The decrease in non-performing loans for 2013 is related to loans moving off of non-accrual status, pay downs and charge-offs. At December 31, 2013, all non-performing loans are also accounted for on a non accrual basis, except for three loans totaling $174 thousand that were classified as accruing and 90 days past due.

Loans, internally classified as substandard, totaled $12.2 million at December 31, 2013, compared to $19.7 million at December 31, 2012 a decrease of $7.5 million or 38.1%. The current level of substandard loans is concentrated in one accruing commercial real estate hotel loan in the amount of $4.8 million which is the largest loan in this group. Substandard loans include non-performing loans and potential problem loans, where information about possible credit issues or other conditions causes management to question the ability of such borrowers to comply with loan covenants or repayment terms. No loans were internally classified as doubtful or loss at December 31, 2013 or December 31, 2012. In addition to identifying and monitoring non-performing and other classified loans, management maintains a list of watch loans. Watch loans represent loans management is closely monitoring due to one or more factors that may cause the loan to become classified as substandard. Watch loans totaled $7.5 million at December 31, 2013, compared to $17.7 million at December 31, 2012 a decrease of $10.2 million or 57.6%. The decrease in watch loans is related to the upgrades and balance reductions of commercial real estate and commercial business loan balances, including the complete payoff of all out-of-market participation loans.

A loan is considered impaired when, based on current information and events, it is probable that a borrower will be unable to pay all amounts due according to the contractual terms of the loan agreement. At December 31, 2013, impaired loans totaled $9.9 million, compared to $19.9 million at December 31, 2012 a decrease of $10.0 million or 50.3%. The December 31, 2013, impaired loan balances consist of ten commercial real estate and commercial business loans totaling $9.0 million that are secured by business assets and real estate, and are personally guaranteed by the owners of the businesses. In addition, seven mortgage loans totaling $887 thousand, which are troubled debt restructurings have also been classified as impaired. The December 31, 2013 ALL contained $1.7 million in specific allowances for collateral deficiencies, compared to $2.0 million at December 31, 2012. Typically, management does not individually classify smaller-balance homogeneous loans, such as residential mortgages or consumer loans, as impaired, unless they are troubled debt restructurings.

At December 31, 2013, the Bancorp classified eleven loans totaling $9.3 million as troubled debt restructurings, which involves modifying the terms of a loan to forego a portion of interest or principal or reducing the interest rate on the loan to a rate materially less than market rates, or materially extending the maturity date of a loan. The Bancorp’s troubled debt restructurings includes one commercial real estate hotel loan in the amount of $4.8 million, for which significant deferrals of principal repayments were granted; one commercial real estate loan in the amount of $2.4 million for which a significant deferral of principal and interest repayment was granted; one commercial real estate loan in the amount of $535 thousand for which a significant deferral of principal and interest repayment was granted by the Bank as required by a bankruptcy plan; one development loan in the amount of $707 thousand for which credit underwriting concessions were granted; and seven mortgage loans totaling $887 thousand, for which maturity dates were materially extended. At December 31, 2013, $8.1 million of the Bancorp’s loans classified as troubled debt restructurings are accruing loans. The valuation basis for the Bancorp’s troubled debt restructurings is based on the present value of cash flows, unless consistent cash flows are not present, then the fair value of the collateral securing the loan is the basis for valuation.

At December 31, 2013, management is of the opinion that there are no loans, except those discussed above, where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which will imminently result in such loans being classified as past due, non-accrual or a troubled debt restructure. Management does not presently anticipate that any of the non-performing loans or classified loans would materially impact future operations, liquidity or capital resources.

For 2013, $450 thousand in provisions to the ALL were required, compared to $2.4 million for 2012 a decrease of $1.9 million or 80.8%. The ALL provision decrease for 2013 is primarily a result of improved asset quality. The current year ALL provisions were primarily related to the current credit risk in the commercial real estate loan portfolio and 2013 loan originations. For 2013, charge-offs, net of recoveries, totaled $1.7 million, compared to $1.9 million for 2012. The net loan charge-offs for 2013 were comprised of $788 thousand in commercial real estate loans, $567 thousand in commercial business loans, $332 thousand in commercial real estate participation loans, $153 thousand in residential real estate loans, and $17 thousand in consumer loans. The ALL provisions take into consideration management’s current judgments about the credit quality of the loan portfolio, loan portfolio balances, changes in the portfolio mix and local economic conditions. In determining the provision for loan losses for the current period, management has given consideration to historically elevated risks associated with the local economy, changes in loan balances and mix, and asset quality.

The ALL to total loans was 1.64% at December 31, 2013, compared to 1.93% at December 31, 2012. The ALL to non-performing loans (coverage ratio) was 181.82% at December 31, 2013, compared to 73.34% at December 31, 2012. The December 31, 2013 balance in the ALL account of $7.2 million is considered adequate by management after evaluation of the loan portfolio, past experience and current economic and market conditions. While management may periodically allocate portions of the allowance for specific problem loans, the whole allowance is available for any loan charge offs that occur. The allocation of the ALL reflects performance and growth trends within the various loan categories, as well as consideration of the facts and circumstances that affect the repayment of individual loans, and loans which have been pooled as of the evaluation date, with particular attention given to non-performing loans and loans which have been classified as substandard, doubtful or loss. Management has allocated reserves to both performing and non-performing loans based on current information available.

At December 31, 2013, foreclosed real estate totaled $1.1 million, which was comprised of nine properties, compared to $425 thousand and ten properties at December 31, 2012. During 2013, loans totaling $1.6 million were transferred into foreclosed real estate, while net sales of foreclosed real estate totaled $369 thousand. Most transfers to foreclosed real estate occurred during the last five months of the year. Net gains from the 2013 sales totaled $17 thousand. At the end of December 2013 all of the Bancorp’s foreclosed real estate is located within its primary market area.

At December 31, 2013, the Bancorp's investment portfolio totaled $194.3 million and was invested as follows: 51.7% in U.S. government agency mortgage-backed securities and collateralized mortgage obligations, 37.9% in municipal securities, 9.4% in U.S. government agency debt securities, and 1.0% in trust preferred securities. During 2013, securities increased by $6.8 million (3.6%). In addition, at December 31, 2013, the Bancorp had $3.1 million in FHLB stock.

As of December 31, 2013, three of the Bancorp's four investments in trust preferred securities are in "payment in kind" status. Payment in kind status results in a temporary delay in the payment of interest. As a result of a delay in the collection of the interest payments, management placed these securities on non-accrual status. At December 31, 2013, the cost basis of the three trust preferred securities on non-accrual status totaled $3.9 million. Current estimates indicate that the interest payment delays may continue through 2019. One trust preferred security with a cost basis of $1.3 million remains on accrual status.

Deposits are a fundamental and cost-effective source of funds for lending and other investment purposes. The Bancorp offers a variety of products designed to attract and retain customers, with the primary focus on building and expanding relationships. At December 31, 2013, deposits totaled $572.9 million. During 2013, deposits increased by $6.5 million (1.1%). The 2013 change in deposits was comprised of the following: certificates of deposit decreased by $16.1 million (9.3%), checking accounts increased by $3.7 million (2.0%), savings accounts increased by $6.8 million (8.8%), and money market deposit accounts (MMDA's) increased by $12.1 million (9.7%). During 2013, management continues to allow higher cost certificates of deposit to mature while relying on funding from checking, MMDA, and savings deposits. The increase in checking, savings, and MMDA balances is a result of customer preferences for liquid investments in the current low interest rate environment.

The Bancorp's borrowed funds are primarily comprised of repurchase agreements and FHLB advances that are used to fund asset growth not supported by deposit generation. At December 31, 2013, borrowed funds totaled $44.9 million compared to $49.5 million at December 31, 2012, a decrease of $4.6 million (9.3%). During 2013, management reduced borrowed funds while relying more on low cost core deposits for funding. Retail repurchase agreements totaled $14.0 million at December 31, 2013, compared to $16.3 million at December 31, 2012, a decrease of $2.3 million (7.0%). FHLB advances totaled $30.9 million, decreasing $2.3 million or 13.9%. The Bancorp's FHLB line of credit carried a balance of $714 thousand at December 31, 2013 compared to no balance at December 31, 2012. Other short-term borrowings totaled $84 thousand at December 31, 2013, compared to $207 thousand at December 31, 2012.

Liquidity and Capital Resources

The Bancorp's primary goals for funds and liquidity management are to generate sufficient cash to fund current loan demand, meet deposit withdrawals, and pay dividends and operating expenses. Because profit and liquidity are often conflicting objectives, management attempts to maximize the Bank's net interest margin by making adequate, but not excessive, liquidity provisions. Furthermore, funds are managed so that future profits will not be significantly impacted as funding costs increase.

Changes in the liquidity position result from operating, investing and financing activities. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. The primary investing activities include loan originations, loan repayments, investments in interest bearing balances in financial institutions, and the purchase, sale, and maturity of investment securities. Financing activities focus almost entirely on the generation of customer deposits. In addition, the Bancorp utilizes borrowings (i.e., repurchase agreements, FHLB advances and federal funds purchased) as a source of funds.

During 2013, cash and cash equivalents decreased $12.6 million compared to an increase of $7.4 million for 2012. During 2013, the primary sources of cash and cash equivalents were from maturities and sales of securities, deposit originations, loan sales and repayments, an FHLB advance, and cash from operating activities. The primary uses of cash and cash equivalents were loan originations, purchase of securities, expenditures for premises and equipment, FHLB advance repayments, and the payment of common stock dividends. During 2013, cash from operating activities totaled $7.2 million, compared to $8.5 million for 2012. The 2013 decrease in cash provided by operating activities was primarily a result of timing differences of customer ACH deposit activity. Cash outflows from investing activities totaled $19.2 million during 2013, compared to outflows of $36.3 million during 2012. The changes for the current year were related to increased loan originations, the purchase of loan participations, purchases of securities, and increased investment in premises and equipment as detailed in the notes to the financial statements. Net cash outflows from financing activities totaled $600 thousand in 2013, compared to net cash inflows of $35.2 million in 2012. The change during 2013 was primarily due to a decrease in FHLB advances and other borrowed funds as detailed in the notes to the financial statements. The Bancorp paid dividends on common stock on a cash basis of $2.3 million and $1.9 million during 2013 and 2012, respectively. During 2013, the Bancorp's Board of Directors increased dividends as earnings and capital improved.

Management strongly believes that safety and soundness is enhanced by maintaining a high level of capital. Stockholders' equity totaled $66.8 million at December 31, 2013, compared to $67.7 million at December 31, 2012, a decrease of $0.9 million (1.3%). The decrease was primarily the result of $5.5 million change in other comprehensive income for 2013 related to decreases in the values of available-for-sale securities. Additional items decreasing stockholders' equity was $142 thousand from the sale of treasury stock, and the Bancorp's declaration of $2.4 million in cash dividends. Increasing stockholders' equity was net income of $7.1 million. At December 31, 2013, book value per share was $23.50 compared to $23.83 for 2012.

The Bancorp is subject to risk-based capital guidelines adopted by the Board of Governors of the Federal Reserve System (the FRB), and the Bank is subject to risk-based capital guidelines adopted by the FDIC. As applied to the Bancorp and the Bank, the FRB and FDIC capital requirements are substantially the same. These regulations divide capital into two tiers. The first tier (Tier 1) includes common equity, certain non-cumulative perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less goodwill and certain other intangible assets. Supplementary (Tier 2) capital includes, among other things, cumulative perpetual and long-term limited-life preferred stock, mandatory convertible securities, certain hybrid capital instruments, term subordinated debt and the allowance for loan losses, subject to certain limitations, less required deductions. The Bancorp and the Bank are required to maintain a total risk-based capital ratio of 8%, of which 4% must be Tier 1 capital. In addition, the FRB and FDIC regulations provide for a minimum Tier 1 leverage ratio (Tier 1 capital to adjusted average assets) of 3% for financial institutions that meet certain specified criteria, including that they have the highest regulatory rating and are not experiencing or anticipating significant growth. All other financial institutions are required to maintain a Tier 1 leverage ratio of 3% plus an additional cushion of at least one to two percent.

The following table shows that, at December 31, 2013, the Bancorp's capital exceeded all regulatory capital requirements. At December 31, 2013, the Bancorp's and the Bank's regulatory capital ratios were substantially the same. The dollar amounts are in millions.

At December 31, 2013	*Actual*		*Minimum Required For Capital Adequacy Purposes*		*Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations*	
	Amount	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Total capital to risk-weighted assets	$ 75.0	15.6%	$ 38.5	8.0%	$ 48.2	10.0%
Tier 1 capital to risk-weighted assets	$ 69.0	14.3%	$ 19.3	4.0%	$ 28.9	6.0%
Tier 1 capital to adjusted average assets	$ 69.0	10.0%	$ 20.8	3.0%	$ 34.6	5.0%

The Bancorp's ability to pay dividends to its shareholders is entirely dependent upon the Bank's ability to pay dividends to the Bancorp. Under Indiana law, the Bank may pay dividends from its undivided profits (generally, earnings less losses, bad debts, taxes and other operating expenses) as is considered expedient by the Bank's Board of Directors. However, the Bank must obtain the approval of the Indiana Department of Financial Institutions (DFI) for the payment of a dividend if the total of all dividends declared by the Bank during the current year, including the proposed dividend, would exceed the sum of retained net income for the year to date plus its retained net income for the previous two years. For this purpose, "retained net income," means net income as calculated for call report purposes, less all dividends declared for the applicable period. An exemption from DFI approval would require that the Bank have been assigned a composite uniform financial institutions rating of 1 or 2 as a result of the most recent federal or state examination; the proposed dividend would not result in a Tier 1 leverage ratio below 7.5%; and that the Bank not be subject to any corrective action, supervisory order, supervisory agreement, or board approved operating agreement. The aggregate amount of dividends that may be declared by the Bank in 2013, with prior DFI approval is $9.4 million plus 2013 net profits. Moreover, the FDIC and the Federal Reserve Board may prohibit the payment of dividends if it determines that the payment of dividends would constitute an unsafe or unsound practice in light of the financial condition of the Bank. On November 22, 2013, the Board of Directors of the Bancorp declared a fourth quarter dividend of $0.22 per share. The Bancorp's fourth quarter dividend was paid to shareholders on January 4, 2014.

