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, 2016**

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 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)		

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

Based on the average bid and ask prices for the registrant's Common Stock at June 30, 2016, 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 $61,015,793.

There were 2,864,732 shares of the registrant's Common Stock, without par value, outstanding at February 24, 2017.

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

1. Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders. (Part III)

NorthWest Indiana Bancorp

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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’s business activities include being a holding company for the Bank and the Bank's wholly owned subsidiaries, as well as a holding company for NWIN Risk Management, Inc., a captive insurance company.

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 eleven 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 sixteen branch locations. For further information, see “Properties.”

Recent Developments

Regulatory Capital Rules. In 2013, the Federal Reserve approved final rules that substantially amended 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”) subsequently approved these rules. The final rules implement the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”).

The rules include new risk-based capital and leverage ratios, which were instituted in 2015 and will continue to be phased in through 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The minimum capital level requirements applicable to the Bancorp and the Bank under the final rules are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6%; (iii) a total capital ratio of 8%; 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 was instituted on January 1, 2016 and will be phased-in over four years, 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.

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. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8%; (iii) a total capital ratio of 10%; and (iv) a Tier 1 leverage ratio of 5%.

Additionally, the final rules set forth certain changes for the calculation of risk-weighted assets. 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 we are in compliance with the requirements as set forth in the final rules.

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. 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, 2016, under the 15% of capital and surplus limitation was approximately $13,341,000. At December 31, 2016, the Bank had no loans that exceeded the regulatory limitations.

At December 31, 2016, 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).

	2016	2015	2014	2013	2012
Type of loan:					
Conventional real estate loans:					
Construction and development	$ 38,937	$ 41,524	$ 25,733	$ 21,462	$ 23,984
Loans on existing properties (1)	437,361	432,020	377,247	336,823	334,452
Consumer (2)	524	535	472	350	476
Commercial business	77,299	68,757	58,682	57,716	69,329
Government	29,529	29,062	26,019	21,470	8,740
Loans receivable (3)	$ 583,650	$ 571,898	$ 488,153	$ 437,821	$ 436,981
Type of collateral:					
Real estate:					
1-to-4 family	$ 205,838	$ 213,756	$ 189,529	$ 161,663	$ 154,627
Other dwelling units, land and commercial real estate	270,461	259,789	213,451	196,622	203,809
Consumer	424	461	351	212	315
Commercial business	76,735	68,308	58,145	56,767	67,258
Government	29,529	29,062	26,019	21,470	8,740
Loans receivable (4)	$ 582,987	$ 571,376	$ 488,038	$ 437,703	$ 436,852
Average loans outstanding during the period (3)	$ 587,119	$ 522,278	$ 480,404	$ 436,430	$ 423,567

(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 net deferred loan fees.
(4) Net of unearned income and net 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).

	2016	2015	2014
Loans originated:			
Conventional real estate loans:			
Construction and development	$ 7,700	$ 6,566	$ 5,545
Existing property	82,539	74,305	53,309
Refinanced	12,798	11,673	8,935
Total conventional real estate loans originated	103,037	92,544	67,789
Commercial business	238,633	228,351	154,509
Consumer	358	397	310
Total loans originated	$ 342,028	$ 321,292	$ 222,608
Whole loans and participations purchased	$ -	$ 27,978	$ 30,673
Whole loans and participations sold	$ 58,338	$ 45,987	$ 28,321

Loan Maturity Schedule. The following table sets forth certain information at December 31, 2016 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	$ 49,303	$ 70,332	$ 356,663	$ 476,298
Consumer	102	422	-	524
Commercial business, and other	40,102	49,708	17,018	106,828
Total loans receivable	$ 89,507	$ 120,462	$ 373,681	$ 583,650

The following table sets forth the dollar amount of all loans due after one year from December 31, 2016, 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	$ 175,667	$ 251,328	$ 426,995
Consumer	422	-	422
Commercial business, and other	56,288	10,438	66,726
Total loans receivable	$ 232,377	$ 261,766	$ 494,143

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 $2,500,000 are approved by the loan officers' loan committee. Loans from $2,500,000 to $4,000,000 are approved by the senior officers' loan committee. All loans in excess of $4,000,000, 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 the lower of 10% of the bank's risk based capital or $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 97% 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 97% of value. During 2016, 77% 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, seven or ten year period. ARM originations totaled $8.0 million for 2016 and $7.1 million for 2015. During 2016, ARMs represented 9.9% 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 89% 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 89% 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 85% 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 240 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 120 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 60 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, 2016, the Bancorp classified three loans totaling $306 thousand 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 include one residential real estate loan in the amount of $247 thousand, for which an extension in maturity and reduction in interest rate was granted; and two commercial business loans totaling $60 thousand for which a reduction in principal was granted. At December 31, 2016, $60 thousand 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).

	2016	2015	2014	2013	2012
Loans accounted for on a non-accrual basis:					
Real estate:					
Residential	$ 4,521	$ 4,172	$ 2,443	$ 2,526	$ 1,846
Commercial	456	1,007	1,918	807	7,753
Commercial business	628	22	238	447	1,644
Consumer	-	-	-	-	10
Total	$ 5,605	$ 5,201	$ 4,599	$ 3,780	$ 11,253
Accruing loans which are contractually past due 90 days or more:					
Real estate:					
Residential	$ 500	$ 377	$ 941	$ 174	$ -
Commercial	-	-	-	-	-
Commercial business	-	-	-	-	229
Consumer	-	-	-	-	-
Total	$ 500	$ 377	$ 941	$ 174	$ 229
Loans that qualify as troubled debt restructurings and accruing:					
Real estate:					
Residential	$ -	$ -	$ -	$ 491	$ 534
Commercial	-	4,419	4,597	7,657	9,113
Commercial business	60	74	90	-	88
Consumer	-	-	-	-	-
Total	$ 60	$ 4,493	$ 4,687	$ 8,148	$ 9,735
Total of non-accrual, 90 days past due, and restructurings	$ 6,165	$ 10,071	$ 10,227	$ 12,102	$ 21,217
Ratio of non-performing loans to total assets	0.67%	0.64%	0.71%	0.57%	1.66%
Ratio of non-performing loans to total loans	1.05%	0.98%	1.10%	0.90%	2.63%
Foreclosed real estate	$ 2,665	$ 1,590	$ 1,745	$ 1,084	$ 425
Ratio of foreclosed real estate to total assets	0.29%	0.18%	0.23%	0.16%	0.06%

During 2016, gross interest income of $415 thousand 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 $97 thousand.

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 $6.1 million at December 31, 2016, compared to $11.3 million at December 31, 2015. No loans are internally classified as doubtful at December 31, 2016 or 2015. No loans were classified as loss at either December 31, 2016 or 2015. 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 $10.6 million at December 31, 2016, compared to $13.5 million at December 31, 2015.

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, 2016, impaired loans totaled $3.5 million compared to $7.4 million at December 31, 2015. The December 31, 2016, impaired loan balances consist of fourteen commercial real estate and commercial business loans totaling $1.1 million that are secured by business assets and real estate, and are personally guaranteed by the owners of the businesses. In addition, twenty-nine mortgage loans totaling $1.4 million, along with fifty-two purchased credit impaired mortgage loans totaling $1.0 million, have also been classified as impaired. The December 31, 2016 allowance for loan losses ("ALL") contained $1.2 million in specific allowances for collateral deficiencies, compared to $356 thousand at December 31, 2015. The increase in the allowance was related to ongoing management of a group of loans that had been acquired through the past two acquisitions. 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, 2016, 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.

For 2016, $1.3 million in provisions to the ALL were required, compared to $954 thousand for 2015 an increase of $314 thousand or 32.9%. The ALL provision increase is primarily a result of increased originations, overall loan portfolio growth, and increased specific reserves in preparation for the sale of distressed loans. For 2016, charge-offs, net of recoveries, totaled $523 thousand, compared to $362 thousand for 2015. The net loan charge-offs for 2016 were primarily comprised of $527 thousand in residential real estate loans, $24 thousand in consumer loans, and $28 thousand in recoveries for commercial business 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 1.32% at December 31,2016, compared to 1.22% at December 31, 2015. The ALL to non-performing loans (coverage ratio) was 126.10% at December 31, 2016, compared to 124.66% at December 31, 2015. The December 31, 2016 balance in the ALL account of $7.7 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).

	2016	2015	2014	2013	2012
Balance at beginning of period	$ 6,953	$ 6,361	$ 7,189	$ 8,421	$ 8,005
Loans charged-off:					
Real estate residential	(529)	(239)	(311)	(153)	(336)
Commercial real estate	-	(59)	(1,421)	(788)	(256)
Commercial real estate participations	-	-	-	(333)	(873)
Commercial business	-	(77)	-	(567)	(619)
Consumer	(33)	(30)	(32)	(16)	(17)
Total charge-offs	(562)	(405)	(1,764)	(1,857)	(2,101)
Recoveries:					
Residential real estate	2	9	20	1	4
Commercial real estate	-	22	17	9	13
Commercial real estate participations	-	-	2	137	108
Commercial business	28	10	21	23	37
Consumer	9	2	1	5	5
Total recoveries	39	43	61	175	167
Net (charge-offs) / recoveries	(523)	(362)	(1,703)	(1,682)	(1,934)
Provision for loan losses	1,268	954	875	450	2,350
Balance at end of period	$ 7,698	$ 6,953	$ 6,361	$ 7,189	$ 8,421
ALL to loans outstanding	1.32%	1.22%	1.30%	1.64%	1.93%
ALL to nonperforming loans	126.10%	124.66%	114.83%	181.81%	73.34%
Net charge-offs / recoveries to average loans outstanding during the period	-0.09%	-0.07%	-0.35%	-0.39%	-0.46%

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.

	2016		2015		2014		2013		2012	
	$	%	$	%	$	%	$	%	$	%
Real estate loans:										
Residential	2,410	35.3	1,711	37.4	1,877	38.8	1,444	36.9	1,024	35.4
Commercial and other dwelling	4,302	46.3	4,436	45.4	3,658	43.7	4,820	44.9	6,158	46.6
Consumer loans	34	0.1	38	0.1	18	0.1	12	0.1	19	0.1
Commercial business and other	952	18.3	768	17.1	808	17.4	913	18.1	1,220	17.9
Total	7,698	100.0	6,953	100.0	6,361	100.0	7,189	100.0	8,421	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 2016, the Bancorp did not hold as investments any 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, 2016, the Bancorp's investment portfolio totaled $233.6 million. In addition, the Bancorp had $215 thousand of federal funds sold, and $3.0 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).

	2016	2015	2014
Money market fund	$ 222	$ 525	$ 6,453
U.S. government agencies:			
Available-for-sale	16,274	17,431	12,869
Mortgage-backed securities (1):			
Available-for-sale	67,533	58,259	49,176
Collateralized Mortgage Obligations (1):			
Available-for-sale	50,442	60,914	68,398
Municipal Securities:			
Available-for-sale	96,745	93,487	80,725
Trust Preferred Securities:			
Available-for-sale	2,409	2,734	2,432
Totals	$ 233,625	$ 233,350	$ 220,053

(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, 2016, 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
Money market fund:	$ 222	0.01%	$ -	0.00%	$ -	0.00%	$ -	0.00%
U.S. government Agencies:								
AFS	-	0.00%	8,479	1.55%	7,795	1.88%	-	0.00%
Municipal Securities:								
AFS	191	4.75%	7,326	4.35%	22,816	3.76%	66,412	3.27%
Trust Preferred Securities:								
AFS	-	0.00%	-	0.00%	-	0.00%	2,409	1.68%
Totals	$ 413	4.76%	$ 15,805	2.85%	$ 30,611	3.28%	$ 68,821	3.21%

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, 2016, the cost basis of the three trust preferred securities in non-accrual status totaled $3.7 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, 2016, the Bancorp had $14.0 million in repurchase agreements. Other borrowings totaled $26.6 million, of which $25.1 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 account offerings typically 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 and average rates paid on such deposits for the years indicated. The amounts are stated in thousands (000's).

	2016		2015		2014	
	Amount	Rate %	Amount	Rate %	Amount	Rate %
Noninterest bearing demand deposits	$ 104,672	-	$ 91,737	-	$ 83,430	-
Interest bearing demand deposits	145,347	0.07	138,006	0.07	119,772	0.08
MMDA accounts	167,684	0.21	150,288	0.18	148,633	0.18
Savings accounts	124,214	0.09	105,557	0.07	89,565	0.05
Certificates of deposit	192,991	0.62	190,858	0.55	181,406	0.47
Total deposits	$ 734,908	0.24	$ 676,446	0.22	$ 622,806	0.20

Maturities of time certificates of deposit and other time deposits of $100,000 or more at December 31, 2016 are summarized as follows. The amounts are stated in thousands (000's).

3 months or less	$ 20,543
Over 3 months through 6 months	16,597
Over 6 months through 12 months	30,229
Over 12 months	21,643
Total	$ 89,012

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.

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, 2016	At December 31, 2015	At December 31, 2014
Repurchase agreements:			
Balance	$ 13,998	$ 18,508	$ 17,525
Securities underlying the agreements:			
Ending carrying amount	23,571	23,479	103,754
Ending fair value	23,571	23,479	103,754
Weighted average rate (1)	0.56%	0.45%	0.35%

	For year ended December 31, 2016	2015	2014
Highest month-end balance	$ 23,308	$ 22,020	$ 25,540
Average outstanding balance	17,755	18,003	18,029
Weighted average rate on securities sold under agreements to repurchase (2)	0.55%	0.38%	0.37%

	At December 31, 2016	2015	2014
Fixed rate short-term advances from the FHLB	$ 12,000	$ 10,000	$ 8,000
Fixed rate long-term advances from the FHLB	13,100	24,100	28,100
Variable advances from the FHLB	-	5,000	-
FHLB line-of-credit	28	-	-
Overdrawn due from other financial institutions	700	393	281
Total borrowings	$ 25,828	$ 39,493	$ 36,381

(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, 2016, the market value of the Wealth Management Group's assets totaled $319.4 million, an increase of $38.8 million, compared to December 31, 2015.

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 deposit 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, 2016.

