

2017 Annual Report

NorthWest
Indiana

BANCORP

NorthWest Indiana Bancorp
Financial Highlights

<i>(Dollars in thousands, except for per share and ratios data)</i>	December 31, 2017	December 31, 2016
Earnings:		
Net revenue (a)	38,518	37,667
Noninterest expense	25,488	24,709
Pre-provision profit	13,030	12,958
Provision for loan losses	1,200	1,268
Net income	8,961	9,142
Earnings per common share data:		
Net income per share:		
Basic	3.13	3.20
Diluted	3.13	3.20
Cash dividends declared	1.15	1.11
Book value	32.14	29.41
Selected balance sheet data (period-end):		
Total assets	927,259	913,626
Loans	620,211	583,650
Deposits	793,004	779,771
Total stockholders' equity	92,060	84,108
Selected ratios:		
Return on Equity	9.90%	10.65%
Return on Assets	0.98%	1.03%
Common equity tier 1 capital to risk-weighted assets	12.9%	13.1%
Tier 1 capital to risk-weighted assets	12.9%	13.1%
Total capital to risk-weighted assets	14.0%	14.3%
Tier 1 capital to adjusted average assets	9.6%	9.2%

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

2017 Annual Report

Dear Shareholder:

2017 was a significant year in that it marked the end of our five-year strategic plan that began in 2013. Overall, we consider the plan to be a resounding success. The main goal of our plan was to grow and perform in order to drive continued independence, and the results we have provided over that time period speak for themselves: earnings were up 30.8%, assets grew by 34.0%, and the Bank's headcount went up by 14.9%. In order to help accomplish this, the Bank completed two acquisitions, which expanded both our balance sheet and our footprint.

External validators confirmed that success as well. We are proud to have been named again in 2017 a Top 200 Community Bank by *American Banker* Magazine, for the 13th consecutive year. 2017 was also the 6th consecutive year that Peoples was named a Best Place to Work in Indiana, and the second consecutive year that we were named a Best Bank to Work For in the entire country by *American Banker*. These recognitions show how investments in our employees benefit our shareholders, and the commitment that we all have to the company's shareholders.

Despite a year-end write down on the Bank's Deferred Tax Asset, we had another strong year. Like many banks across the country, we recognized that decline in value due to the enactment timing of the Tax Cuts and Jobs Act; without that loss, on a non-GAAP basis, our ROA would have been 1.04% - the highest it has been over the past 5 years. Going forward, the lower tax rate should provide ongoing benefits as we continue to meet performance expectations and invest in the future of our company.

NWIN Stock Performance

2017 was another strong year for NWIN's stock. For the year 2017, stock price was up 14.5%, and total return was 17.5%. Dividend yield ended the year strong at 2.6%, price to tangible book value was at 145%, and the stock's price-to-earnings ratio was at 14.2.

What is even more impressive are the results that the Bank's 5-year strategic plan had on the company's stock over that time. NWIN's price was up 133.0%, and total return was 176%. Put another way, a \$100 investment at the beginning of 2013 would have returned \$176 in price appreciation and dividends over that time.

2017 in Review

The Bank continues to strategically build capital in order to fuel organic growth opportunities and to position the Bank to take advantage of inorganic growth opportunities. Tier one capital grew from 9.0% to 9.4%, and the dividend policy has purposely been growth-oriented as the Bank continues to look to the future.



Commercial loan growth remains a primary revenue driver for the Bank, and the overall loan portfolio ended the year at \$620.2 million, with strong growth at the end of the year bringing the total growth for the year to 6.3%. The Bank's net interest margin was 3.61%, the result of a commercial lending team that has expanded from 9 people to 12 people over the past 5 years.

New products, such as interest rate swaps, are allowing the Bank to remain competitive, respond to customer needs, and grow profitably. At the same time, the Bank originated \$42.2 million in mortgages, which generated \$1.2 million in gains on sale. The Bank's mortgage lending team has similarly grown from 6 people to 11 people over the course of the past 5 years.

Like many banks, Peoples Bank began to feel competitive pressures on deposits. Despite these pressures, core deposits grew by 2.5%, and the Bank's core funding ratio remained strong at 78.0%. A new Highland Banking Center was built in early 2017 as well. This investment represents the ongoing commitment to our retail banking network, and the importance that retail deposits play in our business. This new office was designed around customer needs; it is smaller, more efficient to operate, and much more focused on customer engagement than transactional banking. The new location paid dividends, with deposits growing 11.5%, and total accounts growing by 33.0%.

Services are also playing a much more important role in the Bank's overall non-interest income. As the result of a sustained, multi-year effort, income from banking services increased by \$401 thousand, or 13.8%. This result came from a project that was phased in over 5 months in early 2017, providing only 7 months of income benefit during the calendar year. These benefits are expected to continue, and should improve as new initiatives are fully phased in.

