UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended September 30, 2019 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 Number)
9204 Columbia Avenue Munster, Indiana (Address of principal executive offices)	46321 (ZIP code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act:
Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]
Smaller Reporting Company [X] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

There were 3,451,797 shares of the registrant’s Common Stock, without par value, outstanding at October 28, 2019.

NorthWest Indiana Bancorp

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NorthWest Indiana Bancorp
Consolidated Balance Sheets

(Dollars in thousands)	September 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Cash and non-interest bearing deposits in other financial institutions	$ 26,839	$ 13,260
Interest bearing deposits in other financial institutions	42,953	3,116
Federal funds sold	2,150	763
Total cash and cash equivalents	71,942	17,139
Certificates of deposit in other financial institutions	2,170	2,024
Securities available-for-sale	261,054	241,768
Loans held-for-sale	4,641	2,863
Loans receivable	904,273	764,400
Less: allowance for loan losses	(9,174)	(7,962)
Net loans receivable	895,099	756,438
Federal Home Loan Bank stock	3,912	3,460
Accrued interest receivable	3,995	3,632
Premises and equipment	28,914	24,824
Foreclosed real estate	1,098	1,627
Cash value of bank owned life insurance	29,848	23,142
Goodwill	11,109	8,170
Other assets	16,687	11,071
Total assets	$ 1,330,469	$ 1,096,158
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 176,878	$ 127,277
Interest bearing	975,589	802,509
Total	1,152,467	929,786
Repurchase agreements	14,931	11,628
Borrowed funds	16,000	43,000
Accrued expenses and other liabilities	14,083	10,280
Total liabilities	1,197,481	994,694
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 and outstanding: September 30, 2019 - 3,451,797 December 31, 2018 - 3,029,157	-	-
Additional paid-in capital	29,589	11,927
Accumulated other comprehensive income/(loss)	4,418	(2,796)
Retained earnings	98,981	92,333
Total stockholders' equity	132,988	101,464
Total liabilities and stockholders' equity	$ 1,330,469	$ 1,096,158

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Income
(unaudited)

(Dollars in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Interest income:				
Loans receivable				
Real estate loans	$ 9,452	$ 7,189	$ 27,853	$ 19,240
Commercial loans	1,654	1,266	4,989	3,457
Consumer loans	229	97	521	106
Total loan interest	11,335	8,552	33,363	22,803
Securities	1,659	1,709	5,237	5,127
Other interest earning assets	326	74	611	134
Total interest income	13,320	10,335	39,211	28,064
Interest expense:				
Deposits	2,353	1,018	6,036	2,531
Repurchase agreements	64	47	179	124
Borrowed funds	108	254	402	682
Total interest expense	2,525	1,319	6,617	3,337
Net interest income	10,795	9,016	32,594	24,727
Provision for loan losses	494	312	1,322	950
Net interest income after provision for loan losses	10,301	8,704	31,272	23,777
Noninterest income:				
Fees and service charges	$ 1,203	$ 991	$ 3,608	$ 2,830
Wealth management operations	447	414	1,426	1,253
Gain on sale of loans held-for-sale, net	681	451	1,323	1,021
Gain on sale of securities, net	102	151	754	1,155
Increase in cash value of bank owned life insurance	177	130	519	358
Benefit from bank owned life insurance	205	-	205	-
Gain on sale of foreclosed real estate, net	43	54	83	154
Other	39	32	217	104
Total noninterest income	$ 2,897	$ 2,223	$ 8,135	$ 6,875
Noninterest expense:				
Compensation and benefits	$ 4,932	$ 4,669	$ 14,333	$ 12,045
Occupancy and equipment	1,231	829	3,522	2,524
Data processing	806	1,012	2,753	2,076
Marketing	170	223	783	523
Federal deposit insurance premiums	18	91	286	250
Other	2,112	2,233	6,305	5,512
Total noninterest expense	$ 9,269	$ 9,057	$ 27,982	$ 22,930
Income before income tax expenses	3,929	1,870	11,425	7,722
Income tax expenses	351	245	1,602	1,025
Net income	$ 3,578	$ 1,625	$ 9,823	$ 6,697
Earnings per common share:				
Basic	$ 1.04	$ 0.54	$ 2.88	$ 2.29
Diluted	$ 1.04	$ 0.54	$ 2.88	$ 2.29
Dividends declared per common share	$ 0.31	$ 0.30	$ 0.92	$ 0.89

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	$ 3,578	$ 1,625	$ 9,823	$ 6,697
Net change in net unrealized gains and losses on securities available-for-sale:				
Unrealized gains/(losses) arising during the period	2,112	(2,071)	9,878	(7,301)
Less: reclassification adjustment for gains included in net income	(102)	(151)	(754)	(1,155)
Net securities gain/(loss) during the period	2,010	(2,222)	9,124	(8,456)
Tax effect	(422)	467	(1,910)	1,780
Net of tax amount	1,588	(1,755)	7,214	(6,676)
Comprehensive income/(loss), net of tax	$ 5,166	$ (130)	$ 17,037	$ 21

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Changes in Stockholders' Equity
(unaudited)