Weighted average yield:	
Securities	2.54%
Loans receivable	4.47%
Federal Home Loan Bank stock	3.54%
Total interest-earning assets	3.89%
Weighted average cost:	
Deposit accounts	0.24%
Borrowed funds	1.01%
Total interest-bearing liabilities	0.30%
Interest rate spread:	
Weighted average yield on interest-earning assets minus the weighted average cost of interest-bearing funds	3.59%

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,		
	2016	2015	2014
Return on average assets	1.03%	0.96%	0.97%
Return on average equity	10.65%	9.90%	10.14%
Average equity-to-average assets ratio	9.67%	9.70%	9.58%
Dividend payout ratio	34.69%	38.50%	37.30%

	At December 31,		
	2016	2015	2014
Total stockholders' equity to total assets	9.21%	9.35%	9.83%

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, 2016			Year ended December 31, 2015			Year ended December 31, 2014		
	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	$ 5,149	$ 31	0.60%	$ 11,022	$ 28	0.25%	$ 13,122	$ 33	0.25%
Federal funds sold	409	1	0.24	435	-	0.10	346	1	0.29
Securities	240,262	6,097	2.54	231,366	6,151	2.66	217,226	5,917	2.72
Total investments	245,820	6,129	2.49	242,823	6,179	2.54	230,694	5,951	2.58
Loans:*									
Real estate mortgage loans	485,778	22,474	4.63	429,724	19,766	4.60	392,573	17,941	4.57
Commercial business loans	100,861	3,771	3.74	92,047	3,418	3.71	87,337	3,272	3.75
Consumer loans	480	24	5.00	507	19	3.75	494	19	3.85
Total loans	587,119	26,269	4.47	522,278	23,203	4.44	480,404	21,232	4.42
Total interest-earning assets	832,939	32,398	3.89	765,101	29,382	3.84	711,098	27,183	3.82
Allowance for loan losses	(7,364)			(6,625)			(6,800)		
Cash and due from banks	11,868			11,963			11,779		
Premises and equipment	18,955			18,140			17,741		
Other assets	31,617			28,782			27,613		
Total assets	$ 888,015			$ 817,361			$ 761,431		
Liabilities:									
Demand deposit	$ 101,835	$ -	-%	$ 91,737	$ -	-%	$ 83,430	$ -	-%
NOW accounts	148,184	101	0.07	138,006	101	0.07	119,772	94	0.08
Money market demand accounts	167,684	360	0.21	150,288	273	0.18	148,633	269	0.18
Savings accounts	124,214	107	0.09	105,557	77	0.07	89,565	45	0.05
Certificates of deposit	192,991	1,202	0.62	190,858	1,058	0.55	181,406	845	0.47
Total interest-bearing deposits	734,908	1,770	0.24	676,446	1,509	0.22	622,806	1,253	0.20
Borrowed funds	56,990	575	1.01	52,803	504	0.95	57,908	567	0.98
Total interest-bearing liabilities	791,898	2,345	0.30	729,249	2,013	0.28	680,714	1,820	0.27
Other liabilities	10,275			8,813			7,774		
Total liabilities	802,173			738,062			688,488		
Stockholders' equity	85,842			79,299			72,943		
Total liabilities and stockholders' equity	$ 888,015			$ 817,361			$ 761,431		
Net interest income		$ 30,053			$ 27,369			$ 25,363	
Net interest spread			3.59%			3.56%			3.56%
Net interest margin**			3.61%			3.58%			3.57%

* 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, 2016 vs. 2015 Increase / (Decrease) Due To			Year Ended December 31, 2015 vs. 2014 Increase / (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Loans receivable	$ 2,900	$ 166	$ 3,066	$ 1,860	$ 112	$ 1,972
Securities	232	(286)	(54)	378	(144)	234
Other interest-earning assets	(20)	24	4	(5)	(1)	(6)
Total interest-earning assets	3,112	(96)	3,016	2,233	(33)	2,200
Interest Expense:						
Deposits	136	125	261	113	143	256
Borrowed Funds	41	30	71	(49)	(14)	(63)
Total interest-bearing liabilities	177	155	332	64	129	193
Net change in net interest income/(expense)	$ 2,935	$ (251)	$ 2,684	$ 2,169	$ (162)	$ 2,007

Bank Subsidiary Activities

NWIN Risk Management, Inc. is a wholly owned subsidiary of the Bancorp. The subsidiary provides captive insurance for the subsidiaries of the Bancorp. At December 31, 2016, the Bancorp had an investment balance of $775 thousand in NWIN Risk Management, Inc.

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, 2016, the Bank had an investment balance of $171 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, 2016, the Bank had an investment balance of $322.9 million in NWIN, LLC.

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, 2016, the REIT held assets of $87.4 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, 2016, the Bank had an investment balance of $1.9 million in Columbia Development Company, LLC.

The consolidated financial statements include NorthWest Indiana Bancorp (the Bancorp), its wholly owned subsidiaries, Peoples Bank SB (the Bank), NWIN Risk Management, Inc, and the Bank's wholly owned subsidiaries, Peoples Service Corporation, NWIN, LLC and Columbia Development Company, LLC. The Bancorp's business activities include being a holding company for the Bank as well as a holding company for NWIN Risk Management, Inc. 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. Approximately 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, 2016, the Bank had 178 full-time and 38 part-time employees. The employees are not represented by a collective bargaining agreement. Management believes its employee relations are good. The Bancorp has seven executive officers and 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 Improvement 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. Federal regulations require FDIC insured depository institutions, including state chartered FRB member banks, to meet several minimum capital standards: (i) a common equity Tier 1 capital to risk-based assets ratio of 4.5%; (ii) a Tier 1 capital to risk-based assets ratio of 6.0%; (iii) a total capital to risk-based assets ratio of 8%; and (iv) a 4% Tier 1 capital to total assets leverage ratio. These capital requirements were effective January 1, 2015 and are the result of a final rule implementing the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

As noted, the capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively, and a leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common shareholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock, and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, and residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions by the institution and certain discretionary bonus payments to management if an institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019.

The FRB has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is or may become inadequate in light of the particular risks or circumstances. As of December 31, 2016, the Bank met all applicable capital adequacy requirements.

Bank holding companies are generally subject to consolidated capital requirements established by the FRB. The Dodd-Frank Act required the FRB to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository subsidiaries. However, under the FRB's "Small Bank Holding Company" exemption from consolidated bank holding company capital requirements, bank holding companies and savings and loan holding companies with less than $1 billion in consolidated assets, such as the Bancorp, are exempt from consolidated regulatory capital requirements, unless the FRB determines otherwise in particular cases.

Federal law establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. The law requires that certain supervisory actions be taken against undercapitalized institutions, the severity of which depends on the degree of undercapitalization. The FRB has adopted regulations to implement the prompt corrective action legislation as to state member banks. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater, and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater, and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0%, or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0%, or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

Subject to a narrow exception, a receiver or conservator is required to be appointed for an institution that is "critically undercapitalized" within specified time frames. The regulations also provide that a capital restoration plan must be filed with the FRB within 45 days of the date an institution is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company up to the lesser of 5% of the institution's total assets when it was deemed to be undercapitalized or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The FRB could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

The following table shows that, at December 31, 2016, the Bancorp's capital exceeded all regulatory capital requirements. At December 31, 2016 the Bancorp's and the Bank's regulatory capital ratios were substantially the same. At December 31, 2016, the Bancorp and the Bank were categorized as well capitalized. The dollar amounts are stated in millions.

(Dollars in millions)	*Actual*		*Minimum Required For Capital Adequacy Purposes*		*Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations*	
At December 31, 2016	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Common equity tier 1 capital to risk-weighted assets	$ 82.4	13.1%	$ 28.3	4.5%	$ 40.9	6.5%
Tier 1 capital to risk-weighted assets	$ 82.4	13.1%	$ 37.8	6.0%	$ 50.4	8.0%
Total capital to risk-weighted assets	$ 90.1	14.3%	$ 50.4	8.0%	$ 63.0	10.0%
Tier 1 capital to adjusted average assets	$ 82.4	9.2%	$ 36.0	4.0%	$ 45.0	5.0%

Banking regulators may change these capital 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 unlimited insurance coverage for noninterest bearing transaction accounts. Rather, deposits held in noninterest bearing transaction accounts are 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 $454 thousand during the year ended December 31, 2016. For 2016, the deposit insurance assessment rate before applying one time credits was approximately 0.062% 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 2016, the FICO assessment rate was 0.56 basis points for each $100 of insured deposits per quarter. The Bank paid interest payment assessments of $45 thousand during the year ended December 31, 2016. Future increases in deposit insurance premiums or changes in risk classification would increase the Bank's deposit related costs.

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. The FDIC has set the designated reserve ratio for the deposit insurance fund at 2% of estimated insured deposits, which the FDIC has established as a long-term goal.

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. These changes went into effect in April 2011. The rate schedules set forth in the rule are 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 schedules reduce the initial base assessment rate in each of the four risk-based pricing categories.

- For small Risk category I banks, the rates range from 5-9 basis points.
- The rates for small institutions in Risk Categories II, III and IV are 14, 23 and 35 basis points, respectively.
- For large institutions and large, highly complex institutions, the 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 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 eleven 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, 2016, the Bank was in compliance with this requirement.

At December 31, 2016, the Bancorp owned $3.00 million of stock of the Federal Home Loan Bank of Indianapolis (“FHLBI”) and had outstanding borrowings of $25.1 million from the FHLBI. The FHLBI stock entitles the Bancorp to dividends from the FHLBI. The Bancorp recognized dividend income of approximately $106 thousand in 2016. At December 31, 2016, the Bancorp’s excess borrowing capacity based on collateral from the FHLBI was $98.5 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 by the 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.

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 a 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 have required smaller depository institutions to reduce fees with respect to these debit card transactions.

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.

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.

State Taxation

The Bank is subject to Indiana's Financial Institutions Tax ("FIT"), which is imposed at a flat rate of 7.0% on "adjusted gross income" for the taxable year beginning January 1, 2016. This rate is scheduled to decrease over the succeeding years as follows: to 6.5% for 2017 and 2018, to 6.25% for 2019, to 6.0% for 2020, to 5.5% for 2021, to 5.0% for 2022, and to 4.9% for 2023 and thereafter. "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.

Accounting for Income Taxes

At December 31, 2016, the Bancorp's consolidated total deferred tax assets were $5.2 million and the consolidated total deferred tax liabilities were $1.7 million, resulting in a consolidated net deferred tax asset of $3.5 million, net of a $98,000 valuation allowance. The valuation allowance of $98,000 was provided for the 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 sixteen 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, 2016. 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	$ 580,428	11,640	$ 3,222,153
141 W. Lincoln Highway Schererville, IN 46375-1851	1990	578,203	9,444	2,256,331
7120 Indianapolis Blvd. Hammond, IN 46324-2221	1979	86,454	2,600	985,884
1300 Sheffield Dyer, IN 46311-1548	1976	164,996	2,100	983,099
7915 Taft Merrillville, IN 46410-5242	1968	138,673	2,750	949,115
8600 Broadway Merrillville, IN 46410-7034	1996	1,005,705	4,400	2,579,571
4901 Indianapolis Blvd. East Chicago, IN 46312-3604	1995	729,926	4,300	1,785,458
1501 Lake Park Avenue Hobart, IN 46342-6637	2000	1,823,298	6,992	3,370,487
9204 Columbia Avenue Corporate Center Building Munster, IN 46321-3517	2003	4,620,009	36,685	12,978,045
855 Stillwater Parkway Crown Point, IN 46307-5361	2007	1,633,967	3,945	2,470,266
1801 W. 25th Avenue Gary, IN 46404-3546	2008	1,467,879	2,700	2,038,278
2905 Calumet Avenue Valparaiso, IN 46383-2645	2009	1,851,408	2,790	2,352,090
9903 Wicker Avenue Saint John, IN 46373-9402	2010	1,457,305	2,980	2,230,786
130 Rimbach Street Hammond, IN 46320-1710	2014	865,567	5,230	1,185,029
9030 Cline Avenue Highland, IN 46322-2204	2014	1,003,185	3,660	1,217,644
1900 Indianapolis Blvd. Whiting, IN 46394-1510	2015	571,412	9,922	790,651
10688 Randolph Street Crown Point, IN 46307-9424	2015	709,034	2,032	941,787

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 $19.3 million at December 31, 2016.

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 2017 Annual Meeting of Shareholders:

The executive officers of the Bancorp are as follows:

Executive Officer	Age at December 31, 2016	Position
David A. Bochnowski	71	Executive Chairman
Benjamin J. Bochnowski	36	President, Chief Executive Officer
John J. Diederich	64	Executive Vice President, Chief Banking Officer
Robert T. Lowry	55	Executive Vice President, Chief Financial Officer and Treasurer
Leane E. Cerven	58	Executive Vice President, General Counsel, Corporate Secretary
Tanya A. Leetz	46	Executive Vice President, Chief Information and Technology Officer
Todd Scheub	49	Executive Vice President, Chief Lending Officer

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 the Executive Chairman of the Bancorp and Bank. His duties include assisting his successor in the transition into the role of Chief Executive Officer of the Company and Bank, assisting the Company in and Bank with their strategic goals and budgeting process, and engaging in community and banking activities supporting the mission of the Company and Bank. He formerly served as the Chief Executive Officer for thirty-five years retiring from that position in April of 2016. He has been Chairman of the Company and Bank since 1995. He has been a director since 1977 and was the Bank's legal counsel from 1977 to 1981. Mr. Bochnowski is the past Chairman of America's Community Bankers, now merged with the American Bankers Association. He is a past Chairman of the American Banker Association's Government Relations Council. He was selected by the Securities and Exchange Commission to serve on the Commission's Advisory Council on Small and Emerging Companies. He is a former Chairman of the Indiana Department of Financial Institutions; former director of the Federal Home Loan Bank of Indianapolis, and, a former member of the Federal Reserve Thrift Advisory Council. He is a trustee and treasurer of the Munster Community Hospital, a director of the Community Health Care System, serves as Vice-Chairman of Calumet College, and serves on the board of Trustees of Valparaiso University. He is a former Chairman of the Legacy Foundation of Lake County, a former Director of One Region, a former Director of Habitat for Humanity, and a former director of the Local Initiatives Support Corporation (LISC), among others. Before joining the Bank, Mr. Bochnowski was an attorney in private practice. He holds an undergraduate Bachelor of Science and Juris Doctor degrees from Georgetown University and a Master's Degree from Howard University. Her served as an officer in the United States Army and received a Bronze Star for his service in the Vietnam conflict. Mr. Bochnowski is the father of Benjamin Bochnowski, the President and Chief Executive Officer of the Bancorp and Bank.

Benjamin J. Bochnowski has served as President and Chief Executive Officer of Northwest Indiana Bancorp and Peoples Bank, SB ("Peoples") since April 2016. Since joining Peoples in 2010, Mr. Bochnowski also held the position of Executive Vice President, Chief Operating Officer; prior to that, he held positions overseeing risk management and strategic planning. 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 Legacy Foundation, One Region, the Dunes National Park Association, and has been 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 of the Bancorp and the Bank.

John J. Diederich is Executive Vice President and Chief Banking Officer of the Bancorp and the Bank. Mr. Diederich has responsibility for coordinating the daily activities of retail banking, wealth management, marketing and facilities and for the solicitation of new customers for the Bank's commercial lending, wealth management, municipal, and retail areas. He is also responsible for marketing support of the Strategic Plan as well as the Bank's Brand. Mr. Diederich is also responsible for all facilities including maintenance as well as the construction of new offices. 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, Treasurer of One Region and is on the Finance Committee for the Diocese of Gary, and is Chairman of the Audit Committee. 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 has taught online courses for the American Bankers Association that focused on capital and liquidity management, interest rate risk and investments. 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 English Cerven is Executive Vice President, General Counsel, and Corporate Secretary of NorthWest Indiana Bancorp and Peoples Bank SB. Ms. Cerven joined the Bancorp and the Bank in May of 2010. Prior to joining the Bancorp and the 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. She is a 2014 graduate of the American Bankers Association Stonier Graduate School of Banking, a member of the Stonier Graduate School of Banking Advisory Board, and a Stonier Capstone Advisor. She is also a member of the ABA's Regional Banks General Counsels Group and the Society of Corporate Secretaries & Governance Professionals. Ms. Cerven is actively involved in community service and serves on the Bioethics Committees for St. Catherine's Hospital, East Chicago, Indiana and St. Mary's Hospital, Hobart, Indiana.