Results of Operations –
Comparison of 2013 to 2012

Net income for 2013 was $7.1 million, compared to $6.9 million for 2012, an increase of $265 thousand (3.9%). The increase in net income for 2013 was the result of lower required provisions for loan losses, and higher net interest income, and lower noninterest expense. The earnings represent a return on average assets of 1.03% for 2013 compared to 1.02% for 2012. The return on average equity was 10.17% for 2013 compared to 10.27% for 2012.

Net interest income for 2013 was $24.4 million, an increase of $700 thousand (3.0%) from $23.7 million for 2012. During the year, the Bancorp's cost of funds continued to be positively impacted by the Federal Reserve's actions in maintaining a low short-term interest rate environment, however, the Bancorp's yield on interest earning assets is being negatively impacted by lower long-term interest rates. The weighted-average yield on interest-earning assets was 4.03% for 2013 compared to 4.14% for 2012. The weighted-average cost of funds was 0.28% for 2013 compared to 0.39% for 2012. The impact of the 4.03% return on interest earning assets and the 0.28% cost of funds resulted in a net interest spread of 3.75% for 2013, which was unchanged compared to 2012. During 2013, total interest income increased by $82 thousand (0.3%) while total interest expense decreased by $618 thousand (26.3%). The net interest margin was 3.77% for 2013, which was unchanged compared to 2012. The Bancorp's tax equivalent net interest margin for 2013 was 3.98% compared to 3.96% for 2012.

During 2013, interest income from loans increased by $226 thousand (1.1%) compared to 2012. The increase was primarily due to the receipt of $1.4 million of interest from a previously non-performing loan. The weighted-average yield on loans outstanding was 4.79% for 2013 compared to 4.88% for 2012. Loan balances averaged $436.4 million for 2013, an increase of $12.8 million (3.0%) from $423.6 million for 2012. During 2013, interest income from securities and other interest earning assets decreased by $144 thousand (2.6%) compared to 2012. The decrease was due to a decrease in the weighted average yield. The weighted-average yield on securities and other interest earning assets was 2.48% for 2013 compared to 2.62% for 2012. Securities and other interest earning assets averaged $212.3 million for 2013, up $6.0 million (2.9%) from $206.3 million for 2012.

Interest expense for deposits decreased by $432 thousand (27.4%) during 2013 compared to 2012. The change was due to a decrease in the weighted-average rate paid on deposits. The weighted-average rate paid on deposits for 2013 was 0.20% compared to 0.29% for 2012. Total deposit balances averaged $563.3 million for 2013, an increase of $24.7 million (4.6%) from $538.6 million for 2012. Interest expense for borrowed funds decreased by $186 thousand (24.1%) during 2013 compared to 2012. The change was due to higher average balances. The weighted-average cost of borrowed funds was 1.15% for 2013 compared to 1.32% for 2012. Borrowed funds averaged $51.1 million during 2013, a decrease of $7.6 million (12.9%) from $58.7 million for 2012.

Noninterest income for 2013 was $5.4 million, a decrease of $2.2 million (28.9%) from $7.5 million for 2012. During 2013, fees and service charges totaled $2.5 million, a decrease of $140 thousand (5.2%) from $2.7 million for 2012. The decrease was the result of lower loan and consumer deposit related fees. Fees from Wealth Management operations totaled $1.4 million for 2013, an increase of $133 thousand (10.5%) from $1.3 million for 2012. The increase in Wealth Management income is related to growth in assets under management and market value changes. Gains from the sale of securities totaled $630 thousand for the current year, a decrease of $490 thousand (43.8 %) from $1.1 million for 2012. Current market conditions continue to provide opportunities to manage securities cash flows, while recognizing gains from the sales of securities. Gains from loan sales totaled $379 thousand for the current year, a decrease of $608 thousand (61.6%), compared to $987 thousand for 2012. The decrease in gains from the sale of loans is the result of the sale of seasoned fixed rate mortgages with accelerated rates of prepayment, which resulted in a one-time gain of $183 thousand for the year ended December 31, 2012. During the third quarter of 2012, a senior manager passed away and the Bancorp received a $587 thousand benefit from bank owned life insurance. For 2013, foreclosed real estate sales gains totaled $17 thousand, a decrease of $413 thousand (96.0%) from gains of $430 thousand for 2012. The decrease is partly related to the Bancorp’s favorable settlement in its lawsuit against the lead lender of a commercial real estate participation loan in 2012. In 2013, no income from the increase in the cash value of bank owned life insurance was recorded, compared to $587 thousand for 2012. During 2013, no other-than-temporary impairment was recognized compared to $6 thousand of impairment recognized during 2012. During 2013, other noninterest income totaled $19 thousand, a decrease of $77 thousand (80.2%) from $96 thousand for 2012.

Noninterest expense for 2013 was $19.8 million, down $298 thousand (1.5%) from $20.1 million for 2012. During 2013, compensation and benefits totaled $10.6 million, a decrease of $184 thousand (1.7%) from $10.8 million for 2012. The decrease in compensation and benefits is the result of the Bancorp’s continued efforts to closely monitor and manage staffing levels. Occupancy and equipment expense totaled $3.1 million for 2013, an increase of $56 thousand (1.8%) compared to $3.1 million for 2012. The increase in occupancy and equipment expense is the result of slightly higher building operating expenses during 2013. Data processing expense totaled $1.0 million for 2013, a decrease of $52 thousand (4.8%) from $1.1 million for 2012. The change is a result of lower contract costs. Federal deposit insurance premiums totaled $503 thousand for 2013, a decrease of $68 thousand (11.9%) from $571 thousand for 2012. The decrease was the result of lower FDIC assessment rates. Marketing expense related to banking products totaled $509 thousand for the year, an increase of $129 thousand (33.9%) from $380 thousand for 2012. Statement and check processing expense totaled $310 thousand for the year, a decrease of $7 thousand (2.2%) from $317 thousand for 2012. Professional service expense totaled $288 thousand for the year, an increase of $9 thousand (3.2%) from $279 thousand for 2012. The increase in professional services is primarily related to slightly higher legal expense. Other expenses related to banking operations totaled $3.5 million for 2013, an increase of $181 thousand (5.0%) from $3.7 million for 2012. The Bancorp’s efficiency ratio for 2013 was 66.55% compared to 64.36% for 2012. The higher efficiency ratio is primarily the result of lower total noninterest income. The ratio is determined by dividing total noninterest expense by the sum of net interest income and total noninterest income for the period.

The Bancorp had an income tax expense for 2013 of $2.4 million compared to income tax expense of $1.9 million for 2012, an increase to expense of $456 thousand (23.5%). The combined effective federal and state tax rates for the Bancorp were 25.2% for 2013 and 22.1% for 2012. The current year's higher effective tax rate is the result of higher taxable income as a percentage of total income, higher earnings, and lower tax preferred income, as well as an adjustment to the Bancorp's state deferred tax asset for a reduction in tax rates. Details of deferred and current tax items can be found in Note 6 – Income Taxes.

Critical Accounting Policies

Critical accounting policies are those accounting policies that management believes are most important to the portrayal of the Bancorp's financial condition and that require management's most difficult, subjective or complex judgments. The Bancorp's most critical accounting policies are summarized below. Other accounting policies, including those related to the fair values of financial instruments and the status of contingencies, are summarized in Note 1 to the Bancorp's consolidated financial statements.

Valuation of Investment Securities – The fair values of securities available for sale are determined on a recurring basis by obtaining quoted prices on nationally recognized securities exchanges or pricing models utilizing significant observable inputs such as matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. Different judgments and assumptions used in pricing could result in different estimates of value. In certain cases where market data is not readily available because of lack of market activity or little public disclosure, values may be based on unobservable inputs and classified in Level 3 of the fair value hierarchy.

At the end of each reporting period securities held in the investment portfolio are evaluated on an individual security level for other-than-temporary impairment in accordance with the Investments – Debt and Equity Securities Topic of the Accounting Standards Codification. Significant judgments are required in determining impairment, which include making assumptions regarding the estimated prepayments, loss assumptions and the change in interest rates.

We consider the following factors when determining an other-than-temporary impairment for a security: The length of time and the extent to which the market value has been less than amortized cost; the financial condition and near-term prospects of the issuer; the underlying fundamentals of the relevant market and the outlook for such market for the near future; and an assessment of whether the Bancorp has (1) the intent to sell the debt securities or (2) more likely than not will be required to sell the debt securities before its anticipated market recovery. If either of these conditions is met, management will recognize other-than-temporary impairment. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security will be written down for the credit loss, and the unrealized loss will be transferred from accumulated other comprehensive loss as an immediate reduction of current earnings. Management will utilize an independent valuation specialist to value securities for other-than-temporary impairment.

Allowance for Loan Losses – The Bancorp maintains an Allowance for Loan Losses (ALL) to absorb probable incurred credit losses that arise from the loan portfolio. The ALL is increased by the provision for loan losses, and decreased by charge-offs net of recoveries. The determination of the amounts of the ALL and provisions for loan losses is based upon management's current judgments about the credit quality of the loan portfolio with consideration given to all known relevant internal and external factors that affect loan collectability. The methodology used to determine the current year provision and the overall adequacy of the ALL includes a disciplined and consistently applied quarterly process that combines a review of the current position with a risk assessment worksheet. Factors that are taken into consideration in the analysis include an assessment of national and local economic trends, a review of current year loan portfolio growth and changes in portfolio mix, and an assessment of trends for loan delinquencies and loan charge-off activity. Particular attention is given to non-accruing loans and accruing loans past due 90 days or more, and loans that have been classified as substandard, doubtful, or loss. Changes in the provision are directionally consistent with changes in observable data.

Commercial and industrial, and commercial real estate loans that exhibit credit weaknesses and loans that have been classified as impaired are subject to an individual review. Where appropriate, ALL allocations are made to these loans based on management's assessment of financial position, current cash flows, collateral values, financial strength of guarantors, industry trends, and economic conditions. ALL allocations for homogeneous loans, such as residential mortgage loans and consumer loans, are based on historical charge-off activity and current delinquency trends. Management has allocated general reserves to both performing and non-performing loans based on historical data and current information available.

Risk factors for non-performing and internally classified loans are based on an analysis of either the projected discounted cash flows or the estimated collateral liquidation value for individual loans defined as substandard or doubtful. Estimated collateral liquidation values are based on established loan underwriting standards and adjusted for current mitigating factors on a loan-by-loan basis. Aggregate substandard loan collateral deficiencies are determined for residential, commercial real estate, commercial business, and consumer loan portfolios. These deficiencies are then stated as a percentage of the total substandard balances to determine the appropriate risk factors.

Risk factors for performing and non-classified loans are based on a weighted average of net charge-offs for the most recent three years, which are then stated as a percentage of average loans for the same period. Historical risk factors are calculated for residential, commercial real estate, commercial business, and consumer loans. The three year weighted average historical factors are then adjusted for current subjective risks attributable to: regional and national economic factors; loan growth and changes in loan composition; organizational structure; composition of loan staff; loan concentrations; policy changes and out of market lending activity.

The risk factors are applied to these types of loans to determine the appropriate level for the ALL. Adjustments may be made to these allocations that reflect management's judgment on current conditions, delinquency trends, and charge-off activity. Based on the above discussion, management believes that the ALL is currently adequate, but not excessive, given the risk inherent in the loan portfolio.

Impact of Inflation and Changing Prices The financial statements and related data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The primary assets and liabilities of the Bancorp are monetary in nature. As a result, interest rates have a more significant impact on the Bancorp's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or magnitude as the prices of goods and services.

Forward-Looking Statements

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are also intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. The Bancorp cautions readers that forward-looking statements, including without limitation, those relating to the Bancorp's future business prospects, interest income and expense, net income, liquidity, and capital needs are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to, among other things, factors identified in this report.