(Dollars in thousands, except per share data)	Three Months Ended *Common Stock*	*Additional Paid-in Capital*	*Accumulated Other Comprehensive (Loss)/Income*	*Retained Earnings*	*Total Equity*
Balance at June 30, 2018	$ -	$ 4,925	$ (4,237)	$ 89,889	$ 90,577
Comprehensive income:					
Net income	-	-	-	1,625	1,625
Net unrealized loss on securities available-for- sale, net of reclassification and tax effects	-	-	(1,755)	-	(1,755)
Comprehensive income					(130)
Net surrender value of 629 restricted stock awards		(27)			(27)
Stock-based compensation expense	-	50	-	-	50
Issuance of 161,875 shares at $42.80 per share, for acquisition of First Personal Financial Corporation	-	6,928	-	-	6,928
Cash dividends, $0.30 per share	-	-	-	(911)	(911)
Balance at September 30, 2018	$ -	$ 11,876	$ (5,992)	$ 90,603	$ 96,487
Balance at June 30, 2019	$ -	$ 29,510	$ 2,830	$ 96,472	$ 128,812
Comprehensive income:					
Net income	-	-	-	3,578	3,578
Net unrealized gain on securities available-for- sale, net of reclassification and tax effects	-	-	1,588	-	1,588
Comprehensive income					5,166
Stock-based compensation expense	-	79	-	-	79
Cash dividends, $0.31 per share	-	-	-	(1,069)	(1,069)
Balance at September 30, 2019	$ -	$ 29,589	$ 4,418	$ 98,981	$ 132,988

(Dollars in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)/Income	Retained Earnings	Total Equity
	Nine Months Ended				
Balance at January 1, 2018	$ -	$ 4,867	$ 684	$ 86,509	$ 92,060
Comprehensive income:					
Net income	-	-	-	6,697	6,697
Net unrealized gain on securities available-for- sale, net of reclassification and tax effects	-	-	(6,676)	-	(6,676)
Comprehensive income					21
Net surrender value of 1,658 restricted stock awards	-	(72)	-	-	(72)
Stock-based compensation expense	-	153	-	-	153
Issuance of 161,875 shares at $42.80 per share, for acquisition of First Personal Financial Corporation		6,928			6,928
Cash dividends, $0.89 per share	-	-	-	(2,603)	(2,603)
Balance at September 30, 2019	$ -	$ 11,876	$ (5,992)	$ 90,603	$ 96,487
Balance at January 1, 2019	$ -	$ 11,927	$ (2,796)	$ 92,333	$ 101,464
Comprehensive income:					
Net income	-	-	-	9,823	9,823
Net unrealized gain on securities available-for- sale, net of reclassification and tax effects	-	-	7,214	-	7,214
Comprehensive income					17,037
Net surrender value of 1,245 restricted stock awards	-	(63)	-	-	(63)
Stock-based compensation expense	-	233	-	-	233
Issuance of 416,478 shares at $42.00 per share, for acquisition of AJS Bancorp, Inc	-	17,492	-	-	17,492
Cash dividends, $0.92 per share	-	-	-	(3,175)	(3,175)
Balance at September 30, 2019	$ -	$ 29,589	$ 4,418	$ 98,981	$ 132,988

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Cash Flows
(unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,823	$ 6,697
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Origination of loans for sale	(54,555)	(41,823)
Sale of loans originated for sale	54,123	39,953
Depreciation and amortization, net of accretion	2,382	1,902
Amortization of mortgage servicing rights	48	48
Stock based compensation expense	233	154
Net surrender value of restricted stock awards	(63)	(72)
Gain on sale of securities, net	(754)	(1,155)
Gain on sale of loans held-for-sale, net	(1,323)	(1,021)
Gain on sale of premises and equipment, net	(126)	-
Gain on sale of foreclosed real estate, net	(83)	(154)
Benefit from bank owned life insurance	(205)	-
Provision for loan losses	1,322	950
Net change in:		
Interest receivable	(363)	(298)
Other assets	(1,546)	(345)
Accrued expenses and other liabilities	2,322	(2,544)
Total adjustments	1,412	(4,405)
Net cash - operating activities	11,235	2,292
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of certificates of deposits in other financial institutions	(146)	1,150
Proceeds from maturities and pay downs of securities available-for-sale	20,627	17,747
Proceeds from sales of securities available-for-sale	35,859	29,049
Purchase of securities available-for-sale	(63,377)	(48,464)
Net change in loans receivable	(52,399)	(28,385)
Purchase of Federal Home Loan Bank Stock	59	(17)
Purchase of premises and equipment, net	(2,116)	(624)
Proceeds on sale of premises and equipment, net	228	-
Proceeds from sale of foreclosed real estate, net	960	1,273
Cash and cash equivalents from acquisition activity, net	52,195	18,261
Change in cash value of bank owned life insurance	(66)	(358)
Net cash - investing activities	(8,176)	(10,368)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in deposits	78,455	(15,180)
Proceeds from FHLB advances	-	62,000
Repayment of FHLB advances	(27,000)	(44,000)
Change in other borrowed funds	3,303	10,718
Dividends paid	(3,014)	(2,523)
Net cash - financing activities	51,744	11,015
Net change in cash and cash equivalents	54,803	2,939
Cash and cash equivalents at beginning of period	17,139	11,025
Cash and cash equivalents at end of period	$ 71,942	$ 13,964
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 6,608	$ 3,258
Income taxes	1,485	1,080
Acquisition activity:		
Fair value of assets acquired, including cash and cash equivalents	$ 172,560	$ 137,449
Value of goodwill and other intangible assets	5,856	8,481
Fair value of liabilities assumed	145,546	130,313
Cash paid for acquisition	15,743	8,689
Issuance of common stock for acquisition	17,492	6,928
Noncash activities:		
Transfers from loans to foreclosed real estate	$ 262	$ 253