Tanya A. Leetz is Executive Vice President, Chief Information and Technology Officer of the Bancorp and the Bank. She is responsible for operations and technology initiatives. Ms. Leetz joined the Bank in 1994 and has previously served as trust administrator, management development, information systems manager, and chief operating officer. She is a Certified Information Security Manager (CISM) and Certified in Risk and Information Systems Control (CRISC). Ms. Leetz holds a Master's Degree in Business Administration and a Bachelor of Science Degree in Financial Planning from Purdue University. She also graduated from America's Community Bankers National School of Banking. Ms. Leetz currently serves on the Executive Committee on the Board of Northwest Indiana Boys and Girls Clubs and is involved in other community activities. She is a member of the Information Systems Audit and Control Association and serves as an advisory member of a technology committee.

Todd M. Scheub is Executive Vice President, Chief Lending Officer of the Bancorp and the Bank. He is responsible for the commercial, construction and development, and retail lending groups as well as the management of asset quality in the loan portfolio. Mr. Scheub joined the Bank in 1996 and has previously held positions in the commercial lending group. He provides oversight on commercial credit facilities as well as chairing the Officer's Loan Committee. He is the liaison to the operations and technology group, risk management, executive management, and the Board of Directors on all items related to the lending group. Mr. Scheub holds a Bachelor of Science Degree in Business and a Master's Degree in Business Administration from Indiana University. He also graduated from America's Community Bankers National School of Banking. Mr. Scheub is a Board Member at Campagna Academy, Frontline Foundations, and the Northwest Indiana Regional Development Company.

PART II

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

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 February 24, 2017, the Bancorp had 2,864,732 shares of common stock outstanding and 413 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, 2016 and December 31, 2015. 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 11 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, 2016	1st Quarter	$ 31.05	$ 29.30	$ 0.27
	2nd Quarter	30.00	28.35	0.28
	3rd Quarter	32.50	29.00	0.28
	4th Quarter	39.87	33.00	0.28
Year Ended				
December 31, 2015	1st Quarter	$ 27.75	$ 26.50	$ 0.25
	2nd Quarter	27.35	26.40	0.27
	3rd Quarter	31.99	26.25	0.27
	4th Quarter	31.10	29.26	0.27

On April 24, 2014 the Bancorp's Board of Directors authorized a stock repurchase program to repurchase up to 50,000 shares of the Bancorp's outstanding common stock, from time to time and subject to market conditions, on the open market or in privately negotiated transactions. The stock repurchase program does not expire and is only limited by the number of shares that can be purchased. The stock repurchase program will be reviewed annually by the Board of Directors. No shares were repurchased during the twelve months ended December 31, 2016 under the stock repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Program(1)
January 1, 2016 – January 31, 2016	-	N/A	-	48,828
February 1, 2016 – February 29, 2016	-	N/A	-	48,828
March 1, 2016 – March 31, 2016	-	N/A	-	48,828
April 1, 2016 – April 30, 2016	-	N/A	-	48,828
May 1, 2016 – May 31, 2016	-	N/A	-	48,828
June 1, 2016 – June 30, 2016	-	N/A	-	48,828
July 1, 2016 – July 31, 2016	-	N/A	-	48,828
August 1, 2016 – August 31, 2016	-	N/A	-	48,828
September 1, 2016 – September 30, 2016	-	N/A	-	48,828
October 1, 2016 – October 31, 2016	-	N/A	-	48,828
November 1, 2016 – November 30, 2016	-	N/A	-	48,828
December 1, 2016 – December 31, 2016	-	N/A	-	48,828
	-	N/A	-	48,828

(1) The stock repurchase program was announced on April 24, 2014, whereby the Bancorp is authorized to repurchase up to 50,000 shares of the Bancorp's common stock outstanding. There is no express expiration date for this program.

Item 6. Selected Financial Data

Fiscal Year Ended	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Statement of Income:					
Total interest income	$ 32,399	$ 29,383	$ 27,183	$ 26,157	$ 26,075
Total interest expense	2,345	2,013	1,820	1,730	2,348
Net interest income	30,054	27,370	25,363	24,427	23,727
Provision for loan losses	1,268	954	875	450	2,350
Net interest income after provision for loan losses	28,786	26,416	24,488	23,977	21,377
Noninterest income	7,613	6,850	6,074	5,359	7,536
Noninterest expense	24,709	23,616	21,015	19,821	20,119
Net noninterest expense	17,096	16,766	14,941	14,462	12,583
Income tax expenses	2,548	1,798	2,153	2,397	1,941
Net income	$ 9,142	$ 7,852	$ 7,394	$ 7,118	$ 6,853
Basic earnings per common share	$ 3.20	$ 2.75	$ 2.60	$ 2.50	$ 2.41
Diluted earnings per common share	$ 3.20	$ 2.75	$ 2.60	$ 2.50	$ 2.41
Cash dividends declared per common share	$ 1.11	$ 1.06	$ 0.97	$ 0.85	$ 0.72

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Balance Sheet:					
Total assets	$ 913,626	$ 864,893	$ 775,044	$ 693,453	$ 691,845
Loans receivable	583,650	571,898	488,153	437,821	436,981
Investment securities	233,625	233,350	213,600	194,296	187,475
Deposits	779,771	714,875	633,946	572,893	566,409
Borrowed funds	39,826	58,001	53,906	44,929	49,505
Total stockholders' equity	84,108	80,909	76,165	66,761	67,651

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Interest Rate Spread During Period:					
Average effective yield on loans and investment securities	3.89%	3.84%	3.82%	4.03%	4.14%
Average effective cost of deposits and borrowings	0.30%	0.28%	0.27%	0.28%	0.39%
Interest rate spread	3.59%	3.56%	3.55%	3.75%	3.75%
Net interest margin	3.61%	3.58%	3.57%	3.77%	3.77%
Return on average assets	1.03%	0.96%	0.97%	1.03%	1.02%
Return on average equity	10.65%	9.90%	10.14%	10.17%	10.27%

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Common equity tier 1 capital to risk-weighted assets	13.1%	12.4%	N/A	N/A	N/A
Tier 1 capital to risk-weighted assets	13.1%	12.4%	13.6%	14.3%	13.4%
Total capital to risk-weighted assets	14.3%	13.5%	14.8%	15.6%	14.6%
Tier 1 capital to adjusted average assets	9.2%	9.0%	9.2%	10.0%	9.4%
Allowance for loan losses to total loans	1.32%	1.22%	1.30%	1.64%	1.93%
Allowance for loan losses to non-performing loans	126.10%	124.66%	114.83%	181.81%	73.34%
Non-performing loans to total loans	1.05%	0.98%	1.10%	0.90%	2.63%
Total loan accounts	5,655	5,628	5,140	4,472	4,416
Total deposit accounts	31,175	30,968	28,955	29,861	27,790
Total branches (all full service)	16	16	14	12	12

Item 7. 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, 2016, the Bancorp had total assets of $913.6 million and total deposits of $779.8 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, 2016, stockholders' equity totaled $84.1 million, with book value per share at $29.41. Net income for 2016 was $9.1 million, or $3.20 basic and diluted earnings per common share. The return on average assets was 1.03%, while the return on average stockholders’ equity was 10.65%.

Financial Condition

During the year ended December 31, 2016, total assets increased by $48.7 million (5.6%), to $913.6 million, with interest-earning assets increasing by $39.9 million (4.9%). At December 31, 2016, interest-earning assets totaled $852.2 million and represented 93.3% of total assets. Loans totaled $583.7 million and represented 68.5% of interest-earning assets, 63.9% of total assets and 74.8% 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 $205.8 million (35.3%) in residential real estate loans, $195.4 million (33.5%) in commercial real estate loans, $77.3 million (13.2%) in commercial business loans, $36.1 million (6.2%) in multifamily loans, $38.9 million (6.7%) in construction and land development loans, $29.5 million (5.0%) in government, and $524 thousand (0.1%) in consumer loans. Adjustable rate loans comprised 60.0% of total loans at year-end. During 2016, loan balances increased by $11.8 million (2.1%), with commercial real estate, government, commercial business, home equity line of credit, and consumer balances increasing. The increase in loans during the year is the result 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. During 2016, the Bancorp sold $60.0 million in newly originated fixed rate mortgage loans, compared to $47.7 million during 2015. Net gains realized from the mortgage loan sales totaled $1.6 million for 2016, compared to $1.2 million for 2015. At December 31, 2016, the Bancorp had $2.2 million 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 $6.1 million at December 31, 2016, compared to $5.6 million at December 31, 2015, an increase of $500 thousand or 8.9%. The ratio of non-performing loans to total loans was 1.05% at December 31, 2016, compared to .98% at December 31, 2015. The ratio of non-performing loans to total assets was 0.67% at December 31, 2016, compared to 0.64% at December 31, 2015. The slight increase in the ratio of non-performing loans for 2016 is primarily the result of ongoing operations and is not specific to any large individual borrowers. At December 31, 2016, all non-performing loans are also accounted for on a non-accrual basis, except for six residential real estate loans totaling $500 thousand that were classified as accruing and 90 days past due.

Loans, internally classified as substandard, totaled $6.1 million at December 31, 2016, compared to $11.3 million at December 31, 2015 a decrease of $5.2 million or 46.0%. The decrease in substandard loans is primarily due to one accruing commercial real estate hotel loan in the amount of $4.4 million that was paid off. 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, 2016 or December 31, 2015. 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 $10.6 million at December 31, 2016, compared to $13.5 million at December 31, 2015 a decrease of $2.9 million or 21.5%. The decrease in watch loans is not isolated with any one borrower and is the result of ongoing business operations related to the management of a loan portfolio.

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, 2016, impaired loans totaled $3.5 million compared to $7.4 million at December 31, 2015. The December 31, 2016, impaired loan balances consist of fourteen commercial real estate and commercial business loans totaling $1.1 million that are secured by business assets and real estate, and are personally guaranteed by the owners of the businesses. In addition, twenty-nine mortgage loans totaling $1.4 million, along with fifty-two purchased credit impaired mortgage loans totaling $1.0 million, have also been classified as impaired. The December 31, 2016 allowance for loan losses (“ALL”) contained $1.2 million in specific allowances for collateral deficiencies, compared to $356 thousand at December 31, 2015. The increase in the allowance was related to ongoing management of a group of loans that had been acquired through the past two acquisitions. 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, 2016, the Bancorp classified three loans totaling $306 thousand 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 include one residential real estate loan in the amount of $247 thousand, for which an extension in maturity and reduction in interest rate was granted; and two commercial business loans totaling $60 thousand for which a reduction in principal was granted. At December 31, 2016, $60 thousand 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, 2016, 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 2016, $1.3 million in provisions to the ALL were required, compared to $954 thousand for 2015 an increase of $314 thousand or 32.9%. The ALL provision increase is primarily a result of increased originations, overall loan portfolio growth, and a higher level of net loan charge-offs. For 2016, net loan charge-offs, totaled $523 thousand, compared to $362 thousand for 2015. The net loan charge-offs for 2016 were primarily comprised of $527 thousand in residential real estate loans, $24 thousand in consumer loans, and $28 thousand in recoveries for commercial business 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 1.32% at December 31, 2016, compared to 1.22% at December 31, 2015. The increase in the ratio was related to additional specific reserves taken on a group of loans that had been acquired through the past two acquisitions. ALL to non-performing loans (coverage ratio) was 126.10% at December 31, 2016, compared to 124.66% at December 31, 2015. The December 31, 2016 balance in the ALL account of $7.7 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, 2016, foreclosed real estate totaled $2.7 million, which was comprised of twenty-six properties, compared to $1.6 million and fourteen properties at December 31, 2015. During 2016, loans totaling $1.8 million were transferred into foreclosed real estate, while net sales of foreclosed real estate totaled $720 thousand. The increase in foreclosed real estate is due to a single borrower with seventeen investor owned residential real estate properties totaling $1.7 million dollars that were transferred in the fourth quarter of 2016 . Net gains from the 2016 sales totaled $100 thousand. At the end of December 2016 all of the Bancorp's foreclosed real estate is located within its primary market area.

At December 31, 2016, the Bancorp's investment portfolio totaled $233.6 million and was invested as follows: 50.5% in U.S. government agency mortgage-backed securities and collateralized mortgage obligations, 41.4% in municipal securities, 7.0% in U.S. government agency debt securities, 1.0% in trust preferred securities, and 0.1% in a money market fund. During 2016, securities increased by $275 thousand (0.1%). In addition, at December 31, 2016, the Bancorp had $3.0 million in FHLB stock.

As of December 31, 2016, 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, 2016, the cost basis of the three trust preferred securities on non-accrual status totaled $3.8 million. One trust preferred security with a cost basis of $1.2 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, 2016, deposits totaled $779.8 million. During 2016, deposits increased by $64.9 million (9.1%). The 2016 change in deposits was comprised of the following: certificates of deposit decreased by $8.8 million (4.5%), checking accounts increased by $40.5 million (16.4%), savings accounts increased by $9.2 million (7.7%), and money market deposit accounts (MMDA's) increased by $24.0 million (15.6%). Deposit balances increased for the year as a result of the continued 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, 2016, borrowed funds totaled $39.8 million compared to $58.0 million at December 31, 2015, a decrease of $18.2 million (31.3%). Strong core deposit growth for the year reduced the need for borrowed funds. Retail repurchase agreements totaled $14.0 million at December 31, 2016, compared to $18.5 million at December 31, 2015, a decrease of $4.5 million (24.4%). FHLB advances totaled $25.1 million, decreasing $14.0 million or 35.8%. The Bancorp's FHLB line of credit totaled $28 thousand at December 31, 2016 and carried no balance at December 31, 2015. Other short-term borrowings totaled $700 thousand at December 31, 2016, compared to $393 thousand at December 31, 2015.

Liquidity and Capital Resources

For the Bancorp, liquidity management refers to the ability 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 2016, cash and cash equivalents increased $33.6 million compared to a decrease of $10.4 million for 2015. During 2016, the primary sources of cash and cash equivalents were from maturities and sales of securities, deposit originations, loan sales and repayments, FHLB advances, and cash from operating activities. The primary uses of cash and cash equivalents were loan originations, purchases of securities, FHLB advance repayments, and the payment of common stock dividends. During 2016, cash from operating activities totaled $9.6 million, compared to $9.5 million for 2015. The 2016 increase in cash provided by operating activities was primarily a result of the sale of loans originated for sale. Cash outflows from investing activities totaled $20.4 million during 2016, compared to outflows of $44.8 million during 2015. The changes for the current year were related to increased loan payoffs. Net cash inflows from financing activities totaled $44.4 million in 2016, compared to net cash inflows of $24.9 million in 2015. The increase during 2016 was primarily due to increased deposits. On a cash basis, the Bancorp paid dividends on common stock of $3.1 million and $3.0 million during 2016 and 2015, respectively. During 2016, the Bancorp's Board of Directors increased dividends as earnings and capital continued to be sufficient to warrant dividend increases.

Management strongly believes that safety and soundness is enhanced by maintaining a high level of capital. Stockholders' equity totaled $84.1 million at December 31, 2016, compared to $80.9 million at December 31, 2015, an increase of $3.2 million (4.0%). The increase was primarily the result of net income of $9.1 million less $3.2 million in cash dividends. At December 31, 2016, book value per share was $29.41 compared to $28.38 for 2015.

The Bancorp is subject to risk-based capital guidelines adopted by 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 various tiers, as described in "Recent Developments – Regulatory Capital Rules" above. The following table shows that, at December 31, 2016, the Bancorp's capital exceeded all regulatory capital requirements. At December 31, 2016, the Bancorp's and the Bank's regulatory capital ratios were substantially the same. The dollar amounts are in millions.