Report of Independent Registered Public Accounting Firm

Board of Directors
NorthWest Indiana Bancorp and Subsidiary
Munster, Indiana

We have audited the accompanying consolidated balance sheets of NorthWest Indiana Bancorp and Subsidiary (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NorthWest Indiana Bancorp and Subsidiary as of December 31, 2013 and 2012, and the consolidated results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

Plante & Moran, PLLC

Chicago, Illinois
February 25, 2014

Consolidated Balance Sheets

(Dollars in thousands)	December 31, 2013	December 31, 2012
ASSETS		
Cash and non-interest bearing deposits in other financial institutions	$ 11,758	$ 8,512
Interest bearing deposits in other financial institutions	9,256	24,827
Federal funds sold	110	412
Total cash and cash equivalents	21,124	33,751
Securities available-for-sale	194,296	187,475
Loans held-for-sale	136	323
Loans receivable	437,821	436,981
Less: allowance for loan losses	(7,189)	(8,421)
Net loans receivable	430,632	428,560
Federal Home Loan Bank stock	3,086	3,086
Accrued interest receivable	2,480	2,483
Premises and equipment	17,260	17,678
Foreclosed real estate	1,084	425
Cash value of bank owned life insurance	16,396	12,516
Prepaid FDIC insurance premium	-	991
Other assets	6,959	4,557
Total assets	$ 693,453	$ 691,845
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 73,430	$ 75,228
Interest bearing	499,463	491,181
Total	572,893	566,409
Repurchase agreements	14,031	16,298
Borrowed funds	30,898	33,207
Accrued expenses and other liabilities	8,870	8,280
Total liabilities	626,692	624,194
Stockholders' Equity:		
Preferred stock, no par or stated value; 10,000,000 shares authorized, none outstanding	-	-
Common stock, no par or stated value; 10,000,000 shares authorized; shares issued: December 31, 2013 - 2,897,202; December 31, 2012 - 2,888,902; shares outstanding: December 31, 2013 - 2,841,164; December 31, 2012 - 2,839,137	361	361
Additional paid-in capital	5,229	5,189
Accumulated other comprehensive income	(3,151)	2,339
Retained earnings	65,519	60,817
Treasury stock, common shares at cost: December 31, 2013 - 56,038; December 31, 2012 - 49,765	(1,197)	(1,055)
Total stockholders' equity	66,761	67,651
Total liabilities and stockholders' equity	$ 693,453	$ 691,845

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(Dollars in thousands, except per share data)	Year Ended December 31, 2013	2012
Interest income:		
Loans receivable		
Real estate loans	$ 17,772	$ 17,168
Commercial loans	3,101	3,466
Consumer loans	18	31
Total loan interest	20,891	20,665
Securities	5,225	5,387
Other interest earning assets	41	23
Total interest income	26,157	26,075
Interest expense:		
Deposits	1,143	1,575
Repurchase agreements	69	79
Borrowed funds	518	694
Total interest expense	1,730	2,348
Net interest income	24,427	23,727
Provision for loan losses	450	2,350
Net interest income after provision for loan losses	23,977	21,377
Noninterest income:		
Fees and service charges	2,537	2,677
Wealth management operations	1,397	1,264
Gain on sale of securities, net	630	1,120
Increase in cash value of bank owned life insurance	380	381
Gain on sale of loans held-for-sale, net	379	987
Gain on sale of foreclosed real estate	17	430
Benefit from bank owned life insurance	-	587
Other-than-temporary credit impairment of debt securities	-	(6)
Noncredit portion of other-than-temporary credit impairment of debt securities recognized in other comprehensive income	-	-
Other	19	96
Total noninterest income	5,359	7,536
Noninterest expense:		
Compensation and benefits	10,599	10,783
Occupancy and equipment	3,120	3,064
Data processing	1,021	1,073
Marketing	509	380
Federal deposit insurance premiums	503	571
Statement and check processing	310	317
Professional services	288	279
Other	3,471	3,652
Total noninterest expense	19,821	20,119
Income before income tax expenses	9,515	8,794
Income tax expenses	2,397	1,941
Net income	$ 7,118	$ 6,853
Earnings per common share:		
Basic	$ 2.50	$ 2.41
Diluted	$ 2.50	$ 2.41
Dividends declared per common share	$ 0.85	$ 0.72

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Dollars in thousands)	Year Ended December 31, 2013	2012
Net income	$ 7,118	$ 6,853
Net change in net unrealized gains and losses on securities available-for-sale:		
Unrealized (losses)/gains arising during the period	(7,729)	813
Less: reclassification adjustment for gains included in net income	(630)	(1,114)
Net securities loss during the period	(8,359)	(301)
Tax effect	2,866	109
Net of tax amount	(5,493)	(192)
Net change in unrecognized gain on postretirement benefit:		
Net gain on post retirement benefit	8	1
Amortization of net actuarial gain	(5)	(6)
Net gain/(loss) during the period	3	(5)
Tax effect	-	-
Net of tax amount	3	(5)
Other comprehensive loss, net of tax	(5,490)	(197)
Comprehensive income, net of tax	$ 1,628	$ 6,656

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands, except per share data)	*Common Stock*	*Additional Paid-in Capital*	*Accumulated Other Comprehensive Income (Loss)*	*Retained Earnings*	*Treasury Stock*	*Total Equity*
Balance at January 1, 2012	$ 361	$ 5,173	$ 2,536	$ 56,032	$ (1,142)	$ 62,960
Comprehensive income:						
Net income	-	-	-	6,853	-	6,853
Net unrealized loss on securities available-for- sale, net of reclassification and tax effects	-	-	(192)	-	-	(192)
Change in unrealized gain on post retirement benefit, net of reclassification and tax effects	-	-	(5)	-	-	(5)
Comprehensive income						6,656
Stock-based compensation expense	-	16	-	-	-	16
Purchase of treasury stock	-	-	-	-	(78)	(78)
Sale of treasury stock	-	-	-	(24)	165	141
Cash dividends, $0.72 per share	-	-	-	(2,044)	-	(2,044)
Balance at December 31, 2012	$ 361	$ 5,189	$ 2,339	$ 60,817	$ (1,055)	$ 67,651
Comprehensive income:						
Net income	-	-	-	7,118	-	7,118
Net unrealized loss on securities available-for- sale, net of reclassification and tax effects	-	-	(5,493)	-	-	(5,493)
Change in unrealized gain on post retirement benefit, net of reclassification and tax effects	-	-	3	-	-	3
Comprehensive income						1,628
Stock-based compensation expense	-	40	-	-	-	40
Purchase of treasury stock	-	-	-	-	(173)	(173)
Sale of treasury stock	-	-	-	(1)	31	30
Cash dividends, $0.85 per share	-	-	-	(2,415)	-	(2,415)
Balance at December 31, 2013	$ 361	$ 5,229	$ (3,151)	$ 65,519	$ (1,197)	$ 66,761

See accompanying notes to consolidated financial statements.

(Dollars in thousands)	Year ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,118	$ 6,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(12,675)	(26,049)
Sale of loans originated for sale	13,159	26,405
Depreciation and amortization, net of accretion	1,986	2,293
Deferred tax expense	509	152
Amortization of mortgage servicing rights	144	117
Stock based compensation expense	40	16
Gain on sale of securities, net	(630)	(1,120)
Gain on sale of loans held-for-sale, net	(379)	(987)
Net losses due to other-than-temporary impairment of securities	-	6
Gain on sale of foreclosed real estate	(17)	(430)
Benefit from bank owned life insurance	-	(587)
Provision for loan losses	450	2,350
Net change in:		
Interest receivable	3	71
Other assets	760	1,559
Cash value of bank owned life insurance	(380)	(381)
Purchase of bank owned life insurance	(3,500)	-
Accrued expenses and other liabilities	590	(1,740)
Total adjustments	60	1,675
Net cash - operating activities	7,178	8,528
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and pay downs of securities available-for-sale	35,026	53,862
Proceeds from sales of securities available-for-sale	30,144	25,900
Purchase of securities available-for-sale	(80,355)	(80,375)
Proceeds from sale of loans transferred to loans held-for-sale	-	3,591
Loan participations purchased	(857)	(14,475)
Net change in loans receivable	(2,676)	(27,839)
Purchase of premises and equipment, net	(893)	(797)
Proceeds from sale of foreclosed real estate, net	369	3,834
Net cash - investing activities	(19,242)	(36,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	6,484	39,528
Proceeds from FHLB advances	11,100	2,000
Repayment of FHLB advances	(14,000)	(5,000)
Change in other borrowed funds	(1,676)	492
Proceeds from sale of treasury stock	30	141
Treasury stock purchased	(173)	(78)
Dividends paid	(2,328)	(1,928)
Net cash - financing activities	(563)	35,155
Net change in cash and cash equivalents	(12,627)	7,384
Cash and cash equivalents at beginning of period	33,751	26,367
Cash and cash equivalents at end of period	$ 21,124	$ 33,751
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 1,735	$ 2,363
Income taxes	$ 2,070	$ 2,123
SUPPLEMENTAL NONCASH INFORMATION:		
Transfers from loans to foreclosed real estate	$ 1,566	$ 1,626
Transfers from loans to loans held-for-sale	$ -	$ 3,428

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years ended December 31, 2013 and 2012

NOTE 1 - ***Summary of Significant Accounting Policies***

Principles of Consolidation – The consolidated financial statements include NorthWest Indiana Bancorp (the "Bancorp"), its wholly owned subsidiary, Peoples Bank SB (the "Bank"), and the Bank's wholly owned subsidiaries, Peoples Service Corporation, NWIN, LLC, and NWIN Funding, Incorporated, and Columbia Development Company, LLC. The Bancorp has no other business activity other than being a holding company for the Bank. The Bancorp's earnings are dependent upon the earnings of the Bank. Peoples Service Corporation provides insurance and annuity investments to the Bank's wealth management customers. NWIN, LLC is located in Las Vegas, Nevada and serves as the Bank's investment subsidiary and parent of a real estate investment trust, NWIN Funding, Inc. NWIN Funding, Inc. was formed as an Indiana Real Estate Investment Trust. The formation of NWIN Funding, Inc. provides the Bancorp with a vehicle that may be used to raise capital utilizing portfolio mortgages as collateral, without diluting stock ownership. In addition, NWIN Funding, Inc. will receive favorable state tax treatment for income generated by its operations. Columbia Development Company is a limited liability company that serves to hold certain real estate properties that are acquired through foreclosure. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates – Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Actual results could differ from those estimates. Estimates associated with the allowance for loan losses, mortgage servicing rights, fair values of foreclosed real estate, financial instruments and investment securities, and the status of contingencies are particularly susceptible to material change in the near term.

Concentrations of Credit Risk – The Bancorp grants residential, commercial real estate, commercial business and installment loans to customers primarily in Lake County, in northwest Indiana. The Bancorp is also an active lender in Porter County, and to a lesser extent, LaPorte, Newton, and Jasper counties in Indiana, and Lake, Cook and Will counties in Illinois. Substantially all loans are secured by specific items of collateral including residences, commercial real estate, business assets, and consumer assets.

Cash Flow Reporting – For purposes of the statements of cash flows, the Bancorp considers cash on hand, noninterest bearing deposits in other financial institutions, all interest-bearing deposits in other financial institutions with original maturities of 90 days or less, and federal funds sold to be cash and cash equivalents. The Bancorp reports net cash flows for customer loan and deposit transactions and short-term borrowings with maturities of 90 days or less.

Securities – The Bancorp classifies securities into held-to-maturity, available-for-sale, or trading categories. Held-to-maturity securities are those which management has the positive intent and the Bancorp has the ability to hold to maturity, and are reported at amortized cost. Available-for-sale securities are those the Bancorp may decide to sell if needed for liquidity, asset-liability management or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains and losses reported in other comprehensive income, net of tax. The Bancorp does not have a trading portfolio. Realized gains and losses resulting from the sale of securities recorded on the trade date are computed by the specific identification method. Interest and dividend income, adjusted by amortization of premiums or discounts on a level yield method, are included in earnings. Securities are reviewed for other-than-temporary impairment on a quarterly basis.

The Bancorp considers the following factors when determining an other-than-temporary impairment for a security: the length of time and the extent to which the market value has been less than amortized cost; the financial condition and near-term prospects of the issuer; the underlying fundamentals of the relevant market and the outlook for such market for the near future; and an assessment of whether the Bancorp has (1) the intent to sell the debt security or (2) it is more likely than not that the Bancorp will be required to sell the debt security before its anticipated market recovery. If either of these conditions are met, management will recognize other-than-temporary impairment. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security will be written down for the credit loss, and the unrealized credit loss will be transferred from accumulated other comprehensive loss as an immediate reduction of current earnings.

Loans Held-for-Sale – Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair market value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held-for-sale can be sold with servicing rights retained or released. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing rights. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans and Loan Income – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, net deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

The accrual of interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than when they reach 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off status at an earlier date if collection of principal or interest is considered doubtful.

Generally, interest accrued but not received for loans placed on non-accrual status is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses – The allowance for loan losses (allowance) is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

A loan is considered impaired when, based on current information and events, it is probable that the Bancorp will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case by case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bancorp does not separately identify individual consumer and residential loans for impairment disclosures.

Federal Home Loan Bank Stock – The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Transfers of Financial Assets – Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bancorp, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Bancorp does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment – Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Premises and related components are depreciated using the straight-line method with useful lives ranging from 26 to 39 years. Furniture and equipment are depreciated using the straight-line method with useful lives ranging from 2 to 10 years.

Foreclosed Real Estate – Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Long-term Assets – Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Bank Owned Life Insurance – The Bancorp has purchased life insurance policies on certain key executives. In accordance with accounting for split-dollar life insurance, Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Repurchase Agreements – Substantially, all repurchase agreement liabilities represent amounts advanced by various customers that are not covered by federal deposit insurance and are secured by securities owned by the Bancorp.

Postretirement Benefits Other Than Pensions – The Bancorp sponsors a defined benefit postretirement plan that provides comprehensive major medical benefits to all eligible retirees. Postretirement benefits are accrued based on the expected cost of providing postretirement benefits to employees during the years the employees have rendered service to the Bancorp.

Income Taxes – Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Loan Commitments and Related Financial Instruments – Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings Per Common Share – Basic earnings per common share is net income divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options.

Comprehensive Income – Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale and the unrecognized gains and losses on postretirement benefits.

Loss Contingencies – Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe such matters currently exist that will have a material effect on the financial statements.

Restrictions on Cash – Cash on hand or on deposit with the Federal Reserve Bank of $656,000 and $572,000 was required to meet regulatory reserve and clearing requirements at December 31, 2013 and 2012, respectively. These balances do not earn interest.

Fair Value of Financial Instruments – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular instruments. Changes in assumptions or in market conditions could significantly affect the estimates.

Operating Segments – While the Bancorp's executive management monitors the revenue streams of the various products and services, the identifiable segments are not material and operations are managed and financial performance is evaluated on a company-wide basis. Accordingly, all of the Bancorp's financial service operations are considered by management to be aggregated in one reportable operating segment.

Reclassification – Certain amounts appearing in the consolidated financial statements and notes thereto for the year ended December 31, 2012, may have been reclassified to conform to the December 31, 2013 presentation.