Finally, the Bank continues to invest in its Wealth Management business. Assets under management ended the year at \$306.0 million, and asset yield expanded by 5 basis points over the course of the year. Internal restructuring resulted in internal efficiencies, which allowed for further growth in the team. New platform technology investments are planned to be implemented in early 2018, providing the team with even more tools to serve the Bank's customers.

Strategy for the Future

As the Bank pivots to its new strategic plan, we are looking towards a new set of strategic goals over the next five years. We anticipate additional scale, built on both organic and inorganic growth. The pieces are in place for further growth, and we have built a foundation for continued independence over the course of our most recent strategic plan.

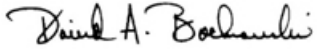
Our new strategic direction is built on the mission and values that have sustained us for over 100 years: to help our customers and communities be more successful through stability, integrity, community, and excellence. Our commitment to shared value creation for all of our stakeholders – shareholders, customers, employees, and community – will continue to drive us forward, and keep us focused on the Bank's performance as we grow into the future.

The company's strategic framework over the next five years is built on a simple idea: efficiency and strategic advantage. In other words, we are driven to do better with the resources we have, while engaging our customers based on a unique value proposition built around our *You First Banking* brand. We further intend to deploy that strategy into a growing footprint, and to serve


our customers more completely by providing a consistent customer experience and more products and services to better serve their financial needs.

Peoples Bank has the management, resources, and experience that has delivered consistent, strong results. Our past success give us the confidence to execute our future plans, and you have our commitment to the same principles that have created so much value over the long history of this company. Thank you for your continued confidence as we continue to grow and deliver for our stakeholders.

Sincerely,



David A. Bochnowski
Executive Chairman



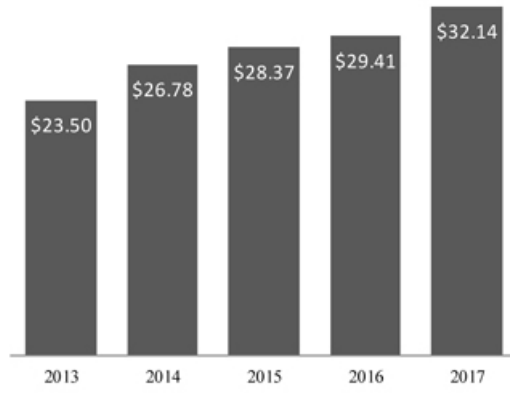
Benjamin Bochnowski
President & Chief Executive Officer

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 16, 2018, the Bancorp had 2,868,940 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, 2017 and December 31, 2016. 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 Common Share
		High	Low	
Year Ended December 31, 2017	1 st Quarter	\$ 40.50	\$ 38.40	\$ 0.28
	2 nd Quarter	41.00	39.50	0.29
	3 rd Quarter	42.50	40.50	0.29
	4 th Quarter	44.50	41.50	0.29
Year Ended December 31, 2016	1 st Quarter	\$ 31.05	\$ 29.30	\$ 0.27
	2 nd Quarter	30.00	28.35	0.28
	3 rd Quarter	32.50	29.00	0.28
	4 th Quarter	39.87	33.00	0.28

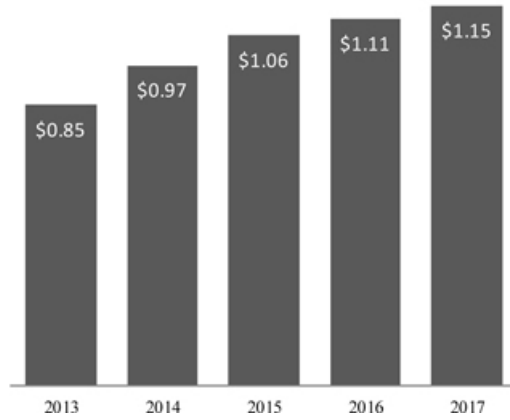
Book Value per Share



Basic Earnings per Share



Dividends per Share



2017 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, Purdue University Northwest
Professor Emeritus of Accounting

Joel Gorelick, *Director since 2000*
Director/Chairman of Audit Committee, Indiana Economic Development Corporation;
Director/Charter Chairman, Lake County Economic Alliance; Committee member,
Economic Development Committee – Northwest Indiana Forum

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 Jack Gray Transport, Inc., Owner of Lakes & Rivers Logistics, 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*

Executive Team

David A. Bochnowski
Executive Chairman

Benjamin J. Bochnowski
President, Chief Executive Officer

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

John J. Diederich
Executive Advisor

2017 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

Leane E. Cerven
Executive Vice President, General Counsel
and Corporate Secretary
Tanya A. Leetz
Executive Vice President, Chief Information
and Technology Officer
Todd M. Scheub
Executive Vice President, Chief Banking Officer