(Dollars in millions)

	Actual		*Minimum Required For Capital Adequacy Purposes*		*Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations*	
At December 31, 2016	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Common equity tier 1 capital to risk-weighted assets	$ 82.4	13.1%	$ 28.3	4.5%	$ 40.9	6.5%
Tier 1 capital to risk-weighted assets	$ 82.4	13.1%	$ 37.8	6.0%	$ 50.4	8.0%
Total capital to risk-weighted assets	$ 90.1	14.3%	$ 50.4	8.0%	$ 63.0	10.0%
Tier 1 capital to adjusted average assets	$ 82.4	9.2%	$ 36.0	4.0%	$ 45.0	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) 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 2017, without the need for qualifying for an exemption or prior DFI approval, is $10.2 million plus 2017 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 18, 2016, the Board of Directors of the Bancorp declared a fourth quarter dividend of $0.28 per share. The Bancorp's fourth quarter dividend was paid to shareholders on January 10, 2017.

Results of Operations –
Comparison of 2016 to 2015

Net income for 2016 was $9.1 million, compared to $7.9 million for 2015, an increase of $1.3 million (16.4%). The increase in net income for 2016 was the result of higher net interest and noninterest income. The earnings represent a return on average assets of 1.03% for 2016 compared to 0.96% for 2015. The return on average equity was 10.65% for 2016 compared to 9.90% for 2015.

Net interest income for 2016 was $30.1 million, an increase of $2.7 million (9.8%) from $27.4 million for 2015. During the year, the Bancorp's yield on interest earning assets was positively impacted by higher yields as well as a full year of benefit from the acquisition of Liberty Savings Bank, FSB ("Liberty"), while interest expense was driven higher primarily by deposit account growth. The weighted-average yield on interest-earning assets was 3.89% for 2016 compared to 3.84% for 2015. The weighted-average cost of funds was 0.30% for 2016 compared to 0.28% for 2015. The impact of the 3.89% return on interest earning assets and the 0.30% cost of funds resulted in a net interest spread of 3.59% for 2016, compared to 3.56% in 2015. During 2016, total interest income increased by $3.0 million (10.3%) while total interest expense increased by $332 thousand (16.5%). The net interest margin was 3.61% for 2016, compared to 3.58% for 2015. The Bancorp's tax equivalent net interest margin for 2016 was 3.85% compared to 3.82% for 2015.

During 2016, interest income from loans increased by $3.1 million (13.2%) compared to 2015. The increase in interest income from loans is a result of a full year of the Liberty acquisition and improving credit and economic conditions. The weighted-average yield on loans outstanding was 4.47% for 2016 compared to 4.44% for 2015. Loan balances averaged $587.1 million for 2016, an increase of $64.8 million (12.4%) from $522.3 million for 2015. During 2016, interest income from securities and other interest earning assets decreased by $50 thousand (0.8%) compared to 2015. The weighted-average yield on securities and other interest earning assets was 2.49% for 2016 compared to 2.66% for 2015. Securities and other interest earning assets averaged $245.8 million for 2016, up $3.0 million (1.2%) from $242.8 million for 2015.

Interest expense for deposits increased by $261 thousand (17.3%) during 2016 compared to 2015. The change was due to an increase in the weighted-average rate paid on deposits and increased balances. The weighted-average rate paid on deposits for 2016 was 0.24% compared to 0.22% for 2015. Total deposit balances averaged $734.9 million for 2016, an increase of $58.5 million (8.6%) from $676.4 million for 2015. Interest expense for borrowed funds increased by $71 thousand (14.1%) during 2016 compared to 2015. The change was due to higher cost of borrowed funds as well as higher average balances. The weighted-average cost of borrowed funds was 1.01% for 2016 compared to 0.95% for 2015. Borrowed funds averaged $57.0 million during 2016, an increase of $4.2 million (8.0%) from $52.8 million for 2015.

Noninterest income for 2016 was $7.6 million, an increase of $763 thousand (11.1%) from $6.9 million for 2015. During 2016, fees and service charges totaled $2.91 million, an increase of $9 thousand (0.3%) from $2.90 million for 2015. The increase in fees and service charges is the result of the Bancorp's growing depository base. Fees from Wealth Management operations totaled $1.68 million for 2016, an increase of $23 thousand (1.4%) from $1.66 million for 2015. The increase in Wealth Management income is related to growth in assets under management and market value changes. Gains from loan sales totaled $1.6 million for the current year, an increase of $397 thousand (32.8%), compared to $1.2 million for 2015. The increase in gains from the sale of loans is a result of increased mortgage loan origination efforts. Gains from the sale of securities totaled $826 thousand for the current year, an increase of $220 thousand (36.3 %) from $606 thousand for 2015. Current market conditions continue to provide opportunities to manage securities cash flows, while recognizing gains from the sales of securities. In 2016, $469 thousand from the increase in the cash value of bank owned life insurance was recorded, an increase of $27 thousand (6.1%) compared to $442 thousand for 2015. For 2016, foreclosed real estate sales gains totaled $100 thousand, an increase of $135 thousand (385.7%) from losses of $35 thousand for 2015. During 2016, other noninterest income totaled $19 thousand, a decrease of $48 thousand (71.6%) from $67 thousand for 2015.

Noninterest expense for 2016 was $24.7 million, up $1.1 million (4.6%) from $23.6 million for 2015. During 2016, compensation and benefits totaled $14.0 million, an increase of $832 thousand (6.3%) from $13.1 million for 2015. The increase in compensation and benefits is the result of the Bancorp's ordinary course annual adjustments to salaries, and increased bonus payouts that result from improved profitability. Occupancy and equipment expense totaled $3.6 million for 2016, an increase of $114 thousand (3.2%) compared to $3.5 million for 2015. The increase in occupancy and equipment expense is the result of slightly higher building operating expenses. Data processing expense totaled $1.34 million for 2016, an increase of $69 thousand (5.4%) from $1.27 million for 2015. Data processing expense has increased as a result of increased system utilization. Marketing expense related to banking products totaled $517 thousand for the year, a decrease of $31 thousand (5.7%) from $548 thousand for 2015. Federal deposit insurance premiums totaled $454 thousand for 2016, a decrease of $68 thousand (13.0%) from $522 thousand for 2015. The decrease was the result of lower FDIC assessment rates. Statement and check processing expense totaled $373 thousand for the year, an increase of $27 thousand (7.8%) from $346 thousand for 2015. Professional service expense totaled $365 thousand for the year, an increase of $9 thousand (2.5%) from $356 thousand for 2015. Other expenses related to banking operations totaled $4.0 million for 2016, an increase of $74 thousand (1.9%) from $3.9 million for 2015. The marginal increase in other operating expenses is generally related to generally higher cost for procuring goods and services. The Bancorp's efficiency ratio for 2016 was 65.61% compared to 69.01% for 2015. The stronger efficiency ratio is primarily the result of higher net interest and 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 2016 of $2.5 million compared to income tax expense of $1.8 million for 2015, an increase to expense of $750 thousand (41.7%). The combined effective federal and state tax rates for the Bancorp were 21.8% for 2016 and 18.6% for 2015. The Bancorp's higher current period effective tax rate is a result of higher income without a comparable increase to tax preference items as well as the partial reversal of a valuation allowance against net operating losses at the state level that occurred in 2015, but was not repeated in 2016. A valuation allowance remains for certain other state tax credits that management does not believe will be fully utilized before statutory expiration.

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 semi-annually 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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Report of Independent Registered Public Accounting Firm

Board of Directors
NorthWest Indiana Bancorp and Subsidiaries
Munster, Indiana

We have audited the accompanying consolidated balance sheets of NorthWest Indiana Bancorp and Subsidiaries (the "Company") as of December 31, 2016 and 2015, 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 Subsidiaries as of December 31, 2016 and 2015, 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.

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC

Chicago, Illinois
February 27, 2017

Consolidated Balance Sheets

(Dollars in thousands)	December 31, 2016	December 31, 2015
ASSETS		
Cash and non-interest bearing deposits in other financial institutions	$ 15,338	$ 9,915
Interest bearing deposits in other financial institutions	29,556	773
Federal funds sold	215	845
Total cash and cash equivalents	45,109	11,533
Securities available-for-sale	233,625	233,350
Loans held-for-sale	2,193	2,435
Loans receivable	583,650	571,898
Less: allowance for loan losses	(7,698)	(6,953)
Net loans receivable	575,952	564,945
Federal Home Loan Bank stock	3,000	3,000
Accrued interest receivable	3,086	3,000
Premises and equipment	19,287	18,942
Foreclosed real estate	2,665	1,590
Cash value of bank owned life insurance	18,895	18,426
Goodwill	2,792	2,561
Other assets	7,022	5,111
Total assets	$ 913,626	$ 864,893
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 111,800	$ 100,031
Interest bearing	667,971	614,844
Total	779,771	714,875
Repurchase agreements	13,998	18,508
Borrowed funds	25,828	39,493
Accrued expenses and other liabilities	9,921	11,108
Total liabilities	829,518	783,984
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, 2016 - 2,916,195	361	361
December 31, 2015 - 2,907,455		
shares outstanding: December 31, 2016 - 2,860,157		
December 31, 2015 - 2,851,417		
Additional paid-in capital	4,300	4,158
Accumulated other comprehensive income (loss)	(1,506)	1,406
Retained earnings	80,953	74,984
Total stockholders' equity	84,108	80,909
Total liabilities and stockholders' equity	$ 913,626	$ 864,893

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

(Dollars in thousands, except per share data)	Year Ended December 31, 2016	Year Ended December 31, 2015
Interest income:		
Loans receivable		
Real estate loans	$ 22,474	$ 19,766
Commercial loans	3,772	3,419
Consumer loans	24	19
Total loan interest	26,270	23,204
Securities	6,097	6,150
Other interest earning assets	32	29
Total interest income	32,399	29,383
Interest expense:		
Deposits	1,770	1,509
Repurchase agreements	98	68
Borrowed funds	477	436
Total interest expense	2,345	2,013
Net interest income	30,054	27,370
Provision for loan losses	1,268	954
Net interest income after provision for loan losses	28,786	26,416
Noninterest income:		
Fees and service charges	2,910	2,901
Wealth management operations	1,680	1,657
Gain on sale of loans held-for-sale, net	1,609	1,212
Gain on sale of securities, net	826	606
Increase in cash value of bank owned life insurance	469	442
Gain/(loss) on sale of foreclosed real estate	100	(35)
Other	19	67
Total noninterest income	7,613	6,850
Noninterest expense:		
Compensation and benefits	13,979	13,147
Occupancy and equipment	3,634	3,520
Data processing	1,339	1,270
Marketing	517	548
Federal deposit insurance premiums	454	522
Statement and check processing	373	346
Professional services	365	356
Other	4,048	3,907
Total noninterest expense	24,709	23,616
Income before income tax expenses	11,690	9,650
Income tax expenses	2,548	1,798
Net income	$ 9,142	$ 7,852
Earnings per common share:		
Basic	$ 3.20	$ 2.75
Diluted	$ 3.20	$ 2.75
Dividends declared per common share	$ 1.11	$ 1.06

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Dollars in thousands)	Year Ended December 31, 2016	2015
Net income	$ 9,142	$ 7,852
Net change in net unrealized gains and losses on securities available-for-sale:		
Unrealized (losses)/gains arising during the period	(3,551)	323
Less: reclassification adjustment for gains included in net income	(826)	(606)
Net securities (loss)/gain during the period	(4,377)	(283)
Tax effect	1,493	105
Net of tax amount	(2,884)	(178)
Net change in unrealized gain on postretirement benefit:		
Net loss on post retirement benefit	-	(7)
Termination of plan	(28)	-
Amortization of net actuarial gain	-	4
Net loss during the period	(28)	(3)
Tax effect	-	(1)
Net of tax amount	(28)	(4)
Other comprehensive loss, net of tax	(2,912)	(182)
Comprehensive income, net of tax	$ 6,230	$ 7,670

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 (Loss)/Income*	*Retained Earnings*	*Total Equity*
Balance at January 1, 2015	$ 361	$ 4,062	$ 1,588	$ 70,154	$ 76,165
Comprehensive income:					
Net income	-	-	-	7,852	7,852
Net unrealized loss on securities available-for- sale, net of reclassification and tax effects	-	-	(178)	-	(178)
Change in unrealized loss on post retirement benefit, net of reclassification and tax effects	-	-	(4)	-	(4)
Comprehensive income					7,670
Stock-based compensation expense	-	96	-	-	96
Cash dividends, $1.06 per share	-	-	-	(3,022)	(3,022)
Balance at December 31, 2015	$ 361	$ 4,158	$ 1,406	$ 74,984	$ 80,909
Comprehensive income:					
Net income	-	-	-	9,142	9,142
Net unrealized loss on securities available-for- sale, net of reclassification and tax effects	-	-	(2,884)	-	(2,884)
Termination of plan	-	-	(28)	-	(28)
Comprehensive income					6,230
Stock-based compensation expense	-	142	-	-	142
Cash dividends, $1.11 per share	-	-	-	(3,173)	(3,173)
Balance at December 31, 2016	$ 361	$ 4,300	$ (1,506)	$ 80,953	$ 84,108

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in thousands)	Year ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,142	$ 7,852
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(58,338)	(45,987)
Sale of loans originated for sale	60,163	47,657
Depreciation and amortization, net of accretion	2,502	2,249
Deferred tax (benefit)/expense	125	(668)
Amortization of mortgage servicing rights	52	71
Stock based compensation expense	142	96
Gain on sale of securities, net	(826)	(606)
Gain on sale of loans held-for-sale, net	(1,609)	(1,212)
(Gain)/loss on sale of foreclosed real estate	(100)	35
Provision for loan losses	1,268	954
Net change in:		
Interest receivable	(86)	(273)
Other assets	(858)	(49)
Accrued expenses and other liabilities	(1,187)	(659)
Total adjustments	1,248	1,608
Net cash - operating activities	10,390	9,460
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and pay downs of securities available-for-sale	49,412	41,733
Proceeds from sales of securities available-for-sale	44,258	31,088
Purchase of securities available-for-sale	(98,633)	(77,997)
Net change in loans receivable	(14,070)	(56,709)
Proceeds from sale of Federal Home Loan Bank stock	-	1,055
Purchase of premises and equipment, net	(1,710)	(1,310)
Proceeds from sale of foreclosed real estate, net	820	775
Change in cash value of bank owned life insurance	(469)	(442)
Cash and cash equivalents from acquisition activity	-	16,996
Net cash - investing activities	(20,392)	(44,811)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	64,896	24,771
Proceeds from FHLB advances	11,000	11,000
Repayment of FHLB advances	(25,000)	(8,000)
Change in other borrowed funds	(4,175)	112
Dividends paid	(3,143)	(2,962)
Net cash - financing activities	43,578	24,921
Net change in cash and cash equivalents	33,576	(10,430)
Cash and cash equivalents at beginning of period	11,533	21,963
Cash and cash equivalents at end of period	$ 45,109	$ 11,533
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 2,349	$ 2,017
Income taxes	2,655	2,037
Acquisition activity:		
Fair value of assets acquired, including cash and cash equivalents	$ -	$ 56,837
Value of goodwill and other intangible assets	-	1,044
Fair value of liabilities assumed	-	57,881
Noncash activities:		
Transfers from loans to foreclosed real estate	$ 1,794	$ 654

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2016 and 2015

NOTE 1 – *Summary of Significant Accounting Policies*

Principles of Consolidation – The consolidated financial statements include NorthWest Indiana Bancorp (the "Bancorp"), its wholly-owned subsidiaries NWIN Risk Management, Inc. (a captive insurance subsidiary) and Peoples Bank SB (the "Bank"), and the Bank's wholly owned subsidiaries, Peoples Service Corporation, NWIN, LLC, NWIN Funding, Incorporated, and Columbia Development Company, LLC. The Bancorp's business activities include being a holding company for the Bank as well as a holding company for NWIN Risk Management, Inc. 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, fair values of foreclosed real estate, loan servicing rights, investment securities, deferred tax assets, goodwill, 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. At December 31, 2016 all of the Bancorp's securities are classified as available-for-sale. 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.