Acquisition Activity – On December 20, 2013, the Bank signed a definitive agreement to acquire First Federal Savings and Loan Association of Hammond (the “Association”), a federal mutual savings association headquartered in Hammond, Indiana. The Bank will acquire the Association by merging the Association with and into the Bank immediately following the Association’s voluntary supervisory conversion from mutual to stock form. Neither the Bancorp nor the Bank will issue or pay any shares, cash, or other consideration in the merger. The Bank’s acquisition of the Association is subject to customary closing conditions, including regulatory approvals by the OCC, FDIC, and DFI. No approval of the members of the Association is required for the transaction. The Bank and the Association make certain customary representations and warranties in the definitive acquisition agreement, which will terminate at the closing. The Association has a home office and branch office in Lake County, Indiana, and is expected to add approximately $40.7 million in assets to the Bank, based on the Association’s September 30, 2013 financial statements. The merger is expected to close in the second quarter of 2014.

Adoption of New Accounting Pronouncements

Update Number 2013-02 – Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this Update supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 (issued in June 2011) and 2011-12 (issued in December 2011) for all public and private organizations. The amendments require an entity to provide additional information about reclassifications out of accumulated other comprehensive income. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The amendments did not change the Bancorp’s presentation of the Consolidated Statements of Comprehensive Income.

NOTE 2 – *Securities*

The fair value of available-for-sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

(Dollars in thousands)	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2013				
U.S. government sponsored entities	$ 18,997	$ -	$ (637)	$ 18,360
Collateralized mortgage obligations and residential mortgage-backed securities	101,056	1,181	(1,922)	100,315
Municipal securities	73,864	1,499	(1,710)	73,653
Collateralized debt obligations	5,208	-	(3,240)	1,968
Total securities available-for-sale	$ 199,125	$ 2,680	$ (7,509)	$ 194,296
December 31, 2012				
U.S. government sponsored entities	$ 23,009	$ 94	$ (7)	$ 23,096
Collateralized mortgage obligations and residential mortgage-backed securities	96,782	3,147	(15)	99,914
Municipal securities	58,946	4,155	(28)	63,073
Collateralized debt obligations	5,208	-	(3,816)	1,392
Total securities available-for-sale	$ 183,945	$ 7,396	$ (3,866)	$ 187,475

The fair value of available-for-sale debt securities and carrying amount, if different, at year end 2013 by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	(Dollars in thousands) Available-for-sale	
December 31, 2013	Estimated Fair Value	Tax-Equivalent Yield (%)
Due in one year or less	$ 1,887	7.06
Due from one to five years	18,343	3.16
Due from five to ten years	26,822	4.55
Due over ten years	46,929	4.70
Collateralized mortgage obligations and residential mortgage-backed securities	100,315	2.76
Total	$ 194,296	3.56

Sales of available-for-sale securities were as follows:

(Dollars in thousands)	December 31, 2013	December 31, 2012
Proceeds	$ 30,144	25,900
Gross gains	733	1,120

Gross losses	(103)	-

The tax provisions related to these net realized gains were approximately $225,000 for 2013 and $440,000 for 2012.

Accumulated other comprehensive income/(loss) balances, net of tax, related to available-for-sale securities, were as follows:

	(Dollars in thousands) Unrealized gain/(loss)
Ending balance, December 31, 2012	$ 2,284
Current period change	(5,493)
Ending balance, December 31, 2013	$ (3,209)

Securities with carrying values of approximately $31,231,000 and $32,935,000 were pledged as of December 31, 2013 and 2012, respectively, as collateral for repurchase agreements, public funds, and for other purposes as permitted or required by law. The reduction in pledged securities is a result of the lifting of a state requirement to pledge securities for public funds on deposit.

Securities with unrealized losses at December 31, 2013 and 2012 not recognized in income are as follows:

(Dollars in thousands)

	Less than 12 months		*12 months or longer*		*Total*	
	Estimated Fair Value	*Unrealized Losses*	*Estimated Fair Value*	*Unrealized Losses*	*Estimated Fair Value*	*Unrealized Losses*
December 31, 2013						
U.S. government sponsored entities	$ 18,360	$ (637)	$ -	$ -	$ 18,360	$ (637)
Collateralized mortgage obligations and residential mortgage-backed securities	62,748	(1,922)	-	-	62,748	(1,922)
Municipal securities	27,890	(1,571)	1,478	(139)	29,368	(1,710)
Collateralized debt obligations	-	-	1,968	(3,240)	1,968	(3,240)
Total temporarily impaired	$ 108,998	$ (4,130)	$ 3,446	$ (3,379)	$ 112,444	$ (7,509)
Number of securities		117		8		125

(Dollars in thousands)

	Less than 12 months		*12 months or longer*		*Total*	
	Estimated Fair Value	*Unrealized Losses*	*Estimated Fair Value*	*Unrealized Losses*	*Estimated Fair Value*	*Unrealized Losses*
December 31, 2012						
U.S. government sponsored entities	$ 3,492	$ (7)	$ -	$ -	$ 3,492	$ (7)
Collateralized mortgage obligations and residential mortgage-backed securities	2,294	(15)	-	-	2,294	(15)
Municipal securities	3,330	(28)	-	-	3,330	(28)
Collateralized debt obligations	-	-	1,392	(3,816)	1,392	(3,816)
Total temporarily impaired	$ 9,116	$ (50)	$ 1,392	$ (3,816)	$ 10,508	$ (3,866)
Number of securities		14		4		18

Unrealized losses on securities have not been recognized into income because the securities are of high credit quality or have undisrupted cash flows. Management has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is largely due to changes in interest rates and volatility in the securities markets. The fair values are expected to recover as the securities approach maturity

NOTE 3 – *Loans Receivable*

Year end loans are summarized below:

	(Dollars in thousands) 2013	2012
Loans secured by real estate:		
Construction and land development	$ 21,462	$ 23,984
Residential, including home equity	161,932	154,945
Commercial real estate and other dwelling	175,160	179,825
Total loans secured by real estate	358,554	358,754
Consumer loans	237	350
Commercial business	57,790	69,310
Government and other	21,587	8,869
Subtotal	438,168	437,283
Less:		
Net deferred loan origination fees	(252)	(251)
Undisbursed loan funds	(95)	(51)
Loans receivable	$ 437,821	$ 436,981

The Bancorp’s activity in the allowance for loan losses, by loan segment, is summarized below for the years indicated.

(Dollars in thousands)	Residential Real Estate, Including Home Equity	Consumer Loans	Commercial Real Estate, Construction & Land Development, and Other Dwellings	Commercial Participations Purchased	Commercial Business Loans	Government Loans	Total
The Bancorp's activity in the allowance for loan losses is summarized below for the twelve months ended December 31, 2013:							
Allowance for loan losses:							
Beginning Balance	$ 1,024	$ 19	$ 4,550	$ 1,608	$ 1,220	$ -	8,421
Charge-offs	(153)	(17)	(788)	(332)	(567)	-	(1,857)
Recoveries	1	5	9	137	23	-	175
Provisions	572	5	1,018	(1,382)	183	54	450
Ending Balance	$ 1,444	$ 12	$ 4,789	$ 31	$ 859	$ 54	$ 7,189
The Bancorp's activity in the allowance for loan losses is summarized below for the twelve months ended December 31, 2012:							
Allowance for loan losses:							
Beginning Balance	$ 1,161	$ 15	$ 3,329	$ 2,399	$ 1,101	$ -	$ 8,005
Charge-offs	(336)	(17)	(256)	(873)	(619)	-	(2,101)
Recoveries	4	5	13	108	37	-	167
Provisions	195	16	1,464	(26)	701	-	2,350
Ending Balance	$ 1,024	$ 19	$ 4,550	$ 1,608	$ 1,220	$ -	$ 8,421
The Bancorp's allowance for loan losses impairment evaluation and financing receivables are summarized below at December 31, 2013:							
Ending balance: individually evaluated for impairment	$ 16	$ -	$ 1,657	$ -	$ 30	$ -	$ 1,703
Ending balance: collectively evaluated for impairment	$ 1,428	$ 12	$ 3,132	$ 31	$ 829	$ 54	$ 5,486
FINANCING RECEIVABLES							
Ending balance	$ 161,664	$ 232	$ 195,349	$ 1,273	$ 57,716	$ 21,587	$ 437,821
Ending balance: individually evaluated for impairment	$ 887	$ -	$ 8,446	$ -	$ 534	$ -	$ 9,867
Ending balance: collectively evaluated for impairment	$ 160,777	$ 232	$ 186,903	$ 1,273	$ 57,182	$ 21,587	$ 427,954
The Bancorp's allowance for loan losses impairment evaluation and financing receivables are summarized below at December 31, 2012:							
Ending balance: individually evaluated for impairment	$ 9	$ -	$ 1,783	$ -	$ 209	$ -	$ 2,001
Ending balance: collectively evaluated for impairment	$ 1,015	$ 19	$ 2,767	$ 1,608	$ 1,011	$ -	$ 6,420
FINANCING RECEIVABLES							
Ending balance	$ 154,627	$ 347	$ 175,769	$ 28,040	$ 69,329	$ 8,869	$ 436,981
Ending balance: individually evaluated for impairment	$ 692	$ -	$ 10,778	$ 6,378	$ 2,032	$ -	$ 19,880
Ending balance: collectively evaluated for impairment	$ 153,935	$ 347	$ 164,991	$ 21,662	$ 67,297	$ 8,869	$ 417,101

The Bancorp has established a standard loan grading system to assist management, lenders and review personnel in their analysis and supervision of the loan portfolio. The use and application of theses grades by the Bancorp is uniform and conforms to regulatory definitions. The loan grading system is as follows:

2 – Moderate risk
Borrower consistently internally generates sufficient cash flow to fund debt service, working assets, and some capital expenditures. Risk of default considered low.

3 – Acceptable risk
Borrower generates sufficient cash flow to fund debt service, but most working asset and all capital expansion needs are provided from external sources. Profitability ratios and key balance sheet ratios are usually close to peers but one or more ratios (e.g. leverage) may be higher than peer. Earnings may be trending down over the last three years. Borrower may be able to obtain similar financing from other banks with comparable or less favorable terms. Risk of default is acceptable but requires collateral protection.

4 – Pass/monitor
The borrower has significant weaknesses resulting from performance trends or management concerns. The financial condition of the company has taken a negative turn and may be temporarily strained. Cash flow may be weak but cash reserves remain adequate to meet debt service. Management weaknesses are evident. Borrowers in this category will warrant more than the normal level of supervision and more frequent reporting.

5 – Special mention (watch)
Special mention credits are considered bankable assets with no apparent loss of principal or interest envisioned but requiring a high level of management attention. Assets in this category are currently protected but are potentially weak. These borrowers are subject to economic, industry, or management factors having an adverse impact upon their prospects for orderly service of debt. The perceived risk in continued lending is considered to have increased beyond the level where such loans would normally be granted. These assets constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of Substandard.

6 – Substandard
This classification consists of loans which are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged. Financial statements normally reveal some or all of the following: poor trends, lack of earnings and cash flow, excessive debt, lack of liquidity, and the absence of creditor protection. Loans are still considered collectible, but due to increased risks and defined weaknesses of the credit, some loss could be incurred in collection if the deficiencies are not corrected.

7 – Doubtful
This classification consists of loans where the possibility of loss is high after collateral liquidation based upon existing facts, market conditions, and value. Loss is deferred until certain important and reasonably specific pending factors which may strengthen the credit can be exactly determined. These factors may include proposed acquisitions, liquidation procedures, capital injection and receipt of additional collateral, mergers or refinancing plans.

Performing loans are loans that are paying as agreed and are less than ninety days past due on payments of interest and principal.

The Bancorp's credit quality indicators, are summarized below at December 31:

(Dollars in thousands)
Corporate Credit Exposure - Credit Risk Portfolio By Creditworthiness Category

	Commercial Real Estate, Construction & Land Development, and Other Dwellings		*Commercial Participations Purchased*		*Commercial Business Loans*		*Government Loans*	
Loan Grades	2013	2012	2013	2012	2013	2012	2013	2012
2 Moderate risk	$ -	$ 19	$ -	$ -	$ 4,279	$ 5,674	$ -	$ -
3 Acceptable risk	150,303	110,416	1,013	15,585	41,474	45,202	21,587	8,869
4 Pass/monitor	33,153	51,100	260	1,029	11,173	13,500	-	-
5 Special mention (watch)	3,348	3,630	-	5,984	88	3,300	-	-
6 Substandard	8,545	10,604	-	5,442	702	1,653	-	-
7 Doubtful	-	-	-	-	-	-	-	-
Total	$ 195,349	$ 175,769	$ 1,273	$ 28,040	$ 57,716	$ 69,329	$ 21,587	$ 8,869

(Dollars in thousands)
Consumer Credit Exposure - Credit Risk Profile Based On Payment Activity

	Residential Real Estate, Including Home Equity		*Consumer Loans*	
	2013	2012	2013	2012
Performing	$ 158,963	$ 152,838	$ 232	$ 337
Non-performing	2,701	1,789	-	10
Total	$ 161,664	$ 154,627	$ 232	$ 347

The Bancorp's troubled debt restructurings for the periods presented are summarized below:

(Dollars in thousands)

	December 31, 2013			December 31, 2012		
	Number of Contracts	*Pre-Modification Outstanding Recorded Investment*	*Post-Modification Outstanding Recorded Investment*	*Number of Contracts*	*Pre-Modification Outstanding Recorded Investment*	*Post-Modification Outstanding Recorded Investment*
Troubled debt restructurings during the period:						
Residential real estate, including home equity	6	$ 792	$ 770	7	$ 700	$ 692
Consumer loans	-	-	-	-	-	-
Commercial real estate, construction & land development, and other dwellings	-	-	-	3	1,440	1,440
Commercial participations purchased	-	-	-	1	1,290	935
Commercial business loans	-	-	-	1	108	88
Government loans	-	-	-	-	-	-

	December 31, 2013		December 31, 2012	
	Number of Contracts	*Recorded Investment*	*Number of Contracts*	*Recorded Investment*
Troubled debt restructurings that subsequently defaulted during the periods presented:				
Residential real estate, including home equity	1	$ 106	1	$ 39
Consumer loans	-	-	-	-
Commercial real estate, construction & land	1	$ 707		
development, and other dwellings	-	-	-	-
Commercial participations purchased	-	-	-	-
Commercial business loans	-	-	-	-
Government loans	-	-	-	-

All of the loans classified as troubled debt restructurings are also considered impaired. The valuation basis for the Bancorp's troubled debt restructurings is based on the present value of cash flows, unless consistent cash flows are not present, then the fair value of the collateral securing the loan is the basis for valuation. Troubled debt restructurings that subsequently defaulted during the period are loans that were restructured and, subsequent to restructuring, were moved to nonaccrual status and failed to comply with the guidelines of the restructured note. Troubled debt restructurings that subsequently defaulted are presented for comparison purposes and are relevant only to the period in which the subsequent default occurred.