Troubled Debt Restructures – A troubled debt restructuring of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule. All modified loans are evaluated to determine whether the loan should be reported as a troubled debt restructure (TDR). A loan is a TDR when the Bancorp, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan under terms that the Bancorp would not otherwise consider. To make this determination, the Bancorp must determine whether (a) the borrower is experiencing financial difficulties and (b) the Bancorp granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Some of the factors considered by management when determining whether a borrower is experiencing financial difficulties are: (1) is the borrower currently in default on any of its debts, (2) has the borrower declared or is the borrower in the process of declaring bankruptcy, and (3) absent the current modification, the borrower would likely default.

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.

Goodwill and Intangibles – The Bancorp records the assets acquired, including identified intangible assets, and the liabilities assumed in acquisitions at their fair values. These fair values often involve estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques that may include estimates of attrition, inflation, asset growth rates or other relevant factors. In addition, the determination of the useful lives over which an intangible asset will be amortized is subjective. Under FASB ASC 350, goodwill and indefinite-lived assets recorded is reviewed for impairment on an annual basis, as well as on an interim basis if events or changes indicate that the asset might be impaired. An impairment loss is recognized for any excess of carrying value over fair value of the goodwill or the indefinite-lived intangible asset.

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.

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.

At December 31, 2016 and 2015, the Bancorp evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Bancorp believes that income tax filing positions will be sustained under examination and does not anticipate any adjustments that would result in a material adverse effect on the Bancorp's financial condition, results of operations, or cash flows. Accordingly, the Bancorp has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions at December 31, 2016 and 2015.

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 $765 thousand and $807 thousand was required to meet regulatory reserve and clearing requirements at December 31, 2016 and 2015, 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, 2015, may have been reclassified to conform to the December 31, 2016 presentation.

Trust Assets – Assets of the Bancorp's wealth management department, other than cash on deposit at the Bancorp, are not included in these consolidated financial statements because they are not assets of the Bancorp.

Acquisition Activity – On July 1, 2015, the Bank acquired Liberty Savings Bank, FSB ("Liberty"), a federally chartered mutual savings association based in Whiting, Indiana, with three branch offices in Lake County Indiana. The Bank acquired Liberty by merging Liberty with and into the Bank immediately following Liberty's voluntary supervisory conversion to stock form. The Bank did not issue or pay any shares, cash, or other consideration in the merger. The Liberty acquisition added assets with fair values of $57.3 million, including securities with a fair market value of $8.1 million, loans receivable with a fair market value of $28.0 million, and premises and equipment with a fair value of $1.3 million. The Liberty acquisition also added liabilities with a fair market value of $57.9 million, including deposits with a fair market value of $56.2 million and an accrued withdrawal liability for the defined benefit plan with a fair market value of $1.5 million. As a result of the differences in the fair value of assets and liabilities, goodwill of $804 thousand and intangible assets of $471 thousand were also added.

Adoption of New Accounting Pronouncements –

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Bancorp's year ending December 31, 2018. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Bancorp has not yet determined which application method it will use. Interest income is outside of the scope of the new standard and will not be impacted by the adoption of the standard. The Bancorp is still evaluating the impact of the new standard on its noninterest income.

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU covers various changes to the accounting, measurement, and disclosures related to certain financial instruments, including requiring equity investments to be accounted for at fair value with changes recorded through earnings, the use of the exit price when measuring fair value, and disaggregation of financial assets and liabilities by category for disclosure purposes. The new guidance will be effective for the Bancorp's year ending December 31, 2018. Early adoption is permitted as early as periods ending after December 31, 2017 with some additional options for early application. The Bancorp does not believe adopting the provisions of ASU No. 2016-01 in the future will have a material impact on the consolidated financial statements. The Bancorp has not yet quantified the impact of the change.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Lease*s, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Bancorp's year ending December 31, 2019 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Management does not believe the adoption of this update will have a material effect on the Bancorp’s consolidated financial statements.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments.* The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets including the Bancorp’s loans and available-for-sale and held-to-maturity debt securities. Each financial asset presented on the balance sheet would have a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current GAAP and instead, reflect an entity’s current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss guidance will be effective for the Bancorp's year ending December 31, 2020. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption for all institutions is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is in the process of evaluating the impact adoption of this update will have on the Bancorp’s consolidated financial statements.

NOTE 2 – *Securities*

The estimated 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)			
December 31, 2016	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market fund	$ 222	$ -	$ -	$ 222
U.S. government sponsored entities	16,643	-	(369)	16,274
Collateralized mortgage obligations and residential mortgage-backed securities	118,807	441	(1,273)	117,975
Municipal securities	95,242	2,146	(643)	96,745
Collateralized debt obligations	4,989	-	(2,580)	2,409
Total securities available-for-sale	$ 235,903	$ 2,587	$ (4,865)	$ 233,625

	(Dollars in thousands)			
December 31, 2015	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market fund	$ 525	$ -	$ -	$ 525
U.S. government sponsored entities	17,496	1	(66)	17,431
Collateralized mortgage obligations and residential mortgage-backed securities	118,628	1,021	(476)	119,173
Municipal securities	89,506	3,986	(5)	93,487
Collateralized debt obligations	5,096	-	(2,362)	2,734
Total securities available-for-sale	$ 231,251	$ 5,008	$ (2,909)	$ 233,350

The estimated fair value of available-for-sale securities and carrying amount, if different, at December 31, 2016 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, 2016	Estimated Fair Value	Tax-Equivalent Yield (%)
Due in one year or less	$ 413	7.13
Due from one to five years	15,805	3.80
Due from five to ten years	30,611	4.57
Due over ten years	68,821	4.44
Collateralized mortgage obligations and residential mortgage-backed securities	117,975	2.55
Total	$ 233,625	3.47

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

	(Dollars in thousands) December 31, 2016	(Dollars in thousands) December 31, 2015
Proceeds	$ 44,258	$ 31,088
Gross gains	926	608
Gross losses	(100)	(2)

The tax provisions related to these net realized gains were approximately $325 thousand for 2016 and $239 thousand for 2015.

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, 2015	$ 1,378
Current period change	(2,884)
Ending balance, December 31, 2016	$ (1,506)

Securities with carrying values of approximately $32.4 million and $31.1 million were pledged as of December 31, 2016 and 2015, respectively, as collateral for repurchase agreements, public funds, and for other purposes as permitted or required by law.

Securities with unrealized losses at December 31, 2016 and 2015 not recognized in income are as follows:

	(Dollars in thousands)					
	Less than 12 months		12 months or longer		Total	
December 31, 2016	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
U.S. government sponsored entities	$ 16,274	$ (369)	$ -	$ -	$ 16,274	$ (369)
Collateralized mortgage obligations and residential mortgage-backed securities	75,931	(1,183)	2,287	(90)	78,218	(1,273)
Municipal securities	20,775	(643)	-	-	20,775	(643)
Collateralized debt obligations	-	-	2,409	(2,580)	2,409	(2,580)
Total temporarily impaired	$ 112,980	$ (2,195)	$ 4,696	$ (2,670)	$ 117,676	$ (4,865)
Number of securities		97		6		103

	(Dollars in thousands)					
	Less than 12 months		12 months or longer		Total	
December 31, 2015	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
U.S. government sponsored entities	$ 9,429	$ (66)	$ -	$ -	$ 9,429	$ (66)
Collateralized mortgage obligations and residential mortgage-backed securities	39,386	(232)	8,045	(244)	47,431	(476)
Municipal securities	1,512	(5)	-	-	1,512	(5)
Collateralized debt obligations	-	-	2,734	(2,362)	2,734	(2,362)
Total temporarily impaired	$ 50,327	$ (303)	$ 10,779	$ (2,606)	$ 61,106	$ (2,909)
Number of securities		37		11		48

Unrealized losses on securities have not been recognized into income because the securities are of high credit quality, have undisrupted cash flows, or have been independently evaluated for other-than-temporary impairment and appropriate write downs taken. 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)	
	December 31, 2016	December 31, 2015
Loans secured by real estate:		
Residential real estate, including home equity	$ 205,979	$ 213,951
Commercial real estate, construction & land development, and other dwellings	270,092	259,478
Commercial participations purchased	369	310
Total loans secured by real estate	476,440	473,739
Consumer	522	535
Commercial business	77,513	68,813
Government	29,529	29,062
Subtotal	584,004	572,149
Less:		
Net deferred loan origination fees	(162)	(174)
Undisbursed loan funds	(192)	(77)
Loans receivable	$ 583,650	$ 571,898

(Dollars in thousands)	*Residential Real Estate, Including Home Equity*	*Consumer*	*Commercial Real Estate, Construction & Land Development, and Other Dwellings*	*Commercial Participations Purchased*	*Commercial Business*	*Government*	*Total*
The Bancorp's activity in the allowance for loan losses, by loan segment, is summarized below for the twelve months ended December 31, 2016:							
Allowance for loan losses:							
Beginning Balance	$ 1,711	$ 38	$ 4,422	$ 14	$ 698	$ 70	$ 6,953
Charge-offs	(529)	(33)	-	-	-	-	(562)
Recoveries	2	9	-	-	28	-	39
Provisions	1,226	20	(120)	(14)	170	(14)	1,268
Ending Balance	$ 2,410	$ 34	$ 4,302	$ -	$ 896	$ 56	$ 7,698
The Bancorp's activity in the allowance for loan losses, by loan segment, is summarized below for the twelve months ended December 31, 2015:							
Allowance for loan losses:							
Beginning Balance	$ 1,878	$ 17	$ 3,645	$ 13	$ 733	$ 75	$ 6,361
Charge-offs	(239)	(30)	(59)	-	(77)	-	(405)
Recoveries	9	2	22	-	10	-	43
Provisions	63	49	814	1	32	(5)	954
Ending Balance	$ 1,711	$ 38	$ 4,422	$ 14	$ 698	$ 70	$ 6,953

(Dollars in thousands)	*Residential Real Estate, Including Home Equity*	*Consumer*	*Commercial Real Estate, Construction & Land Development, and Other Dwellings*	*Commercial Participations Purchased*	*Commercial Business*	*Government*	*Total*
The Bancorp's allowance for loan losses impairment evaluation and loan receivables are summarized below at December 31, 2016:							
Ending balance: individually evaluated for impairment	$ 879	$ -	$ 3	$ -	$ 354	$ -	$ 1,236
Ending balance: collectively evaluated for impairment	$ 1,531	$ 34	$ 4,299	$ -	$ 542	$ 56	$ 6,462
LOAN RECEIVABLES Ending balance	$ 205,837	$ 524	$ 270,092	$ 369	$ 77,299	$ 29,529	$ 583,650
Ending balance: individually evaluated for impairment	$ 1,419	$ -	$ 374	$ 82	$ 687	$ -	$ 2,562
Ending balance: purchased credit impaired individually evaluated for impairment	$ 956	$ -	$ -	$ -	$ -	$ -	$ 956
Ending balance: collectively evaluated for impairment	$ 203,462	$ 524	$ 269,718	$ 287	$ 76,612	$ 29,529	$ 580,132
The Bancorp's allowance for loan losses impairment evaluation and loan receivables are summarized below at December 31, 2015:							
Ending balance: individually evaluated for impairment	$ 149	$ -	$ 171	$ 14	$ 22	$ -	$ 356
Ending balance: collectively evaluated for impairment	$ 1,562	$ 38	$ 4,251	$ -	$ 676	$ 70	$ 6,597
LOAN RECEIVABLES Ending balance	$ 213,755	$ 535	$ 259,479	$ 310	$ 68,757	$ 29,062	$ 571,898
Ending balance: individually evaluated for impairment	$ 227	$ -	$ 5,298	$ 92	$ 96	$ -	$ 5,713
Ending balance: purchased credit impaired individually evaluated for impairment	$ 1,691	$ -	$ -	$ -	$ -	$ -	$ 1,691
Ending balance: collectively evaluated for impairment	$ 211,837	$ 535	$ 254,181	$ 218	$ 68,661	$ 29,062	$ 564,494

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 – Above average acceptable risk
Borrower generates sufficient cash flow to fund debt service and some working assets and/or capital expansion needs. Profitability and key balance sheet ratios are at or slightly above peers. Current trends are positive or stable. Earnings may be level or trending down slightly or be erratic; however, positive strengths are offsetting. Risk of default is reasonable but may warrant collateral protection.

4 – 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.

5 – Marginally acceptable risk
Borrower may exhibit excessive growth, declining earnings, strained cash flow, increasing leverage and/or weakening market position that indicate above average risk. Limited additional debt capacity, modest coverage, and average or below average asset quality, margins and market share. Interim losses and/or adverse trends may occur, but not to the level that would affect the Bank’s position. The potential for default is higher than normal but considered marginally acceptable based on prospects for improving financial performance and the strength of the collateral.

6 – 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.

7 – 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.

8 – 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.

9 – 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 approximately less than ninety days past due on payments of interest and principal.

The Bancorp's credit quality indicators are summarized below at December 31, 2016 and December 31, 2015:

(Dollars in thousands)

Corporate Credit Exposure - Credit Risk Portfolio By Creditworthiness Category

Loan Grades	Commercial Real Estate, Construction & Land Development, and Other Dwellings 2016	Commercial Real Estate, Construction & Land Development, and Other Dwellings 2015	Commercial Participations Purchased 2016	Commercial Participations Purchased 2015	Commercial Business 2016	Commercial Business 2015	Government 2016	Government 2015
2 Moderate risk	$ 248	$ 270	$ -	$ -	$ 6,315	$ 6,526	$ -	$ -
3 Above average acceptable risk	3,147	7,136	-	-	15,043	4,313	955	-
4 Acceptable risk	121,583	129,353	188	199	24,754	31,735	25,474	29,062
5 Marginally acceptable risk	100,615	74,342	83	-	18,787	12,225	3,100	-
6 Pass/monitor	38,326	38,337	16	19	10,653	11,774	-	-
7 Special mention (watch)	5,799	4,707	-	-	533	601	-	-
8 Substandard	374	5,334	82	92	1,214	1,583	-	-
Total	$ 270,092	$ 259,479	$ 369	$ 310	$ 77,299	$ 68,757	$ 29,529	$ 29,062

(Dollars in thousands)

Consumer Credit Exposure - Credit Risk Profile Based On Payment Activity

	Residential Real Estate, Including Home Equity 2016	Residential Real Estate, Including Home Equity 2015	Consumer 2016	Consumer 2015
Performing	$ 200,446	$ 209,583	$ 524	$ 535
Non-performing	5,021	4,549	-	-
Total	$ 205,837	$ 213,755	$ 524	$ 535

A single borrower with seventeen investor owned residential real estate properties in the amount of $2.0 million was modified as a troubled debt restructuring during the second quarter of 2016. This borrower subsequently defaulted during the fourth quarter of 2016. No troubled debt restructurings subsequently defaulted during the fourth quarter of 2015. 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.

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

(Dollars in thousands)	As of December 31, 2016 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the twelve months ended December 31, 2016 Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential real estate, including home equity	$ 1,309	$ 3,293	$ -	$ 2,582	$ 120
Commercial real estate, construction & land development, and other dwellings	356	356	-	1,256	-
Commercial participations purchased	82	82	-	16	6
Commercial business	212	212	-	168	4
With an allowance recorded:					
Residential real estate, including home equity	1,066	1,066	879	348	6
Commercial real estate, construction & land development, and other dwellings	18	18	3	18	-
Commercial participations purchased	-	-	-	71	-
Commercial business	475	475	354	324	1
Total:					
Residential real estate, including home equity	$ 2,375	$ 4,359	$ 879	$ 2,930	$ 126
Commercial real estate, construction & land development, and other dwellings	$ 374	$ 374	$ 3	$ 1,274	$ -
Commercial participations purchased	$ 82	$ 82	$ -	$ 87	$ 6
Commercial business	$ 687	$ 687	$ 354	$ 492	$ 5

(Dollars in thousands)	As of December 31, 2015 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the twelve months ended December 31, 2015 Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential real estate, including home equity	$ 1,741	$ 4,737	$ -	$ 1,327	$ 3
Commercial real estate, construction & land development, and other dwellings	5,075	5,075	-	5,040	8
Commercial participations purchased	-	-	-	-	-
Commercial business	74	74	-	80	-
With an allowance recorded:					
Residential real estate, including home equity	177	177	149	185	-
Commercial real estate, construction & land development, and other dwellings	223	223	171	69	-
Commercial participations purchased	92	92	14	96	-
Commercial business	22	22	22	23	-
Total:					
Residential real estate, including home equity	$ 1,918	$ 4,914	$ 149	$ 1,512	$ 3
Commercial real estate, construction & land development, and other dwellings	$ 5,298	$ 5,298	$ 171	$ 5,109	$ 8
Commercial participations purchased	$ 92	$ 92	$ 14	$ 96	$ -
Commercial business	$ 96	$ 96	$ 22	$ 103	$ -

As a result of acquisition activity, the Bancorp acquired loans for which there was evidence of credit quality deterioration since origination and it was determined that it was probable that the Bancorp would be unable to collect all contractually required principal and interest payments. At December 31, 2016, purchased credit impaired loans with unpaid principal balances totaled $2.9 million with a recorded investment of $956 thousand. At December 31, 2015, purchased credit impaired loans with unpaid principal balances totaled $4.0 million with a recorded investment of $1.7 million.

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, 2016							
Residential real estate, including home equity	$ 3,974	$ 1,775	$ 4,024	$ 9,773	$ 196,064	$ 205,837	$ 500
Consumer	-	-	-	-	524	524	-
Commercial real estate, construction & land development, and other dwellings	396	189	374	959	269,133	270,092	-
Commercial participations purchased	-	-	82	82	287	369	-
Commercial business	171	217	466	854	76,445	77,299	-
Government	-	-	-	-	29,529	29,529	-
Total	$ 4,541	$ 2,181	$ 4,946	$ 11,668	$ 571,982	$ 583,650	$ 500
December 31, 2015							
Residential real estate, including home equity	$ 5,559	$ 2,430	$ 3,055	$ 11,044	$ 202,711	$ 213,755	$ 377
Consumer	-	-	-	-	535	535	-
Commercial real estate, construction & land development, and other dwellings	-	211	710	921	258,558	259,479	-
Commercial participations purchased	-	-	92	92	218	310	-
Commercial business	67	177	22	266	68,491	68,757	-
Government	-	-	-	-	29,062	29,062	-
Total	$ 5,626	$ 2,818	$ 3,879	$ 12,323	$ 559,575	$ 571,898	$ 377

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

	(Dollars in thousands) December 31, 2016	December 31, 2015
Residential real estate, including home equity	$ 4,521	$ 4,172
Consumer	-	-
Commercial real estate, construction & land development, and other dwellings	374	915
Commercial participations purchased	82	92
Commercial business	628	22
Government	-	-
Total	$ 5,605	$ 5,201

Note 4 – *Premises and Equipment, Net*

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

	(Dollars in thousands) 2016	2015
Cost:		
Land	$ 5,216	$ 5,216
Buildings and improvements	22,854	21,712
Furniture and equipment	14,267	13,929
Total cost	42,337	40,857
Less accumulated depreciation	(23,050)	(21,915)
Premises and equipment, net	$ 19,287	$ 18,942

Depreciation expense was approximately $1.35 million and $1.39 million for 2016 and 2015, respectively.

Note 5 – *Foreclosed Real Estate*

At year end, foreclosed real estate is summarized below:

	(Dollars in thousands) 2016	2015
Residential real estate, including home equity	$ 1,810	$ 496
Commercial real estate, construction & land development and other dwellings	855	1,014
Commercial business	-	80
Total	$ 2,665	$ 1,590

Note 6 – Goodwill and Other Intangible Assets

The Bancorp established a goodwill balance totaling $2.8 million with the acquisitions of First Federal and Liberty Savings. Goodwill of $2.0 million was established with the acquisition of First Federal and goodwill of $804 thousand was established with the acquisition of Liberty Savings. Goodwill is tested annually for impairment. Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. The Bancorp's goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of the Bancorp to provide quality, cost effective banking services in a competitive marketplace. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. There has not been any impairment of goodwill identified or recorded. During the first quarter of 2015, estimates of fair values related to a pool of loans with a single borrower from First Federal were determined to be lower than originally estimated. This change, net of related estimated adjustments, led to the addition of $377 thousand to goodwill and $423 thousand to purchased credit impaired loan balances during the period ended March 31, 2015. During the second quarter of 2016, original estimates related to Liberty goodwill components were adjusted. Estimates of fair values related to a pool of purchased loans were determined to be lower than originally estimated, which led to the addition of $178 thousand to goodwill. Fixed asset valuations were also determined to be higher than originally estimated, which led to a reduction of $109 thousand to goodwill. Also, the valuation of the accrued withdrawal liability for the defined benefit plan was determined to be higher than originally estimated leading to the addition of $162 thousand to goodwill. Goodwill totaled $2.8 million at December 31, 2016 compared to $2.6 million at December 31, 2015.

In addition to goodwill, a core deposit intangible of $93 thousand for the acquisition of First Federal was established and is being amortized over 7.9 years on a straight line basis. Approximately $12 thousand of amortization was taken during the years ended December 31, 2016 and December 31, 2015. It is estimated that $12 thousand of additional amortization will occur annually from 2017 through 2021, and the remaining amount will be amortized through to the first quarter of 2022. A core deposit intangible of $471 thousand for the acquisition of Liberty Savings was established and is being amortized over 8.2 years on a straight line basis. Approximately $58 thousand of amortization was taken during the year ended December 31, 2016 compared to $29 thousand during the year ended December 31, 2015. It is estimated that $58 thousand of additional amortization will occur annually from 2017 to 2022, and the remaining amount will be amortized through to the third quarter of 2023.

For the First Federal acquisition, as part of the fair value of loans receivable, a net fair value discount was established for residential real estate, including home equity lines of credit, of $1.1 million that is being accreted over 55 months on a straight line basis. Approximately $217 thousand of accretion was taken into income for the year ended December 31, 2016, compared to $240 thousand for the year ended December 31, 2015. It is estimated that $168 thousand of accretion will occur in 2017, and accretion of $140 thousand will occur during 2018. Similarly, for the Liberty Savings acquisition, as part of the fair value of loans receivable, a net fair value discount was established for residential real estate, including home equity lines of credit, of $1.2 million that is being accreted over 44 months on a straight line basis. Approximately $389 thousand of accretion was taken into income for the year ended December 31, 2016, compared to $159 thousand of accretion was taken into income for the year ended December 31, 2015. It is estimated that $284 thousand of accretion will occur annually through to 2018, and accretion of $47 thousand will occur during 2019.

For the First Federal acquisition, as part of the fair value of certificates of deposit, a fair value premium was established of $276 thousand that was amortized over 17 months on a straight line basis. No amortization was taken as expense during the year ended December 31, 2016, compared to $126 thousand of amortization expense during the year ended December 31, 2015. For the Liberty Savings acquisition, as part of the fair value of certificates of deposit, a fair value premium was established of $124 thousand that was amortized over 17 months on a straight line basis. Approximately $80 thousand of amortization was taken as expense during the year ended December 31, 2016, compared to $44 thousand of amortization taken as expense during the year ended December 31, 2015. No additional amortization expense will occur during 2017.

Note 7 – *Income Taxes*

At year-end, components of income tax expense/(benefit) consist of the following:

	(Dollars in thousands) 2016	2015
Federal:		
Current	$ 2,343	$ 2,387
Deferred	(129)	(527)
State:		
Current	80	79
Deferred, net of valuation allowance	254	82
Removal of valuation allowance on state NOL, net	-	(223)
Income tax expense	$ 2,548	$ 1,798

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

	(Dollars in thousands) 2016	2015
Federal statutory rate	34%	34%
Tax expense at statutory rate	$ 3,975	$ 3,281
State tax, net of federal effect	220	106
Tax exempt income	(1,318)	(1,271)
Bank owned life insurance	(160)	(150)
Captive insurance	(179)	
Removal of valuation allowance on state NOL, net	-	(223)
Other	10	55
Total income tax expense	$ 2,548	$ 1,798

At December 31, the components of the net deferred tax asset recorded in the consolidated balance sheets are as follows:

	(Dollars in thousands) 2016	2015
Deferred tax assets:		
Bad debts	$ 2,872	$ 2,591
Deferred loan fees	60	65
Deferred compensation	503	498
Unrealized depreciation on securities available-for-sale, net	771	-
Net operating loss, state	294	449
Tax credits	98	91
Nonaccrual loan interest income	109	53
Share based compensation	126	39
REO writedowns	-	12
Unqualified deferred compensation plan	74	70
Post retirement benefit	-	47
Other-than-temporary impairment	92	92
Accrued vacation	129	116
Impairment on land	71	71
Purchase accounting	-	21
Other	29	28
Total deferred tax assets	5,228	4,243
Deferred tax liabilities:		
Depreciation	(850)	(901)
Prepaids	(346)	(133)
Mortgage servicing rights	(51)	(60)
Deferred stock dividends	(97)	(97)
Unrealized appreciation on securities available-for-sale, net	-	(722)
Post retirement unrealized gain	-	(20)
Purchase accounting	(88)	-
Other	(181)	(90)
Total deferred tax liabilities	(1,613)	(2,023)
Valuation allowance	(98)	(91)
Net deferred tax asset	$ 3,517	$ 2,129

At December 31, 2016, the Bancorp has a state net operating loss carry forward of approximately $6.9 million which will begin to expire in 2024 if not used. The Bancorp also has a state tax credit carry forward of approximately $148 thousand which will begin to expire in 2017 if not used. Management concluded in 2015 that the state net operating loss will be fully utilized and reversed the portion of the valuation allowance that was in place on the state net operating loss. A valuation allowance remains in place on the state tax credit carryforward. A valuation allowance of $98 thousand and $91 thousand was provided at December 31, 2016 and December 31, 2015, respectively, for the state tax credits.

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, 2016 and 2015 includes, approximately $6.0 million 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 $2.0 million at December 31, 2016 and 2015.

The Bancorp had no unrecognized tax benefits at any time during 2016 or 2015 and does not anticipate any significant increase or decrease in unrecognized tax benefits during 2017. 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 2016 or 2015.

The Bancorp and its subsidiaries are subject to US Federal income tax as well as income tax of the states of Indiana and Illinois.

Note 8 – *Deposits*

The aggregate amount of certificates of deposit with a balance of $250 thousand or more was approximately $24.8 million at December 31, 2016 and $26.1 million at December 31, 2015.

At December 31, 2016, scheduled maturities of certificates of deposit were as follows:

	(Dollars in thousands)
2017	$ 137,769
2018	34,043
2019	7,677
2020	5,961
2021	143
Thereafter	71
Total	$ 185,664

Note 9 – *Borrowed Funds*

At year end, borrowed funds are summarized below:

	(Dollars in thousands) 2016	2015
Fixed rate advances from the FHLB	$ 25,100	$ 34,100
Variable rate advances from the FHLB	-	5,000
Line of credit at FHLB	28	-
Other	700	393
Total	$ 25,828	$ 39,493

At December 31, 2016, scheduled maturities of borrowed funds were as follows:

	(Dollars in thousands)
2017	$ 12,728
2018	6,100
2019	5,000
2020	2,000
Total	$ 25,828

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 December 31, information concerning these retail repurchase agreements is summarized below:

	(Dollars in thousands) 2016	2015
Ending balance	$ 13,998	$ 18,508
Average balance during the year	17,755	18,003
Maximum month-end balance during the year	23,308	22,020
Securities underlying the agreements at year end:		
Carrying value	23,571	23,479
Fair value	23,571	23,479
Average interest rate during the year	0.55%	0.38%
Average interest rate at year end	0.56%	0.45%

At December 31, advances from the Federal Home Loan Bank were as follows:

	(Dollars in thousands) 2016	2015
Fixed rate advances, maturing January 2017 through June 2020 at rates from 0.97% to 2.11%; average rate: 2016 – 1.40%; 2015 – 1.29%	$ 25,100	$ 34,100
Variable rate advances, matured May 2016 average rate: 2016 and 2015 – 0.62%	-	5,000

Fixed rate advances are payable at maturity, with a prepayment penalty. The advances were collateralized by mortgage loans with a carrying value totaling approximately $242.7 million and $231.9 million at December 31, 2016 and 2015, respectively. In addition to the fixed rate advances, the Bancorp maintains a $10.0 million line of credit with the Federal Home Loan Bank of Indianapolis. There was a $28 thousand balance on the line of credit at December 31, 2016 compared to no outstanding balance on the line of credit at December 31, 2015. Other borrowings at December 31, 2016 and 2015 are comprised of reclassified bank balances.

Note 10 – *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, attaining 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 years ended December 31, 2016 were based on 9% of the participants' total compensation, excluding incentives, as compared to 8% for 2015. Profit sharing contributions made by the Bank and earnings credited to the employee's account vest on the following schedule: two years of service, 40% of contributions and earnings; three years of service, 60% of contributions and earnings; four years of service, 80% of contributions and earnings; and five years of service, 100% of contributions and earnings. Participants also become 100% vested in the employer contributions and accrued earnings in their account upon their death, approved disability, or attainment of age 65 while employed at the Bank. The benefit plan expense amounted to approximately $843 thousand for 2016 and $705 thousand for 2015.

The Bancorp maintains an Unqualified Deferred Compensation Plan (the “UDC Plan”). The purpose of the UDC 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 UDC 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, 2016 and 2015 was approximately $200 thousand and $188 thousand, respectively. The UDC Plan expense amounted to approximately $13 thousand for 2016 and $17 thousand for 2015.

Directors have deferred some of their fees in consideration of future payments. Fee deferrals, including interest, totaled approximately $72 thousand and $97 thousand for 2016 and 2015, respectively. The deferred fee liability at December 31, 2016 and 2015 was approximately $1.4 million and $1.3 million, respectively.

As part of the acquisition of Liberty Savings Bank, the Bancorp assumed a liability of $1.5 million in the Pentegra Defined Benefit Plan for Financial institutions (“The Pentegra DB Plan”), a multi-employer plan. During 2016 the Bancorp exited the Pentegra DB Plan and settled all related liabilities. Details relating to what affect this had on goodwill can be found in Note 6 - Goodwill and Other Intangible Assets. At December 31, 2016, the Bank has no remaining liabilities related to the Pentegra DB Plan.