The Bancorp's individually evaluated impaired loans are summarized below:

(Dollars in thousands)	As of December 31, 2013 Recorded Investment	As of December 31, 2013 Unpaid Principal Balance	As of December 31, 2013 Related Allowance	For the twelve months ended December 31, 2013 Average Recorded Investment	For the twelve months ended December 31, 2013 Interest Income Recognized
With no related allowance recorded:					
Residential real estate, including home equity	$ -	$ -	$ -	$ -	$ -
Commercial real estate, construction & land development, and other dwellings	617	617	-	898	9
Commercial participations purchased	-	-	-	2,469	-
Commercial business loans	228	228	-	668	1
With an allowance recorded:					
Residential real estate, including home equity	887	899	16	920	9
Commercial real estate, construction & land development, and other dwellings	7,829	7,829	1,657	8,770	74
Commercial participations purchased	-	-	-	189	-
Commercial business loans	306	574	30	454	1
Total:					
Residential real estate, including home equity	$ 887	$ 899	$ 16	$ 920	$ 9
Commercial real estate, construction & land development, and other dwellings	$ 8,446	$ 8,446	$ 1,657	$ 9,668	$ 83
Commercial participations purchased	$ -	$ -	$ -	$ 2,658	$ -
Commercial business loans	$ 534	$ 802	$ 30	$ 1,122	$ 2

(Dollars in thousands)	As of December 31, 2012 Recorded Investment	As of December 31, 2012 Unpaid Principal Balance	As of December 31, 2012 Related Allowance	For the twelve months ended December 31, 2012 Average Recorded Investment	For the twelve months ended December 31, 2012 Interest Income Recognized
With no related allowance recorded:					
Residential real estate, including home equity	$ -	$ -	$ -	$ -	$ -
Commercial real estate, construction & land development, and other dwellings	591	591	-	652	3
Commercial participations purchased	6,378	11,047	-	5,080	-
Commercial business loans	727	1,000	-	992	32
With an allowance recorded:					
Residential real estate, including home equity	692	692	9	782	20
Commercial real estate, construction & land development, and other dwellings	10,187	10,271	1,783	10,207	349
Commercial participations purchased	-	-	-	1,394	-
Commercial business loans	1,305	1,305	209	874	51
Total:					
Residential real estate, including home equity	$ 692	$ 692	$ 9	$ 782	$ 20
Commercial real estate, construction & land development, and other dwellings	$ 10,778	$ 10,862	$ 1,783	$ 10,859	$ 352
Commercial participations purchased	$ 6,378	$ 11,047	$ -	$ 6,474	$ -
Commercial business loans	$ 2,032	$ 2,305	$ 209	$ 1,866	$ 83

The Bancorp's age analysis of past due loans is summarized below:

(Dollars in thousands)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investments Greater than 90 Days and Accruing
December 31, 2013							
Residential real estate, including home equity	$ 3,721	$ 1,090	$ 1,502	$ 6,313	$ 155,351	$ 161,664	$ 174
Consumer loans	1	-	-	1	231	232	-
Commercial real estate, construction & land development, and other dwellings	1,083	2,626	768	4,477	190,872	195,349	-
Commercial participations purchased	-	-	-	-	1,273	1,273	-
Commercial business loans	1,032	25	447	1,504	56,212	57,716	-
Government loans	-	-	-	-	21,587	21,587	-
Total	$ 5,837	$ 3,741	$ 2,717	$ 12,295	$ 425,526	$ 437,821	$ 174
December 31, 2012							
Residential real estate, including home equity	$ 4,172	$ 1,145	$ 1,448	$ 6,765	$ 147,862	$ 154,627	$ -
Consumer loans	-	-	-	-	347	347	-
Commercial real estate, construction & land development, and other dwellings	4,044	390	1,993	6,427	169,342	175,769	229
Commercial participations purchased	5	-	5,442	5,447	22,593	28,040	-
Commercial business loans	689	116	1,525	2,330	66,999	69,329	-
Government loans	-	-	-	-	8,869	8,869	-
Total	$ 8,910	$ 1,651	$ 10,408	$ 20,969	$ 416,012	$ 436,981	$ 229

The Bancorp's loans on nonaccrual status are summarized below:

	(Dollars in thousands) December 31, 2013	December 31, 2012
Residential real estate, including home equity	$ 2,526	$ 1,846
Consumer loans	-	10
Commercial real estate, construction & land development, and other dwellings	807	2,311
Commercial participations purchased	-	5,442
Commercial business loans	447	1,644
Government loans	-	-
Total	$ 3,780	$ 11,253

During the second quarter of 2012, the Bancorp conducted a $3.4 million sale of portfolio fixed rate mortgage loans, which the Bancorp's management considers an interest rate risk mitigation strategy to reduce loan prepayment risk. The segment of loans that were sold had a higher premium value and were projected to prepay significantly faster than the mortgage portfolio's average repayment speed. The gain realized from the prepayment risk reduction strategy totaled $183 thousand and was recorded during the second quarter of 2012. The proceeds from the loan sale were used to fund loans with longer durations and similar yields to the loans that were included in the sales strategy.

Note 4 – *Premises and Equipment, Net*

At year end, premises and equipment are summarized as follows:

	(Dollars in thousands) 2013	2012
Cost:		
Land	$ 4,540	$ 4,540
Buildings and improvements	19,588	19,277
Furniture and equipment	11,786	11,244
Total cost	35,914	35,061
Less accumulated depreciation	(18,654)	(17,383)
Premises and equipment, net	$ 17,260	$ 17,678

Depreciation expense was approximately $1,312,000 and $1,361,000 for 2013 and 2012, respectively.

Note 5 – *Foreclosed Real Estate*

At year end, foreclosed real estate is summarized below:

	(Dollars in thousands) 2013	2012
Residential real estate	$ 94	$ 243
Commercial real estate and other dwellings.	716	151
Construction and land development	274	31
Total	$ 1,084	$ 425

Note 6 – *Income Taxes*

At year-end, components of the income tax expense consist of the following:

	(Dollars in thousands) 2013	2012
Federal:		
Current	$ 1,844	$ 1,754
Deferred	276	146
State:		
Current	44	35
Deferred, net of valuation allowance	233	6
Income tax expense	$ 2,397	$ 1,941

Effective tax rates differ from the federal statutory rate of 34% applied to income before income taxes due to the following:

	(Dollars in thousands) 2013	2012
Federal statutory rate	34%	34%
Tax expense at statutory rate	$ 3,235	$ 2,990
State tax, net of federal effect	183	27
Tax exempt income	(940)	(806)
Bank owned life insurance	(129)	(329)
Tax credits	-	-
Other	48	59
Total income tax expense	$ 2,397	$ 1,941

At year-end, the components of the net deferred tax asset recorded in the consolidated balance sheets are as follows:

	(Dollars in thousands) 2013	2012
Deferred tax assets:		
Bad debts	$ 2,754	$ 3,318
Deferred loan fees	96	99
Deferred compensation	483	486
Unrealized depreciation on securities available-for-sale, net	1,620	-
Net operating loss	642	875
Tax credits	78	73
Nonaccrual loan interest income	87	12
Restricted stock awards	35	26
REO writedowns	25	11
Unqualified DCP	60	55
Post retirement benefit	52	55
Other-than-temporary impairment	92	92
Accrued vacation	111	125
Impairment on land	75	75
Other	19	20
Total deferred tax assets	6,229	5,322
Deferred tax liabilities:		
Depreciation	(1,232)	(1,284)
Prepaids	(270)	(272)
Mortgage servicing rights	(105)	(133)
Deferred stock dividends	(112)	(115)
Unrealized appreciation on securities available-for-sale, net	-	(1,246)
Post retirement unrealized gain	(42)	(40)
Other	(83)	(16)
Total deferred tax liabilities	(1,844)	(3,106)
Valuation allowance	(288)	(474)
Net deferred tax assets	$ 4,097	$ 1,742

At December 31, 2013, the Bancorp has a state net operating loss carry forward of approximately $13.9 million which will begin to expire in 2022 if not used. The Bancorp also has a state tax credit carry forward of approximately $119,000 which will begin to expire in 2017 if not used. A valuation allowance of $288,000 and $474,000 was provided at December 31, 2013 and 2012, respectively, for the state net operating loss and state tax credit.

The Bancorp qualified under provisions of the Internal Revenue Code, to deduct from taxable income a provision for bad debts in excess of the provision for such losses charged to income in the financial statements, if any. Accordingly, retained earnings at December 31, 2013 and 2012 includes, approximately $5,982,000 for which no provision for federal income taxes has been made. If, in the future this portion of retained earnings is used for any purpose other than to absorb bad debt losses, federal income taxes would be imposed at the then applicable rate. The unrecorded deferred income tax liability on the above amounts was approximately $2,034,000 at December 31, 2013 and 2012.

The Bancorp had no unrecognized tax benefits at any time during 2013 or 2012 and does not anticipate any significant increase or decrease in unrecognized tax benefits during 2014. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, it is the Bancorp's policy to record such accruals through income tax accounts. No such accruals existed at any time during 2013 or 2012.

The Bancorp and its subsidiaries are subject to United States Federal income tax as well as income tax of the states of Indiana and Illinois. The Bancorp is no longer subject to examination by taxing authorities for the years before 2010 for federal and 2009 for state.

Note 7 – *Deposits*

The aggregate amount of certificates of deposit with a balance of $250,000 or more was approximately $19,787,000 at December 31, 2013 and $20,919,000 at December 31, 2012.

At December 31, 2013, scheduled maturities of certificates of deposit were as follows:

	(Dollars in thousands)
2014	$ 131,508
2015	21,032
2016	1,631
2017	1,445
Thereafter	-
Total	$ 155,616

Note 8 – *Borrowed Funds*

At year end, borrowed funds are summarized below:

	(Dollars in thousands)	
	2013	*2012*
Fixed rate advances from the FHLB	30,100	28,000
Putable advances from the FHLB	-	5,000
Line of credit at FHLB	714	-
Other	84	207
Total	$ 30,898	$ 33,207

At December 31, 2013, scheduled maturities of borrowed funds were as follows:

	(Dollars in thousands)
2014	$ 8,798
2015	6,000
2016	6,000
2017	8,000
2018	2,100
Total	$ 30,898

Repurchase agreements generally mature within one year and are secured by U.S. government and U.S. agency securities, under the Bancorp's control. At year end, information concerning these retail repurchase agreements is summarized below:

	(Dollars in thousands)	
	2013	2012
Ending balance	$ 14,031	$ 16,298
Average balance during the year	18,016	20,561
Maximum month-end balance during the year	21,652	25,278
Securities underlying the agreements at year end:		
Carrying value	23,729	28,002
Fair value	23,729	28,002
Average interest rate during the year	0.38%	0.38%
Average interest rate at year end	0.38%	0.31%

At year-end, advances from the Federal Home Loan Bank were as follows:

	(Dollars in thousands)	
	2013	*2012*
Fixed rate advances, maturing January 2014 through November 2018 at rates from 0.61% to 2.56%; average rate: 2013 – 1.47%; 2012 – 1.84%	$ 30,100	$ 28,000
Putable advance, maturing February 2013 at a fixed rate of 2.62%	-	5,000

Fixed rate advances are payable at maturity, with a prepayment penalty. Putable advances are fixed for a period of one to three years and then may adjust quarterly to the three-month London Interbank Offered Rate until maturity. Once the putable advance interest rate adjusts, the Bancorp has the option to prepay the advance on specified quarterly interest rate reset dates. The advances were collateralized by mortgage loans totaling approximately $188,810,000 and $164,463,000 at December 31, 2013 and 2012, respectively. In addition to the fixed rate and putable advances, the Bancorp maintains a $10,000,000 line of credit with the Federal Home Loan Bank of Indianapolis. There was approximately $714,000 outstanding on the line of credit at December 31, 2013 and no balance outstanding at December 31, 2012. Other borrowings at December 31, 2013 and 2012 are comprised of reclassified bank balances.

Note 9 – *Employees' Benefit Plans*

The Bancorp maintains an Employees' Savings and Profit Sharing Plan and Trust for all employees who meet the plan qualifications. Employees are eligible to participate in the Employees' Savings and Profit Sharing Plan and Trust on the next January 1 or July 1 following the completion of one year of employment, age 18, and completion of 1,000 hours of service. The Employees' Savings Plan feature allows employees to make pre-tax contributions to the Employees' Savings Plan of 1% to 50% of Plan Salary, subject to limitations imposed by Internal Revenue Code section 401(k). The Profit Sharing Plan and Trust feature is non-contributory on the part of the employee. Contributions to the Employees' Profit Sharing Plan and Trust are made at the discretion of the Bancorp's Board of Directors. Contributions for the year ended December 31, 2013 and 2012 were both based on 9% of the participants' total compensation, excluding incentives. Participants in the plan become 100% vested upon completion of five years of service. The benefit plan expense amounted to approximately $636,000 for 2013 and $677,000 for 2012.

The Bancorp maintains an Unqualified Deferred Compensation Plan (the Plan). The purpose of the Plan is to provide deferred compensation to key senior management employees of the Bancorp in order to recognize their substantial contributions to the Bank and provide them with additional financial security as inducement to remain with the Bank. The Compensation Committee selects which persons shall be participants in the Plan. Participants' accounts are credited each year with an amount based on a formula involving the participant's employer funded contributions under all qualified plans and the limitations imposed by Internal Revenue Code subsection 401(a)(17) and Code section 415. The unqualified deferred compensation plan liability at December 31, 2013 and 2012 was approximately $156,000 and $141,000, respectively. The Plan expense amounted to $15,000 for 2013 and $14,000 for 2012.

Directors have deferred some of their fees in consideration of future payments. Fee deferrals, including interest, totaled approximately $96,000 and $91,000 for 2013 and 2012, respectively. The deferred fee liability at December 31, 2013 and 2012 was approximately $1,264,000 and $1,234,000, respectively.

Note 10 – ***Regulatory Capital***

The Bancorp and Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet various capital requirements can initiate regulatory action. Prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2013 and 2012, the most recent regulatory notifications categorized the Bancorp and Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bancorp's or the Bank's category.

At year-end, capital levels for the Bancorp and the Bank were essentially the same. Actual capital levels (in millions), minimum required levels and levels needed to be classified as well capitalized for the Bancorp are summarized below:

	Actual		*Minimum Required For Capital Adequacy Purposes*		*Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations*	
(Dollars in millions)	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
2013						
Total capital to risk-weighted assets	$ 75.0	15.6%	$ 38.5	8.0%	$ 48.2	10.0%
Tier 1 capital to risk-weighted assets	$ 69.0	14.3%	$ 19.3	4.0%	$ 28.9	6.0%
Tier 1 capital to adjusted average assets.	$ 69.0	10.0%	$ 20.8	3.0%	$ 34.6	5.0%
2012						
Total capital to risk-weighted assets	$ 70.1	14.6%	$ 38.3	8.0%	$ 47.9	10.0%
Tier 1 capital to risk-weighted assets	$ 64.1	13.4%	$ 19.1	4.0%	$ 28.7	6.0%
Tier 1 capital to adjusted average assets.	$ 64.1	9.4%	$ 20.5	3.0%	$ 34.2	5.0%

The Bancorp's ability to pay dividends to its shareholders is entirely dependent upon the Bank's ability to pay dividends to the Bancorp. Under Indiana law, the Bank may pay dividends from its undivided profits (generally, earnings less losses, bad debts, taxes and other operating expenses) as is considered expedient by the Bank's Board of Directors. However, the Bank must obtain the approval of the Indiana Department of Financial Institutions (DFI) for the payment of a dividend if the total of all dividends declared by the Bank during the current year, including the proposed dividend, would exceed the sum of retained net income for the year to date plus its retained net income for the previous two years. For this purpose, "retained net income," means net income as calculated for call report purposes, less all dividends declared for the applicable period. The aggregate amount of dividends that may be declared by the Bank in 2014, without prior DFI approval is $9.4 million plus 2014 net profits. Moreover, the FDIC and the Federal Reserve Board may prohibit the payment of dividends if it determines that the payment of dividends would constitute an unsafe or unsound practice in light of the financial condition of the Bank. On November 22, 2013, the Board of Directors of the Bancorp declared a fourth quarter dividend of $0.22 per share. The Bancorp's fourth quarter dividend was paid to shareholders on January 2, 2014.

Note 11 – ***Stock Based Compensation***

The Bancorp's 2004 Stock Option Plan (the Plan), which is stockholder-approved, permits the grant of share options to its employees for up to 250,000 shares of common stock. Awards granted under the Plan may be in the form of incentive stock options, non-incentive stock options, or restricted stock. The purposes of the Plan are to attract and retain the best available personnel, to provide additional incentives for all employees and to encourage their continued employment by facilitating employees' purchases of an equity interest in the Bancorp. Option awards are generally granted with an exercise price equal to the market price of the Bancorp's common stock at the date of grant; those option awards have five year vesting periods and have ten year contractual terms. No expense was charged against income for incentive stock options during 2013. Total compensation cost that has been charged against income for incentive stock options was approximately $1,000 for 2012.

The fair value of each incentive stock option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model. Expected volatilities are based on historical volatilities of the Company's common stock. No incentive stock options were granted during 2013 or 2012. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

A summary of the Bancorp's stock option activity for 2013 and 2012 follows:

	Shares		*Weighted Average Exercise Price*	*Weighted Average Remaining Contractual Term (Years)*		*Aggregate Intrinsic Value*
Outstanding at January 1, 2012	40,500	$	25.30			
Granted	-		-			
Exercised	-		-			
Forfeited or expired	(14,550)		22.15			
Outstanding at end of year	25,950	$	27.06	0.7	$	-
Vested or expected to vest	25,950	$	27.06	0.7	$	-
Exercisable at December 31, 2012	24,950	$	27.01	0.5	$	-
Outstanding at January 1, 2013	25,950		27.06			
Granted	-		-			
Exercised	-		-			
Forfeited or expired	(19,600)		26.17			
Outstanding at end of year	6,350	$	29.82	0.5	$	-
Vested or expected to vest	6,350	$	29.82	0.5	$	-
Exercisable at December 31, 2013	6,350	$	29.82	0.5	$	-

As of December 31, 2013, there were no unrecognized compensation costs related to non-vested incentive stock options granted under the Plan.

Restricted stock awards are generally granted with an award price equal to the market price of the Bancorp's common stock on the award date. Restricted stock awards have been issued with a five year vesting period. Forfeiture provisions exist for personnel that separate employment before the vesting period expires. Compensation expense related to restricted stock awards are recognized over the vesting period. Total compensation cost that has been charged against income for those plans was approximately $40,000 and $15,000 for 2013 and 2012, respectively.

A summary of changes in the Bancorp's non-vested restricted stock for 2013 and 2012 follows:

Non-vested Shares	*Shares*		*Weighted Average Grant Date Fair Value*
Non-vested at January 1, 2012	3,750	$	25.72
Granted	-		-
Vested	(350)		29.75
Forefited	-	$	-
Non-vested at December 31, 2012	3,400		20.15
Non-vested at January 1, 2013	3,400	$	20.15
Granted	8,450		22.49
Vested	(600)		27.25
Forefited	(150)		21.00
Non-vested at December 31, 2013	11,100	$	21.54

As of December 31, 2013, there was approximately $165,000 of total unrecognized compensation cost related to non-vested restricted shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 3.4 years.

Note 12 – *Earnings per Common Share*

A reconciliation of the numerators and denominators of the basic earnings per common share and diluted earnings per common share computations for 2013 and 2012 is presented below.

		2013		*2012*
Basic earnings per common share:				
Net income available to common stockholders	$	7,117,709	$	6,852,915
Weighted-average common shares outstanding		2,841,990		2,839,719
Basic earnings per common share	$	2.50	$	2.41
Diluted earnings per common share:				
Net income available to common stockholders	$	7,117,709	$	6,852,915
Weighted-average common shares outstanding		2,841,990		2,839,719
Weighted-average common and dilutive potential common shares outstanding		2,841,990		2,839,719
Diluted earnings per common share	$	2.50	$	2.41

There were 6,350 and 25,950 anti-dilutive shares outstanding at December 31, 2013 and 2012, respectively.

Note 13 – *Related Party Transactions*

The Bancorp had aggregate loans outstanding to directors and executive officers (with individual balances exceeding $120,000) of approximately $4,900,000 at December 31, 2013 and approximately $4,036,000 at December 31, 2012. For the year ended December 31, 2013, the following activity occurred on these loans:

		(Dollars in thousands)
Aggregate balance at the beginning of the year	$	4,036
New loans		2,004

Repayments	(1,140)
Aggregate balance at the end of the year	$ 4,900

Deposits from directors and executive officers totaled approximately $3,897,000 and $2,774,000 at December 31, 2013 and 2012, respectively.

Note 14 – *Commitments and Contingencies*

The Bancorp is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments, which include commitments to make loans and standby letters of credit, are not reflected in the accompanying consolidated financial statements. Such financial instruments are recorded when they are funded.

The Bancorp's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to originate loans and standby letters of credit is represented by the contractual amount of those instruments. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The Bancorp uses the same credit policy to make such commitments as it uses for on-balance sheet items. Since commitments to make loans may expire without being used, the amount does not necessarily represent future cash commitments.

The Bancorp had outstanding commitments to originate loans as follows:

	(Dollars in thousands)		
	Fixed Rate	*Variable Rate*	*Total*
December 31, 2013:			
Commercial business	$ 1,912	$ 29,282	$ 31,194
Real estate	22,543	14,290	36,833
Consumer loans	-	-	-
Government loans	-	-	-
Unsecured consumer overdrafts	10,734	-	10,734
Total	$ 35,189	$ 43,572	$ 78,761
December 31, 2012:			
Commercial business	$ 2,334	$ 26,673	$ 29,007
Real estate	15,979	8,581	24,560
Consumer loans	-	-	-
Government loans	4,941	-	4,941
Unsecured consumer overdrafts	10,812	-	10,812
Total	$ 34,066	$ 35,254	$ 69,320

The approximately $35,189,000 in fixed rate commitments outstanding at December 31, 2013 and the approximately $34,066,000 in fixed rate commitments outstanding at December 31, 2012 had interest rates ranging from 2.30% to 10.00%, for a period not to exceed forty-five days. Mortgage interest rate locks with borrowers are a component of real estate commitments, were treated as derivative transactions, and valued accordingly at year-end.

Standby letters of credit are conditional commitments issued by the Bancorp to guarantee the performance of a customer to a third party. At December 31, 2013 and 2012, the Bancorp had standby letters of credit totaling approximately $8,226,000 and $9,251,000, respectively which are not included in the tables above. The Bancorp evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bancorp upon extension of credit, is based on management's credit evaluation of the borrower. Collateral obtained may include accounts receivable, inventory, property, land or other assets.

Note 15 – *Fair Values of Financial Instruments*

The Fair Value Measurements Topic (the Topic) establishes a hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Topic describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined on a recurring basis by obtaining quoted prices on nationally recognized securities exchanges or pricing models utilizing significant observable inputs such as matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. Different judgment and assumptions used in pricing could result in different estimates of value. In certain cases where market data is not readily available because of lack of market activity or little public disclosure, values may be based on unobservable inputs and classified in Level 3 of the fair value hierarchy.

At the end of each reporting period, securities held in the investment portfolio are evaluated on an individual security level for other-than-temporary impairment in accordance with the Investments – Debt and Equity Securities Topic. Impairment is other-than-temporary if the decline in the fair value of the security is below its amortized cost and it is probable that all amounts due according to the contractual terms of a debt security will not be received. Significant judgments are required in determining impairment, which include making assumptions regarding the estimated prepayments, loss assumptions and the change in interest rates. The Bancorp considers the following factors when determining other-than-temporary impairment for a security: the length of time and the extent to which the market value has been less than amortized cost; the financial condition and near-term prospects of the issuer; the underlying fundamentals of the relevant market and the outlook for such market for the near future; an assessment of whether the Bancorp (1) has the intent to sell the debt securities or (2) more likely than not will be required to sell the debt securities before their anticipated market recovery. If either of these conditions are met, management will recognize other-than-temporary impairment. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security will be written down for the credit loss, and the unrealized loss will be transferred from accumulated other comprehensive loss as an immediate reduction of current earnings.

For the years ended December 31, 2013 and 2012, the Bancorp's management utilized a specialist to perform an other-than-temporary impairment analysis for each of its four pooled trust preferred securities. The analysis utilizes analytical models used to project future cash flows for the pooled trust preferred securities based on current assumptions for prepayments, default and deferral rates, and recoveries. The projected cash flows are then tested for impairment consistent with the Investments – Other Topic and the Investments – Debt and Equity Securities Topic. The other-than-temporary impairment testing compares the present value of the cash flows from quarter to quarter to determine if there is a "favorable" or "adverse" change. Other-than-temporary impairment is recorded if the projected present value of cash flows is lower than the book value of the security. To perform the quarterly other-than-temporary impairment analysis, management utilizes current reports issued by the trustee, which contain principal and interest tests, waterfall distributions, note valuations, collection detail and credit ratings for each pooled trust preferred security. In addition, a detailed review of the performing collateral was performed. The review of the collateral began with a review of financial information provided by SNL Financial, a comprehensive database, widely used in the industry, which gathers financial data on banks and thrifts from U.S. GAAP financial statements for public companies (annual and quarterly reports on Forms 10-K and 10-Q), as well as regulatory reports for private companies, including consolidated financial statements for bank holding companies (FR Y-9C reports) and parent company-only financial statements for bank holding companies (FR Y-9LP reports) filed with the Federal Reserve and bank call reports filed with the FDIC and OCC. Using the information sources described above, for each bank and thrift examined, the following items were examined: nature of the issuer's business, years of operating history, corporate structure, loan composition and loan concentrations, deposit mix, asset growth rates, geographic footprint and local economic environment. The issuers' historical financial performance was reviewed and their financial ratios were compared to appropriate peer groups of regional banks or thrifts with similar asset sizes. The analysis focused on six broad categories: profitability (revenue streams and earnings quality, return on assets and shareholder's equity, net interest margin and interest rate sensitivity), credit quality (charge-offs and recoveries, non-current loans and total non-performing assets as a percentage of total loans, loan loss reserve coverage and the adequacy of the loan loss provision), operating efficiency (noninterest expense compared to total revenue), capital adequacy (Tier-1, total capital and leverage ratios and equity capital growth), leverage (tangible equity as a percentage of tangible assets, short-term and long-term borrowings and double leverage at the holding company) and liquidity (the nature and availability of funding sources, net non-core funding dependence and quality of deposits). In addition, for publicly traded companies, stock price movements were reviewed and the market price of publicly traded debt instruments was examined. The other-than-temporary impairment analysis indicated that the Bancorp's four pooled trust preferred securities had no additional other-than-temporary impairment for the years ending December 31, 2013 and 2012.