Note 11 – *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, 2016 and 2015, 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:

(Dollars in millions)	*Actual*		*Minimum Required For Capital Adequacy Purposes*		*Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations*	
At December 31, 2016	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Common equity tier 1 capital to risk-weighted assets	$ 82.4	13.1%	$ 28.3	4.5%	$ 40.9	6.5%
Tier 1 capital to risk-weighted assets	$ 82.4	13.1%	$ 37.8	6.0%	$ 50.4	8.0%
Total capital to risk-weighted assets	$ 90.1	14.3%	$ 50.4	8.0%	$ 63.0	10.0%
Tier 1 capital to adjusted average assets	$ 82.4	9.2%	$ 36.0	4.0%	$ 45.0	5.0%

(Dollars in millions)	*Actual*		*Minimum Required For Capital Adequacy Purposes*		*Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations*	
At December 31, 2015	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Common equity tier 1 capital to risk-weighted assets	$ 76.0	12.4%	$ 27.6	4.5%	$ 39.9	6.5%
Tier 1 capital to risk-weighted assets	$ 76.0	12.4%	$ 36.8	6.0%	$ 49.1	8.0%
Total capital to risk-weighted assets	$ 83.0	13.5%	$ 49.1	8.0%	$ 61.3	10.0%
Tier 1 capital to adjusted average assets	$ 76.0	9.0%	$ 33.9	4.0%	$ 42.3	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) 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 2017, without the need for qualifying for an exemption or prior DFI approval, is $10.2 million plus 2017 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 December 30, 2016 the Board of Directors of the Bancorp declared a fourth quarter dividend of $0.28 per share. The Bancorp's fourth quarter dividend was paid to shareholders on January 10, 2017.

Note 12 – ***Stock Based Compensation***

The Bancorp's 2015 Stock Option and Incentive Plan (the "Incentive Plan"), which was adopted by the Bancorp's Board of Directors on February 17, 2015 and approved by the Bancorp's shareholders on April 24, 2015, permits the grant of equity awards for up to 250,000 shares of common stock. Awards granted under the Incentive Plan may be in the form of incentive stock options, non-qualified stock options, restricted stock, unrestricted stock, performance shares, or performance units. The purposes of the Plan are (i) to align the personal interests of plan participants with those of the shareholders of the Bancorp, (ii) to encourage key individuals to accept or continue employment or service with the Bancorp and its subsidiaries, and (iii) to furnish incentives to such key individuals to improve operations and increase profits by providing such key individuals the opportunity to acquire common stock of the Bancorp or to receive monetary payments based on the value of such common stock. 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. No expense was charged against income for incentive stock options during 2016 or 2015.

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 2016 or 2015. The Bancorp 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 2016 and 2015 follows:

	Shares	*Weighted Average Exercise Price*	*Weighted Average Remaining Contractual Term (Years)*	*Aggregate Intrinsic Value*
Outstanding at January 1, 2015	750	$ 28.50		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at end of year	750	$ 28.50	2.2	$ -
Vested or expected to vest	750	$ 28.50	2.2	$ -
Exercisable at December 31, 2015	750	$ 28.50	2.2	$ -
Outstanding at January 1, 2016	750	$ 28.50		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	(250)	28.50		
Outstanding at end of year	500	$ 28.50	1.2	$ 5,175
Vested or expected to vest	500	$ 28.50	1.2	$ 5,175
Exercisable at December 31, 2016	500	$ 28.50	1.2	$ 5,175

As of December 31, 2016, there were no unrecognized compensation costs related to non-vested incentive stock options granted under the Incentive 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 is recognized over the vesting period. Total compensation cost that has been charged against income for those plans was approximately $142 thousand and $96 thousand for 2016 and 2015, respectively.

A summary of changes in the Bancorp's non-vested restricted stock for 2016 and 2015 follows:

Non-vested Shares	*Shares*	*Weighted Average Grant Date Fair Value*
Non-vested at January 1, 2015	12,775	$ 23.63
Granted	7,250	27.50
Vested	(300)	16.75
Forefited	-	-
Non-vested at December 31, 2015	19,725	$ 25.15
Non-vested at January 1, 2016	19,725	$ 25.15
Granted	8,740	30.10
Vested	-	-
Forefited	-	-
Non-vested at December 31, 2016	28,465	$ 26.67

As of December 31, 2016, there was approximately $437 thousand of total unrecognized compensation cost related to non-vested restricted shares granted under the Incentive Plan. The cost is expected to be recognized over a weighted-average period of 2.8 years.

Note 13 – *Earnings per Common Share*

Earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding. A reconciliation of the numerators and denominators of the basic earnings per common share and diluted earnings per common share computations for 2016 and 2015 is presented below.

	2016	*2015*
Basic earnings per common share:		
Net income available to common stockholders	$ 9,141,725	$ 7,852,142
Weighted-average common shares outstanding	2,858,556	2,850,801
Basic earnings per common share	$ 3.20	$ 2.75
Diluted earnings per common share:		
Net income available to common stockholders	$ 9,141,725	$ 7,852,142
Weighted-average common shares outstanding	2,858,556	2,850,801
Weighted-average common and dilutive potential common shares outstanding	2,858,601	2,850,801
Diluted earnings per common share	$ 3.20	$ 2.75

There were 500 dilutive shares outstanding at December 31, 2016 and 750 anti-dilutive shares outstanding at December 31, 2015.

Note 14 – *Related Party Transactions*

The Bancorp had aggregate loans outstanding to directors and executive officers (with individual balances exceeding $120 thousand) of approximately $3.7 million at December 31, 2016 and approximately $4.3 million at December 31, 2015. For the year ended December 31, 2016, the following activity occurred on these loans:

	(Dollars in thousands)
Aggregate balance at the beginning of the year	$ 4,299
New loans	669
Repayments	(1,277)
Aggregate balance at the end of the year	$ 3,691

Deposits from directors and executive officers totaled approximately $4.1 million and $2.8 million at December 31, 2016 and 2015, respectively.

Note 15 – *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, 2016:			
Residential real estate, including home equity	$ 32,147	$ 10,715	$ 42,862
Consumer loans	15,332	-	15,332
Commercial real estate, construction & land development and other dwellings	7,263	13,084	20,347
Commercial participations purchased	83	917	1,000
Commercial business	1,005	41,474	42,479
Total	$ 55,830	$ 66,190	$ 122,020
December 31, 2015:			
Residential real estate, including home equity	$ 21,638	$ 6,590	$ 28,228
Consumer loans	11,796	-	11,796
Commercial real estate, construction & land development and other dwellings	12,619	18,170	30,789
Commercial participations purchased	83	-	83
Commercial business	1,095	39,613	40,708
Total	$ 47,231	$ 64,373	$ 111,604

The approximately $55.8 million in fixed rate commitments outstanding at December 31, 2016 had interest rates ranging from 2.99% to 10.00%, for a period not to exceed forty-five days. At December 31, 2015, fixed rate commitments outstanding of approximately $47.2 million had interest rates ranging from 2.75% to 10.00%, for a period not to exceed forty-five days. Mortgage interest rate locks with borrowers which are included with 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, 2016 and 2015, the Bancorp had standby letters of credit totaling approximately $7.8 million and $8.4 million, 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 16 – *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 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. 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.

The Bancorp's management utilizes a specialist to perform an other-than-temporary impairment analysis for each of its four pooled trust preferred securities. The analysis is performed semiannually on June 30 and December 31 and 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 semi-annual 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 current 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, 2016 and 2015.

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, 2015	$ 271
Additions not previously recognized	-
Ending balance, December 31, 2016	$ 271

The following table contains information regarding the Bancorp's pooled trust preferred securities as of December 31, 2016:

Cusip	74043CAC1	74042TAJ0	01449TAB9	01450NAC6
Deal name	PreTSL XXIV	PreTSL XXVII	Alesco IX	Alesco XVII
Class	B-1	C-1	A-2A	B
Lowest credit rating assigned	CC	CC	BB	CCC
Number of performing banks	60	33	61	51
Number of performing insurance companies	13	7	10	n/a
Number of issuers in default	17	7	2	4
Number of issuers in deferral	3	2	3	1
Defaults & deferrals as a % of performing collateral	29.67%	20.06%	4.38%	8.11%
Subordination:				
As a % of performing collateral	21.67%	8.35%	52.45%	35.58%
As a % of performing collateral - adjusted for projected future defaults	16.93%	1.24%	49.09%	31.69%
Other-than-temporary impairment model assumptions:				
Defaults:				
Year 1 - issuer average	1.90%	2.40%	2.20%	1.90%
Year 2 - issuer average	1.90%	2.40%	2.20%	1.90%
Year 3 - issuer average	1.90%	2.40%	2.20%	1.90%
> 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, 2016 and 2015, 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, 2016 and 2015, three of the trust preferred securities with a cost basis of $3.7 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.

Assets and Liabilities Measured at Fair Values on a Recurring Basis

There were no transfers to or from Levels 1 and 2 during the year ended December 31, 2016. Changes in Level 3 assets are solely the result of changes in estimated fair values of securities that have been classified as level 3 during all of 2016 and 2015. Assets measured at fair value on a recurring basis are summarized below:

		(Dollars in thousands) Fair Value Measurements at December 31, 2016 Using		
(Dollars in thousands)	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale debt securities:				
Money market fund	$ 222	$ 222	$ -	$ -
U.S. government sponsored entities	16,274	-	16,274	-
Collateralized mortgage obligations and residential mortgage-backed securities	117,975	-	117,975	-
Municipal securities	96,745	-	96,745	-
Collateralized debt obligations	2,409	-	-	2,409
Total securities available-for-sale	$ 233,625	$ 222	$ 230,994	$ 2,409

		(Dollars in thousands) Fair Value Measurements at December 31, 2015 Using		
(Dollars in thousands)	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale debt securities:				
Money market fund	$ 525	$ 525	$ -	$ -
U.S. government sponsored entities	17,431	-	17,431	-
Collateralized mortgage obligations and residential mortgage-backed securities	119,173	-	119,173	-
Municipal securities	93,487	-	93,487	-
Collateralized debt obligations	2,734	-	-	2,734
Total securities available-for-sale	$ 233,350	$ 525	$ 230,091	$ 2,734

A reconciliation of available-for-sale securities, which require significant adjustment based on unobservable data, is presented below:

		(Dollars in thousands) *Estimated Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*
		Available-for-sale securities
Beginning balance, January 1, 2015	$	2,432
Principal payments		(44)
Total unrealized gains, included in other comprehensive income		346
Transfers in and/or (out) of Level 3		-
Ending balance, December 31, 2015	$	2,734
Beginning balance, January 1, 2016	$	2,734
Principal payments		(107)
Total unrealized losses, included in other comprehensive income		(218)
Transfers in and/or (out) of Level 3		-
Ending balance, December 31, 2016	$	2,409

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

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

			(Dollars in thousands) Fair Value Measurements at December 31, 2016 Using					
(Dollars in thousands)		Estimated Fair Value		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Impaired loans	$	2,282	$	-	$	-	$	2,282
Foreclosed real estate		2,665		-		-		2,665

			(Dollars in thousands) Fair Value Measurements at December 31, 2015 Using					
(Dollars in thousands)		Estimated Fair Value		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Impaired loans	$	7,048	$	-	$	-	$	7,048
Foreclosed real estate		1,590		-		-		1,590

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 recorded investment of impaired loans was approximately $3.5 million and the related specific reserves totaled approximately $1.2 million, resulting in a fair value of impaired loans totaling approximately $2.3 million, at December 31, 2016. The recorded investment of impaired loans was approximately $7.4 million and the related specific reserves totaled approximately $356 thousand, resulting in a fair value of impaired loans totaling approximately $7.0 million, at December 31, 2015. 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 to this presentation.

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.

	December 31, 2016		Estimated Fair Value Measurements at December 31, 2016 Using		
(Dollars in thousands)	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	$ 45,109	$ 45,109	$ 45,109	$ -	$ -
Securities available-for-sale	233,625	233,625	222	230,994	2,409
Loans held-for-sale	2,193	2,242	2,242	-	-
Loans receivable, net	575,952	568,855	-	-	568,855
Federal Home Loan Bank stock	3,000	3,000	-	3,000	-
Accrued interest receivable	3,086	3,086	-	3,086	-
Financial liabilities:					
Non-interest bearing deposits	111,800	111,800	111,800	-	-
Interest bearing deposits	667,971	667,227	482,307	184,920	-
Repurchase agreements	13,998	13,995	11,439	2,556	-
Borrowed funds	25,828	25,840	700	25,140	-
Accrued interest payable	41	41	-	41	-

	December 31, 2015		Estimated Fair Value Measurements at December 31, 2015 Using		
(Dollars in thousands)	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	$ 11,533	$ 11,533	$ 11,533	$ -	$ -
Securities available-for-sale	233,350	233,350	525	230,091	2,734
Loans held-for-sale	2,435	2,504	2,504	-	-
Loans receivable, net	564,945	561,122	-	-	561,122
Federal Home Loan Bank stock	3,000	3,000	-	3,000	-
Accrued interest receivable	3,000	3,000	-	3,000	-
Financial liabilities:					
Non-interest bearing deposits	100,031	100,031	100,031	-	-
Interest bearing deposits	614,844	614,226	420,354	193,872	-
Repurchase agreements	18,508	18,476	13,628	4,848	-
Borrowed funds	39,493	39,504	393	39,111	-
Accrued interest payable	45	45	-	45	-

The following methods were used to estimate the fair value of financial instruments presented in the preceding table for the periods ended December 31, 2016 and 2015:

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 values of accrued interest receivable and payable approximate 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 for 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 17 – *Parent Company Only Statements*

(Dollars in thousands) NorthWest Indiana Bancorp Condensed Balance Sheets December 31,		
	2016	*2015*
Assets		
Cash on deposit with Peoples Bank	$ 57	$ 741
Investment in Peoples Bank	82,875	80,551
Investment in NWIN Risk Management, Inc.	775	-
Dividends receivable from Peoples Bank	800	770
Other assets	775	150
Total assets	$ 85,282	$ 82,212
Liabilities and stockholders' equity		
Dividends payable	$ 800	$ 770
Other liabilities	374	533
Total liabilities	1,174	1,303
Common stock	361	361
Additional paid in capital	4,300	4,158
Accumulated other comprehensive income	(1,506)	1,406
Retained earnings	80,953	74,984
Total stockholders' equity	84,108	80,909
Total liabilities and stockholders' equity	$ 85,282	$ 82,212

(Dollars in thousands) NorthWest Indiana Bancorp Condensed Statements of Income Year Ended December 31,		
	2016	*2015*
Dividends from Peoples Bank	$ 3,520	$ 3,021
Operating expenses	194	151
Income before income taxes and equity in undistributed income of Peoples Bank	3,326	2,870
Income tax benefit	(54)	(29)
Income before equity in undistributed income of Peoples Bank	3,380	2,899
Equity in undistributed		
Income of Peoples Bank	5,237	4,953
Income of NWIN Risk Management, Inc.	525	-
Net income	$ 9,142	$ 7,852

(Dollars in thousands) NorthWest Indiana Bancorp Condensed Statements of Cash Flows Year Ended December 31,		
	2016	*2015*
Cash flows from operating activities:		
Net income	$ 9,142	$ 7,852
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of:		
Peoples Bank	(5,237)	(4,953)
NWIN Risk Management, Inc.	(525)	-
Stock based compensation expense	142	96
Change in other assets	(654)	104
Change in other liabilities	(159)	461
Total adjustments	(6,433)	(4,292)
Net cash - operating activities	2,709	3,560
Cash flows from investing activities:		
Investment in NWIN Risk Management, Inc.	(250)	-
Net cash - investing activities	(250)	-
Cash flows from financing activities:		
Dividends paid	(3,143)	(2,962)
Net cash - financing activities	(3,143)	(2,962)
Net change in cash	(684)	598
Cash at beginning of year	741	143
Cash at end of year	$ 57	$ 741

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.