The table below shows the credit loss roll forward for the Bancorp's pooled trust preferred securities that have been classified with other-than-temporary impairment:

	(Dollars in thousands) *Collateralized debt obligations* *other-than-temporary impairment*
Ending balance, December 31, 2012	$ 271
Additions not previously recognized	-
Ending balance, December 31, 2013	$ 271

Cusip	74043CAC1	74042TAJ0	01449TAB9	01450NAC6
Deal name	PreTSL XXIV	PreTSL XXVII	Alesco IX	Alesco XVII
Class	B-1	C-1	A-2A	B
Book value	$ 1,257	$ 1,296	$ 1,303	$ 1,352
Fair value	$ 421	$ 374	$ 716	$ 457
Unrealized gains/(losses)	$ (836)	$ (922)	$ (587)	$ (895)
Lowest credit rating assigned	CC	C	BB	CC
Number of performing banks	50	28	53	45
Number of performing insurance companies	13	7	10	n/a
Number of issuers in default	17	9	1	3
Number of issuers in deferral	13	5	12	8
Defaults & deferrals as a % of performing collateral	49.14%	33.47%	19.11%	27.59%
Subordination:				
As a % of performing collateral	-2.11%	-10.04%	35.32%	18.23%
As a % of performing collateral - adjusted for projected future defaults.	-11.11%	-19.74%	30.75%	13.56%
Other-than-temporary impairment model assumptions:				
Defaults:				
Year 1 - issuer average	2.70%	2.70%	2.20%	1.80%
Year 2 - issuer average	2.70%	2.70%	2.20%	1.80%
Year 3 - issuer average	2.70%	2.70%	2.20%	1.80%
> 3 Years - issuer average	(1)	(1)	(1)	(1)
Discount rate - 3 month Libor, plus implicit yield spread at purchase	1.48%	1.23%	1.27%	1.44%
Recovery assumptions	(2)	(2)	(2)	(2)
Prepayments	0.00%	0.00%	0.00%	0.00%
Other-than-temporary impairment	$ 41	$ 132	$ 36	$ 62

(1) - Default rates > 3 years are evaluated on a issuer by issuer basis and range from 0.25% to 5.00%.
(2) - Recovery assumptions are evaluated on a issuer by issuer basis and range from 0% to 15% with a five year lag.

In the table above, the Bancorp's subordination for each trust preferred security is calculated by taking the total performing collateral and subtracting the sum of the total collateral within the Bancorp's class and the total collateral within all senior classes, and then stating this result as a percentage of the total performing collateral. This measure is an indicator of the level of collateral that can default before potential cash flow disruptions may occur. In addition, management calculates subordination assuming future collateral defaults by utilizing the default/deferral assumptions in the Bancorp's other-than-temporary impairment analysis. Subordination assuming future default/deferral assumptions is calculated by deducting future defaults from the current performing collateral. At December 31, 2013 and 2012, management reviewed the subordination levels for each security in context of the level of current collateral defaults and deferrals within each security; the potential for additional defaults and deferrals within each security; the length of time that the security has been in "payment in kind" status; and the Bancorp's class position within each security.

Management calculated the other-than-temporary impairment model assumptions based on the specific collateral underlying each individual security. The following assumption methodology was applied consistently to each of the four pooled trust preferred securities: For collateral that has already defaulted, no recovery was assumed; no cash flows were assumed from collateral currently in deferral, with the exception of the recovery assumptions. The default and recovery assumptions were calculated based on the detailed collateral review. The discount rate assumption used in the calculation of the present value of cash flows is based on the discount margin (i.e., credit spread) at the time each security was purchased using the original purchase price. The discount margin is then added to the appropriate 3-month LIBOR forward rate obtained from the forward LIBOR curve.

At December 31, 2013 and 2012, three of the trust preferred securities with a cost basis of $3.9 million have been placed in “payment in kind” status. The Bancorp’s securities that are classified as “payment in kind” are a result of not receiving the scheduled quarterly interest payments. For the securities in “payment in kind” status, management anticipates to receive the unpaid contractual interest payments from the issuer, because of the self correcting cash flow waterfall provisions within the structure of the securities. When a tranche senior to the Bancorp’s position fails the coverage test, the Bancorp’s interest cash flows are paid to the senior tranche and recorded as a reduction of principal. The coverage test represents an over collateralization target by stating the balance of the performing collateral as a percentage of the balance of the Bancorp’s tranche, plus the balance of all senior tranches. The principal reduction in the senior tranche continues until the appropriate coverage test is passed. As a result of the principal reduction in the senior tranche, more cash is available for future payments to the Bancorp’s tranche. Consistent with the Investments – Debt and Equity Securities Topic, management considered the failure of the issuer of the security to make scheduled interest payments in determining whether a credit loss existed. Management will not capitalize the “payment in kind” interest payments to the book value of the securities and will keep these securities in non-accrual status until the quarterly interest payments resume.

	(Dollars in thousands) Estimated Fair Value Measurements at December 31, 2013 Using			
Assets:	*December 31, 2013*	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Available-for-sale securities				
U.S. government sponsored entities	$ 18,360	$ -	$ 18,360	$ -
CMO and residential mortgage-backed securities	100,315	-	100,315	-
Municipal securities	73,653	-	73,653	-
Collateralized debt obligations	1,968	-	-	1,968
Total available-for-sale securities	$ 194,296	$ -	$ 192,328	$ 1,968

	(Dollars in thousands) Estimated Fair Value Measurements at December 31, 2012 Using			
Assets:	*December 31, 2012*	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Available-for-sale securities				
U.S. government sponsored entities	$ 23,096	$ -	$ 23,096	$ -
CMO and residential mortgage-backed securities	99,914	-	99,914	-
Municipal securities	63,073	-	63,073	-
Collateralized debt obligations	1,392	-	-	1,392
Total available-for-sale securities	$ 187,475	$ -	$ 186,083	$ 1,392

Reconciliation of available-for-sale securities, which require significant adjustment based on unobservable data, are presented below:

	(Dollars in thousands) Estimated Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Available-for-sale securities
Total realized/unrealized (losses)/gains, January 1, 2012	$ 1,361
Included in earnings	(6)
Included in other comprehensive income	37
Transfers in and/or (out) of Level 3	-
Ending balance, December 31, 2012	1,392
Total realized/unrealized (losses)/gains, January 1, 2013	$ 1,392
Included in earnings	-
Included in other comprehensive income	576
Transfers in and/or (out) of Level 3	-
Ending balance, December 31, 2013	$ 1,968

Assets and Liabilities Measured at Fair Values on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	(Dollars in thousands) Estimated Fair Value Measurements at December 31, 2013			
	December 31, 2013	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Impaired loans	$ 8,164	$ -	$ -	$ 8,164
Foreclosed real estate	1,084	-	-	1,084

	(Dollars in thousands) Estimated Fair Value Measurements at December 31, 2013			
	December 31, 2012	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Impaired loans	$ 17,879	$ -	$ -	$ 17,879
Foreclosed real estate	425	-	-	425

The fair value of impaired loans with specific allocations of the allowance for loan losses or loans for which charge-offs have been taken is generally based on the present value of future cash flows or, for collateral dependent loans, based on recent real estate appraisals. Appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. The unpaid principal balance of impaired loans was approximately $9.9 million and the related specific reserves totaled approximately $1.7 million, resulting in a fair value of impaired loans totaling approximately $8.2 million, at December 31, 2013. The unpaid principal balance of impaired loans was approximately $19.9 million and the related specific reserves totaled approximately $2.0 million, resulting in a fair value of impaired loans totaling approximately $17.9 million, at December 31, 2012. Fair value is determined, where possible, using market prices derived from an appraisal or evaluation, which are considered to be Level 2 inputs. However, certain assumptions and unobservable inputs are often used by the appraiser, therefore, qualifying the assets as Level 3 in the fair value hierarchy. The fair value of foreclosed real estate is similarly determined by using the results of recent real estate appraisals. The numerical range of unobservable inputs for these valuation assumptions is not meaningful.

The following table shows carrying values and related estimated fair values of financial instruments as of the dates indicated. Estimated fair values are further categorized by the inputs used to measure fair value. Items that are not financial instruments are not included.

	(Dollars in thousands) December 31, 2013		Estimated Fair Value Measurements at December 31, 2013 Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	$ 21,124	$ 21,124	$ 21,124	$ -	$ -
Securities available-for-sale	194,296	194,296	-	192,328	1,968
Loans held-for-sale	136	138	138	-	-
Loans receivable, net	430,632	427,719	-	-	427,719
Federal Home Loan Bank stock	3,086	3,086	-	3,086	-
Accrued interest receivable	2,480	2,480	-	2,480	-
Financial liabilities:					
Non-interest bearing deposits	73,430	73,430	73,430	-	-
Interest bearing deposits	499,463	499,470	343,847	155,623	-
Repurchase agreements	14,031	14,043	8,042	6,001	-
Borrowed funds	30,898	30,956	799	30,157	-
Accrued interest payable	47	47	-	47	-

	(Dollars in thousands) December 31, 2012		Estimated Fair Value Measurements at December 31, 2012 Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	$ 33,751	$ 33,751	$ 33,751	$ -	$ -
Securities available-for-sale	187,475	187,475	-	186,083	1,392
Loans held-for-sale	323	332	332	-	-
Loans receivable, net	428,560	429,733	-	-	429,733
Federal Home Loan Bank stock	3,086	3,086	-	3,086	-
Accrued interest receivable	2,483	2,483	-	2,483	-
Financial liabilities:					
Non-interest bearing deposits	75,228	75,228	75,228	-	-
Interest bearing deposits	491,181	491,295	319,520	171,775	-
Repurchase agreements	16,298	16,310	10,131	6,179	-
Borrowed funds	33,207	33,658	207	33,451	-
Accrued interest payable	52	52	-	52	-

The following methods were used to estimate the fair value of financial instruments presented in the preceding table for the periods ended December 31, 2013 and 2012:

Cash and cash equivalent carrying amounts approximate fair value. The fair values of securities available-for-sale are obtained from broker pricing (Level 2), with the exception of collateralized debt obligations, which are valued by a third-party specialist (Level 3). Loans held-for-sale comprise residential mortgages and are priced based on values established by the secondary mortgage markets (Level 1). The estimated fair value for net loans receivable is based on estimates of the rate the Bancorp would charge for similar such loans, applied for the time period until estimated repayment, in addition to appraisals which may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach (Level 3). Federal Home Loan Bank stock is estimated at book value due to restrictions that limit the sale or transfer of the security. Fair value of accrued interest receivable and payable approximates book value, as the carrying values are determined using the observable interest rate, balance, and last payment date.

Non-interest and interest bearing deposits, which include checking, savings, and money market deposits, are estimated to have fair values based on the amount payable as of the reporting date (Level 1). The fair value of fixed-maturity certificates of deposit (included in interest bearing deposits) are based on estimates of the rate the Bancorp would pay on similar deposits, applied for the time period until maturity (Level 2). Estimated fair values for short-term repurchase agreements, which represent sweeps from demand deposits to accounts secured by pledged securities, are estimated based on the amount payable as of the reporting date (Level 1). Longer-term repurchase agreements, with contractual maturity dates of three months or more, are based on estimates of the rate the Bancorp would pay on similar deposits, applied for the time period until maturity (Level 2). Short-term borrowings are generally only held overnight, therefore, their carrying amount is a reasonable estimate of fair value (Level 1). The fair value of FHLB Advances are estimated by discounting the future cash flows using quoted rates from the FHLB similar advances with similar maturities (Level 2). The estimated fair value of other financial instruments, and off-balance sheet loan commitments, approximate cost and are not considered significant to this presentation.

Note 16 – *Parent Company Only Statements*

(Dollars in thousands)
NorthWest Indiana Bancorp
Condensed Balance Sheets
December 31,

	2013	2012
Assets		
Cash on deposit with Peoples Bank	$ 142	$ 1
Investment in Peoples Bank	66,301	67,321
Dividends receivable from Peoples Bank	626	539
Other assets	597	405
Total assets	$ 67,666	$ 68,266
Liabilities and stockholders' equity		
Dividends payable	$ 625	$ 539
Other liabilities	279	76
Total liabilities	904	615
Common stock	361	361
Additional paid in capital	5,230	5,189
Accumulated other comprehensive income	(3,151)	2,339
Retained earnings	65,519	60,817
Treasury stock	(1,197)	(1,055)
Total stockholders' equity	66,762	67,651
Total liabilities and stockholders' equity	$ 67,666	$ 68,266

(Dollars in thousands)
NorthWest Indiana Bancorp
Condensed Statements of Income
Year Ended December 31,

	2013	2012
Dividends from Peoples Bank	$ 2,741	$ 2,044
Operating expenses	138	162
Income before income taxes and equity in undistributed income of Peoples Bank	2,603	1,882
Income tax benefit	(45)	(52)
Income before equity in undistributed income of Peoples Bank	2,648	1,934
Equity in undistributed income of Peoples Bank	4,470	4,919
Net income	$ 7,118	$ 6,853

(Dollars in thousands)
NorthWest Indiana Bancorp
Condensed Statements of Cash Flows
Year Ended December 31,

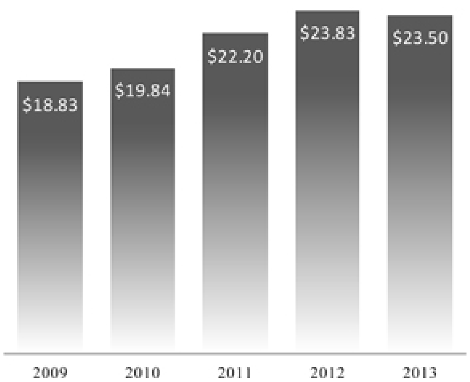
	2013	2012
Cash flows from operating activities:		
Net income	$ 7,118	$ 6,853
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of Peoples Bank	(4,979)	(5,071)
Deferred tax expense/(benefit)	509	152
Stock based compensation expense	40	16
Change in other assets	(279)	(392)
Change in other liabilities	203	(883)
Total adjustments	(4,506)	(6,178)
Net cash - operating activities	2,612	675
Cash flows from investing activities	-	-
Cash flows from financing activities:		
Dividends paid	(2,328)	(1,928)
Treasury stock purchased	(173)	(78)
Proceeds from sale of treasury stock	30	141
Net cash - financing activities	(2,471)	(1,865)
Net change in cash	141	(1,190)
Cash at beginning of year	1	1,191
Cash at end of year	$ 142	$ 1

Market Information

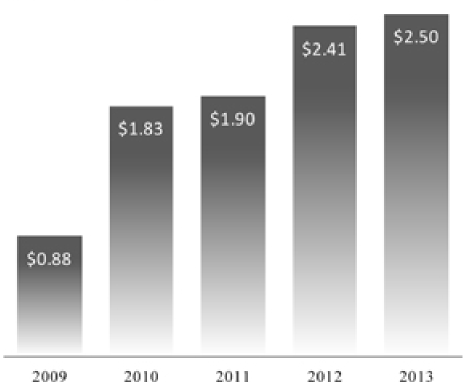
The Bancorp's Common Stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board. The Bancorp's stock is not actively traded. As of January 31, 2014, the Bancorp had 2,841,164 shares of common stock outstanding and 407 stockholders of record. This does not reflect the number of persons or entities who may hold their stock in nominee or "street" name through brokerage firms. Set forth below are the high and low bid prices during each quarter for the years ended December 31, 2013 and December 31, 2012. The bid prices reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. Also set forth is information concerning the dividends declared by the Bancorp during the periods reported. Note 10 to the Financial Statements describes regulatory limits on the Bancorp's ability to pay dividends.

		Per Share Prices		Dividends Declared Per
		High	Low	Common Share
Year Ended December 31, 2013	1st Quarter	$ 25.30	$ 19.10	$ 0.19
	2nd Quarter	25.00	22.00	0.22
	3rd Quarter	25.00	23.00	0.22
	4th Quarter	25.20	23.25	0.22
Year Ended December 31, 2012	1st Quarter	$ 20.00	$ 13.25	$ 0.15
	2nd Quarter	20.00	18.30	0.19
	3rd Quarter	19.25	18.50	0.19
	4th Quarter	21.00	17.58	0.19

Book Value per Share



Basic Earnings per Share



Dividends per Share

2013 Board of Directors

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

Stanley E. Mize, *Director since 1997*
Retired; former President of Stan Mize Towne & Country Auto Sales, Inc.

Frank J. Bochnowski, *Director since 1999*
Retired; former Executive Vice President and Secretary of the Bancorp

James L. Wieser, *Director since 1999*
Attorney and Senior Partner, Wieser & Wyllie, LLP

Edward J. Furticella, *Director since 2000*
Former Executive Vice President and CFO of the Bancorp; currently Professor, Department Head of the Accounting Program and Director of the Masters of Accountancy Program at Purdue University Calumet

Danette Garza, *Director since 2013*
Attorney At Law, Certified Public Accountant,
Owner of Continental Languages, LLC

Joel Gorelick, *Director since 2000*
Retired; former President and Chief Operating Officer of the Bancorp

Kenneth V. Krupinski, *Director since 2003*
Certified Public Accountant, Swartz Retson, 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, *Director since 2005*
Chief Executive Officer, Community Hospital

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

Leroy F. Cataldi, P.D., *Director Emeritus*
Lourdes M. Dennison, *Director Emeritus*
Gloria C. Gray-Weissman, *Director Emeritus*

2013 Board Committees

Compensation and Benefits
Kenneth V. Krupinski, *Chairman*
Donald P. Fesko
Amy W. Han
Stanley E. Mize

Executive Committee
David A. Bochnowski, *Chairman*
Frank J. Bochnowski
Edward J. Furticella
Stanley E. Mize
James L. Wieser

Nominating and Corporate Governance
Frank J. Bochnowski, *Chairman*
Donald P. Fesko
Edward J. Furticella
Danette Garza
Amy W. Han
Kenneth V. Krupinski
Stanley E. Mize
Anthony M. Puntillo
James L. Wieser

Risk Management
Edward J. Furticella, *Chairman*
Danette Garza
Kenneth V. Krupinski
Stanley E. Mize
Anthony M. Puntillo

Strategic Planning
James L. Wieser, *Chairman*
Frank J. Bochnowski
Edward J. Furticella
Danette Garza
Kenneth V. Krupinski

Stanley E. Mize
Anthony M. Puntillo

Wealth Management
Donald P. Fesko, *Chairman*
Joel Gorelick
Amy W. Han

Corporate Information

Officers of NorthWest Indiana Bancorp and Peoples Bank
David A. Bochnowski
Chairman, President and Chief Executive Officer
Benjamin J. Bochnowski
Executive Vice President and Chief Operating Officer
John J. Diederich
Executive Vice President
Robert T. Lowry
Executive Vice President, Chief Financial Officer and Treasurer
Leane E. Cerven
Executive Vice President, General Counsel and Corporate Secretary

Officers of Peoples Bank
Tanya A. Buerger
Senior Vice President, Chief Information and Technology Officer
Terrence M. Quinn
Senior Vice President, Chief Wealth Management Officer
Todd M. Scheub
Senior Vice President, Chief Lending Officer

Management Personnel of Peoples Bank

Finance and Controls Group
Peymon S. Torabi
Vice President, Controller
Jason A. Griffin
Assistant Vice President, Assistant Controller
Teresa A. Bradd
Assistant Vice President, Staff Accountant
Michaelene M. Smith
Assistant Vice President, Accounting

Human Resource Group
Karen K. Myers
Vice President, Manager, Human Resources
Jill M. Knight
Vice President, Training Coordinator
Michelle L. Havens
Assistant Vice President, Human Resource Generalist
Tonika L. Housler
Assistant Vice President, Human Resource Specialist

Lending Group

›Business Lending
Daniel W. Moser
Senior Vice President, Construction and Development Lending and Portfolio Manager
Brian E. Rusin
Vice President, Manager, Business Banking
Daniel J. Duncan
Vice President, Business Banker
Ronald P. Knestrict
Vice President, Business Banker
J. Daniel Magura
Vice President, Business Banker
Donald P. McCormick
Vice President, Business Banker
Linda J. Banis
Assistant Vice President, Administrative Assistant

›Loan Collections
Donald D. Evans
Assistant Vice President, Manager of Collections and Consumer Lending Officer

›Retail Lending
Brian S. Gill
Vice President, Manager, Retail Lending
Jeremy A. Gorelick
Vice President, Mortgage Loan Originator
Austin P. Logue
Vice President, Mortgage Loan Originator
Rachel C. Lentz
Assistant Vice President, Mortgage Loan Originator
Nancy L. Weckler
Assistant Vice President, Loan Underwriting
Douglas T. Jelks
Mortgage Loan Originator

Marketing Group
Marilyn Furticella
Vice President, Marketing
Sarah R. Ricciardi,
Marketing Coordinator

Operations and Technology Group

›Bank Operations
Mary D. Mulroe
Vice President, Bank Operations

›Deposit Operations
Donna M. Gin
Vice President, Operations & Technology

›Information Technology
Matthew S. Manoski
Vice President, Manager, Information Technology
Jonathan M. Foster
Assistant Vice President, Information Technology
Kurt M. Miller
Assistant Vice President, Information Technology

›Loan Operations
Karen M. Sulek
Vice President, Manager, Loan Operations
Bonnie J. Connors
Assistant Vice President, Loan Operations
Antoinette S. Shettles
Assistant Vice President, Loan Operations
Margaret Travis
Assistant Vice President, Loan Operations
Sharon V. Vacendak
Assistant Vice President, Loan Operations

›Systems Delivery
Julie M. Bonnema
Vice President, Manager, Systems Delivery
Kimberlee Klisiak, Assistant Vice President, Systems Delivery

Retail Banking Group
Carla J. Houck
Vice President, Retail Banking Group
Meredith L. Bielak
Vice President, Retail Banking Manager
Cynthia S. Miles
Assistant Vice President, Retail Banking Assistant

›Banking Centers
Michael A. Cronin
Vice President, Manager, Schererville Banking Center
Candice N. Logue
Vice President, Manager, Munster Banking Center
Sandra L. Sigler
Vice President, Manager, Woodmar Banking Center
Kelly A. Stoning
Vice President, Manager, St. John Banking Center
Charmon F. Williamson
Vice President, Manager, Merrillville Broadway Banking Center
Cynthia J. Sussman
Assistant Vice President, Manager, Valparaiso Banking Center
Sharon Morales
Assistant Vice President, Manager, Crown Point Banking Center
Jennifer L. Connell
Assistant Vice President, Manager, Hobart Banking Center
Donna M. Vurva
Assistant Vice President, Manager
Nadia M. Grisolia
Assistant Vice President, Assistant Manager
Nancy M. Kaczka
Assistant Vice President, Assistant Manager, Munster Banking Center
Diane E. Dalton
Assistant Vice President, Manager, Gary Banking Center
Rebecca L. Bach
Assistant Vice President, Manager, Dyer Banking Center
Jessica S. Maldonado
Assistant Vice President, Manager, East Chicago Banking Center
Matthew G. Lambert
Assistant Vice President, Manager, Merrillville Taft Banking Center

Risk Management Group
Christine M. Friel
Vice President, Manager, Loan Review
Linda C. Nemeth
Vice President, Internal Auditor
Michael J. Shimala
Vice President, Compliance & Security Officer
Lisa J. Anderson, Vice President, Manager, Credit Administration
Kevin W. Crose, Assistant Vice President, Senior Credit Analyst

Wealth Management Group
Mary T. Cleiora
Vice President, Senior Wealth Management Officer
Stephan A. Ziemba
Vice President, Senior Wealth Management Officer
Randall H. Walker
Vice President, Wealth Management Officer
Joyce M. Barr
Assistant Vice President, Wealth Management Officer
Thomas C. Devine
Assistant Vice President, Wealth Management Officer
David J. Kwait
Assistant Vice President, Staff Attorney/Legal Counsel and Wealth Management Officer

Other Management Personnel
Laura J. Spicer
Assistant Vice President, Executive Assistant to the Chairman

CORPORATE HEADQUARTERS
9204 Columbia Avenue
Munster, Indiana 46321
(219) 836-4400

Stock Transfer Agent
The Bank acts as the transfer agent for the Bancorp's common stock.

Independent Auditors
Plante & Moran, PLLC
225 W. Washington Street, Suite 2700
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 the Peoples Bank Corporate Center at 9204 Columbia Avenue, Munster, Indiana, on April 24, 2014 at 8:30 a.m.

A copy of the Bancorp's Form 10-K, including financial statement schedules 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.

NorthWest Indiana BANCORP

Peoples Bank

SUBSIDIARY OF NORTHWEST INDIANA BANCORP

CROWN POINT, 855 Stillwater Parkway, (219) 662-0220
DYER, 1300 Sheffield Avenue, (219) 322-2530
EAST CHICAGO, 4901 Indianapolis Blvd., (219) 378-1000
GARY, 1801 W. 25th Avenue, (219) 944-0005
HAMMOND, 7120 Indianapolis Blvd., (219) 844-4500
HOBART, 1501 S. Lake Park Avenue, (219) 945-1305
MERRILLVILLE, 7915 Taft Street, (219) 796-9000
8600 Broadway, (219) 685-8600
MUNSTER, 9204 Columbia Avenue, (219) 853-7550
Corporate Center, (219) 836-4400
Loan Center, (219) 853-7500
Wealth Management, (219) 853-7080
ST. JOHN, 9903 Wicker Avenue, (219) 365-5400
SCHERERVILLE, 141 W. Lincoln Highway, (219) 865-4300
VALPARAISO, 2905 Calumet Avenue, (219) 462-4100

Member FDIC

ibankpeoples.com

Exhibit 21

Subsidiaries of the Bancorp

Name	Jurisdiction of Organization
Peoples Bank SB	Indiana
NWIN, LLC	Nevada
NWIN, Holdings	Nevada
NWIN, Investments	Nevada
NWIN Funding	Maryland
Peoples Service Corporation	Indiana
Columbia Development Company	Indiana

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-115666 on Form S-8 of NorthWest Indiana Bancorp of our report dated February 15, 2013 on the consolidated financial statements of NorthWest Indiana Bancorp, which report is included in Form 10-K for NorthWest Indiana Bancorp for the year ended December 31, 2011.

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC

Chicago, Illinois
February 25, 2014

Exhibit 31.1

CERTIFICATION PURSUANT TO

RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David A. Bochnowski, certify that:

1. I have reviewed this annual report on Form 10-K of NorthWest Indiana Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2014

/s/ David A. Bochnowski

David A. Bochnowski
Chairman of the Board and Chief
Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert T. Lowry, certify that:

1. I have reviewed this annual report on Form 10-K of NorthWest Indiana Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2014

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

Exhibit 32

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of NorthWest Indiana Bancorp (the "Company") for the year ended December 31, 2013, as filed with the Securities and Exchange Commission (the "Report"), each of David A. Bochnowski, Chairman of the Board and Chief Executive Officer of the Company, and Robert T. Lowry, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2014

/s/ David A. Bochnowski

David A. Bochnowski
Chairman of the Board and Chief
Executive Officer

/s/ Robert T. Lowry

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

A signed original of this written statement required by Section 906 has been provided to and is being retained by NorthWest Indiana Bancorp and will be forwarded to the Securities and Exchange Commission or its staff upon request.