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) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2016. 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 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, 2016.

(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 2016 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 2017 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 2017 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 2017 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, 2016 with respect to the Bancorp’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	500	$ 28.50	225,755
Equity compensation plans not approved by security holders	-	-	-
Total	500	$ 28.50	225,755

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 2016” under the section captioned “Executive Compensation,” in the Bancorp’s definitive Proxy Statement for its 2017 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 2017 Annual Meeting of Shareholders, is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements:

The consolidated financial statements of the Bancorp are included in Part II, Item 8 of this Form 10-K.

(2) Financial Statement Schedules: Not Applicable.

(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).
2.3@	Agreement and Plan of Voluntary Supervisory Merger Conversion dated March 20, 2015 by and between Peoples Bank SB and Liberty Savings Bank, FSB (incorporated herein by reference to Exhibit 10.1 of the Bancorp’s Form 8-K dated March 20, 2015).
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 3.2 of the Bancorp’s Form 10-K for the year ended December 31, 2014).
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 Bancorp’s Form 10-K for the year ended December 31, 2012).
10.5 *	Amended 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).

10.9 *	Consulting agreement dated January 16, 2013 between Peoples Bank SB and Joel Gorelick (incorporated by reference to Exhibit 10.9 of the Bancorp's Form 10-K for the year ended December 31, 2013).
10.10 *	NorthWest Indiana Bancorp 2015 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Bancorp's Form 8-K dated April 24, 2015).
10.11 *	Form of Nonqualified Stock Option Agreement under the NorthWest Indiana Bancorp 2015 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Bancorp's Form 8-K dated April 24, 2015).
10.12 *	Form of Incentive Stock Option Agreement under the NorthWest Indiana Bancorp 2015 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.3 of the Bancorp's Form 8-K dated April 24, 2015).
10.13 *	Form of Agreement for Restricted Stock under the NorthWest Indiana Bancorp 2015 Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 of the Bancorp's Form 8-K dated April 24, 2015).
13	2016 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, 2016, 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/Benjamin J. Bochnowski
Benjamin J. Bochnowski
President and
Chief Executive Officer

Date: February 27, 2017

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 27, 2017:

Signature	**Title**
Principal Executive Officer:	
/s/Benjamin J. Bochnowski Benjamin J. Bochnowski	President 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/David A. Bochnowski David A. Bochnowski	Executive Chairman of the Board
/s/Edward J. Furticella Edward J. Furticella	Director
/s/Joel Gorelick Joel Gorelick	Director
/s/Kenneth V. Krupinski Kenneth V. Krupinski	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
/s/Robert E. Johnson III Robert E. Johnson III	Director

EXHIBIT INDEX

Exhibit	Description
13	2016 Annual Report to Shareholders.
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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, 2016, 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.

Exhibit 13

2016 Annual Report

NorthWest Indiana BANCORP

NorthWest Indiana Bancorp
Financial Highlights

(Dollars in thousands, except for per share and ratios data)	December 31, 2016	December 31, 2015
Earnings:		
Net revenue (a)	37,667	34,220
Noninterest expense	24,709	23,616
Pre-provision profit	12,958	10,604
Provision for loan losses	1,268	954
Net income	9,142	7,852
Earnings per common share data:		
Net income per share:		
Basic	3.20	2.75
Diluted	3.20	2.75
Cash dividends declared	1.11	1.06
Book value	29.41	28.37
Selected balance sheet data (period-end):		
Total assets	913,626	864,893
Loans	583,650	571,898
Deposits	779,771	714,875
Total stockholders' equity	84,108	80,909
Selected ratios:		
Return on Equity	10.65%	9.90%
Return on Assets	1.03%	0.96%
Common equity tier 1 capital to risk-weighted assets	13.1%	12.4%
Tier 1 capital to risk-weighted assets	13.1%	12.4%
Total capital to risk-weighted assets	14.3%	13.5%
Tier 1 capital to adjusted average assets	9.2%	9.0%

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

2016 Annual Report

Dear Shareholder:

In 2013, Northwest Indiana Bancorp and Peoples Bank began to implement a five-year strategic plan. The aftermath of the Great Recession was still chaotic, and the vision at that time was to harness all of the Bank's strengths to take advantage of that chaos. At a time when banks were still struggling throughout the country, our Board and Management Team saw opportunity. We set out to grow Peoples Bank in order to create more value for all of our stakeholders – our customers, our employees, our community and our shareholders. Today, we can point at the Bank's strong operating results as the successful implementation of that plan.

Over the years, we have developed our culture and brand – *You First Banking* – to deliver a consistent exceptional customer experience that focuses on the individual needs of our customers. We also know that there is no good customer experience without a strong underlying employee experience. One of the ways we honor the dedication of the Bank's employees to our brand is by creating a work environment that fosters their success. The Bank has made a commitment to such a workplace, and we have been named a Best Place to Work in Indiana for the past five years. For the first time in 2016, the Bank was also named one of the Best Banks to Work For by *American Banker* magazine.

That culture and commitment to our employees has driven incredible results. For the 12th consecutive year, Peoples Bank was named a Top 200 Community Bank in 2016, and the overall performance for 2016 was extremely solid. Last year's 16.4% earnings increase was the capstone on a well-executed plan that since the beginning of 2013 has resulted in 33% increased earnings, 32% increased assets and 30 additional employees at the Bank. The value for our shareholders is also tangible – in that time, NWIN's stock price has doubled, and the total return to shareholders has been 135%.

All this has positioned the Bank for continued success. The banking landscape and our core markets continue to change, but we have the strength and resources to thrive into the future.

NWIN Performance

The underlying fundamentals of NWIN's stock price have been extremely strong. Price appreciation was 26% for the year, and the total return was roughly 30% for the calendar year. These strong figures were driven by another dividend increase, as the annual dividend rate was increased by $0.04 per share, or 4%, in 2016. The stock's price went from $30.80 to $38.85 throughout the year, dividend yield was at 2.9% for year-end.

NWIN's financial performance and resulting stock performance continue to compare extremely well to peer banks. In its most recent quarterly banking summary, Monroe Securities reported an average ROA of 0.77% nationally and 0.83% in the Midwest region; they also reported average ROE at 7.38% nationally and 7.75% in the Midwest. NWIN again outperformed both with an ROA of 1.03% and a ROE of 10.65%; furthermore, ROA grew by 7 basis points and ROE grew by 75 basis points in 2016. Average price-to-book ratios were at 104% nationally and 98% in the Midwest, and NWIN was trading at 132% of book value at year-end.

2016 Overview

The Bank continues to generate capital as a means to grow. With 9.0% Tier 1 capital at year-end, driven almost exclusively through retained earnings, there is ample capital available to pursue both organic and inorganic growth strategies.

We have put this capital to work organically as we strategically have moved the loan portfolio towards high quality, short-duration, local commercial loans. Commercial loan originations were strong in 2016 at $239mn; these loans have driven continued growth of the Bank's margin despite a relatively flat rate environment. The portfolio itself is well diversified and represents over 60% of the Bank's total loan portfolio. Asset quality is also strong, with non-performing loans ending the year at 1.05% of total loans.

Mortgage lending had another record year, the result of a multi-year focus on growing the mortgage team and enhancing the origination platform. The team originated $83mn in mortgage loans during the year. Of that, $60mn in fixed rate mortgages were sold in the secondary market, resulting in a gain on sale of $1.6mn.

Low-cost deposits have been a key performance driver since the Great Recession, and the Bank's customer focus has provided the funding needed to grow the Bank profitably and sustainably. Core deposits grew again by over $70mn, and the Bank ended the year with close to 80% core funds. During the year, the Bank focused on engaging customers from every segment, which resulted in strong growth despite not adding any new Banking Centers.

Wealth Management remains an important revenue driver as well. While income from Wealth Management operations was roughly flat in 2016, the result added $1.7mn in Non-Interest Income. Peoples invested significant time and effort into enhancing Wealth Management platforms and Assets under Management increased by 14% to a total of $319mn at year-end, with expected benefits in the coming years.

Vision for the Future

As we wrap up our current strategic cycle and begin planning for the future, there are many unknowns. New non-bank players use innovative technology to compete for our customers every day. Bank consolidation also continues to shape the banking landscape, and today, there are fewer banks in the United States than at any time since the 1890's – when the founder of Peoples Bank, John Bochnowski, immigrated to this country.

Customer preferences also continue to change, and the way they interact with banks has completely changed in the past decade. However, in a complex world, our customers count on us more than ever to help them achieve their financial goals. Our brand promise is as relevant as ever, and delivering on that promise will remain at the core of our growth strategy.

Peoples Bank still sees opportunity in its core markets, and still sees the value in the community banking business model. To that end, we are reshaping the customer experience in the Banking Center. Our new Highland location, opening in early 2017, is completely focused on engaging our customers to help better partner with them in reaching their financial goals. The experience of *You First Banking* is about understanding the customer perspective, and we have changed our physical spaces to make those interactions as impactful as possible. We plan to further expand our physical footprint, and see great potential in the Porter County market.

Disruption in the banking industry has created an entirely new set of opportunities for Peoples Bank. Your Company has the talent, culture, resources, and determination to take advantage of those opportunities. The success of 2016 is only the beginning. Thank you for your continued confidence in our company as we look forward to 2017.

Sincerely,

David A. Bochnowski
Executive Chairman

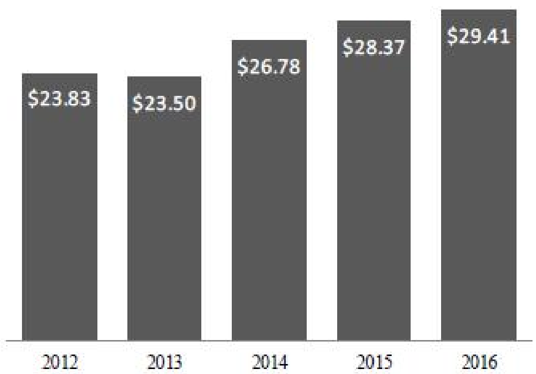
Benjamin Bochnowski
President & Chief Executive Officer

Market Information

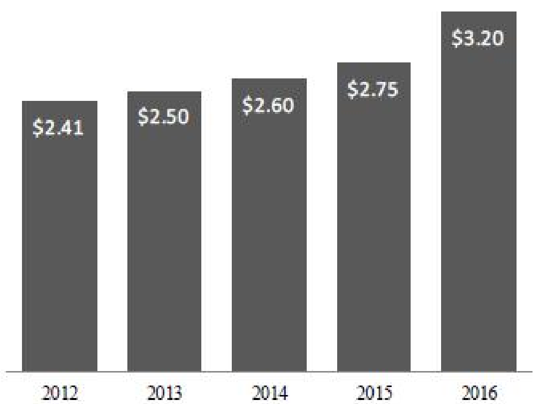
The Bancorp's Common Stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board. The Bancorp's stock is not actively traded. As of February 24, 2017, the Bancorp had 2,864,732 shares of common stock outstanding and 413 stockholders of record. This does not reflect the number 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, 2016 and December 31, 2015. 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 11 to the Financial Statements describes regulatory limits on the Bancorp's ability to pay dividends.

		Per Share Prices		Dividends
		High	Low	Declared Per Common Share
Year Ended December 31, 2016	1st Quarter	$ 31.05	$ 29.30	$ 0.27
	2nd Quarter	30.00	28.35	0.28
	3rd Quarter	32.50	29.00	0.28
	4th Quarter	39.87	33.00	0.28
Year Ended December 31, 2015	1st Quarter	$ 27.75	$ 26.50	$ 0.25
	2nd Quarter	27.35	26.40	0.27
	3rd Quarter	31.99	26.25	0.27
	4th Quarter	31.10	29.26	0.27

Book Value per Share



Basic Earnings per Share



Dividends per Share

2016 Board of Directors

David A. Bochnowski, *Director since 1977*
Executive Chairman 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 Clinical Professor, Department Head of Quantitative Business Studies and Director of the Masters of Accountancy Program at Purdue University Northwest

Joel Gorelick, *Director since 2000*
Director, Indiana Economic Development Corporation; Past Chairman/Director Lake County Economic Alliance

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

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

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

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

Danette Garza, *Director since 2013*
Attorney At Law, Certified Public Accountant, Owner of Continental Languages, LLC, Owner of Jack Gray Transport, Inc.

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

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

Leroy F. Cataldi, P.D., *Director Emeritus*

Lourdes M. Dennison, *Director Emeritus*

Martin A. Dybel, *Director Emeritus*

John Freyek, *Director Emeritus*

Stanley E. Mize, *Director Emeritus*

Gloria C. Gray Weissman, *Director Emeritus*

2016 Board Committees

Compensation and Benefits
Amy W. Han, Chairwoman
Donald P. Fesko
Edward J. Furticella
Anthony M. Puntillo

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

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

Risk Management
Anthony M. Puntillo, Chairman
Edward J. Furticella
Danette Garza
Joel Gorelick
Robert E. Johnson III
Kenneth V. Krupinski

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

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

Executive Team

David A. Bochnowski
Executive Chairman
Benjamin J. Bochnowski
President, Chief Executive Officer
John J. Diederich
Executive Vice President, Chief Banking Officer
Robert T. Lowry
Executive Vice President, Chief Financial Officer and Treasurer
Leane E. Cerven
Executive Vice President, General Counsel and Corporate Secretary
Tanya A. Leetz
Executive Vice President, Chief Information and Technology Officer
Todd M. Scheub
Executive Vice President, Chief Lending Officer

CORPORATE HEADQUARTERS

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

Peoples *Bank*

(SUBSIDIARY OF NORTHWEST INDIANA BANCORP)

Stock Transfer Agent

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

Independent Auditors

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

Special Legal Counsel

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

Annual Stockholders Meeting

The Annual Meeting of Stockholders of NorthWest Indiana Bancorp will be held at 8:00 am on April 27, 2017 at:

Peoples Bank Corporate Center
9204 Columbia Avenue,
Munster, Indiana 46321

Annual Report on Form 10-K

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

Corporate Secretary
NorthWest Indiana Bancorp
9204 Columbia Avenue
Munster, Indiana 46321

ibankpeoples.com

EQUAL HOUSING LENDER
Member FDIC

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
NWIN Risk Management, Inc.	Nevada

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Nos. 333-115666 and 333-204548 on Forms S-8 and in Registration Statement No. 333-144699 on Form S-3 of NorthWest Indiana Bancorp of our report dated February 27, 2017 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, 2016.

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC

Chicago, Illinois
February 27, 2017

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, Benjamin J. 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 27, 2017

/s/ Benjamin J. Bochnowski
Benjamin J. Bochnowski
President 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 27, 2017

/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, 2016, as filed with the Securities and Exchange Commission (the "Report"), each of Benjamin J. Bochnowski, President 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 27, 2017

/s/ Benjamin J. Bochnowski
Benjamin J. Bochnowski
President 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.