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(unaudited)

Note 1 - Basis of Presentation

The consolidated financial statements include the accounts of NorthWest Indiana Bancorp (the “Bancorp” or “NWIN”), 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, Columbia Development Company, LLC, and Alliance NMTC Investment Fund, 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 primarily dependent upon the earnings of the Bank. The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all disclosures required by U.S. generally accepted accounting principles for complete presentation of consolidated financial statements. In the opinion of management, the consolidated financial statements contain all adjustments necessary to present fairly the consolidated balance sheets of the Bancorp as of September 30, 2019 and December 31, 2018, and the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2019 and 2018, and consolidated statements of cash flows and changes in stockholders’ equity for the nine months ended September 30, 2019 and 2018. The income reported for the nine month period ended September 30, 2019 is not necessarily indicative of the results to be expected for the full year.

Note 2 - Use of Estimates

Preparing financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated 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.

Note 3 - Acquisition Activity

On July 26, 2018, the Bancorp completed its acquisition of First Personal Financial Corp., a Delaware corporation (“First Personal”), pursuant to an Agreement and Plan of Merger dated February 20, 2018 between the Bancorp and First Personal (the “First Personal Merger Agreement”). Pursuant to the terms of the First Personal Merger Agreement, First Personal merged with and into the Bancorp, with the Bancorp as the surviving corporation. Simultaneous with the First Personal Merger, First Personal Bank, an Illinois state chartered commercial bank and wholly-owned subsidiary of First Personal, merged with and into the Bank, with the Bank as the surviving institution.

In connection with the First Personal Merger, each First Personal stockholder holding 100 or more shares of First Personal common stock received fixed consideration of (i) 0.1246 shares of Bancorp common stock, and (ii) $6.67 per share in cash for each outstanding share of First Personal common stock. Stockholders holding less than 100 shares of First Personal common stock received $12.12 in cash and no stock consideration for each outstanding share of First Personal common stock. Any fractional shares of Bancorp common stock that a First Personal stockholder would have otherwise received in the First Personal Merger were cashed out in the amount of such fraction multiplied by $42.95.

The Bancorp issued a total of approximately 161,875 shares of Bancorp common stock to the former First Personal stockholders, and paid cash consideration of approximately $8.7 million. Based upon the closing price of Bancorp’s common stock on July 25, 2018, the transaction had an implied valuation of approximately $15.6 million. The acquisition costs related to the First Personal Merger equaled approximately $1.8 million. The acquisition represented the Bank’s first expansion into the South Suburban Chicagoland market, and expanded the Bank’s full-service retail banking network to 19 banking centers. Additionally, upon the closing of the merger the three former First Personal Bank branches in Cook County, Illinois became branches of Peoples Bank, thereby expanding the Peoples Bank branch network into Illinois.

Under the acquisition method of accounting, the total purchase price is allocated to net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on the valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on estimates and assumptions that are subject to change, the final purchase price for the First Personal acquisition is allocated as follows:

ASSETS	
Cash and due from banks	$ 30,178
Investment securities, available for sale	2
Commercial	53,026
Residential mortgage	32,542
Consumer	9,004
Total Loans	94,572
Premises and equipment, net	5,799
FHLB stock	219
Goodwill	5,437
Core deposit intangible	3,044
Interest receivable	274
Other assets	6,405
Total assets purchased	$ 145,930
Common shares issued	6,928
Cash paid	8,689
Total purchase price	$ 15,617
LIABILITIES	
Deposits	
Non-interest bearing	$ 14,517
NOW accounts	22,177
Savings and money market	41,852
Certificates of deposits	46,355
Total Deposits	124,901
Borrowings	4,124
Interest payable	32
Other liabilities	1,256
Total liabilities assumed	$ 130,313

As part of the First Personal merger, the Bancorp acquired First Personal Statutory Trust I. NWIN guaranteed the payment of distributions on the trust preferred securities issued by First Personal Statutory Trust I. First Personal Statutory Trust I issued $4.124 million in trust preferred securities in May 2004. The trust preferred securities carried a variable rate of interest priced at the three-month LIBOR plus 275 basis points, payable quarterly and due to mature on June 17, 2034. Management of the Bancorp determined that the continued maintenance of the trust preferred securities issued by First Personal Statutory Trust I and the corresponding junior subordinated debentures was unnecessary to the Bancorp's ongoing operations. As a result, the Bancorp's board of directors approved the redemption of the junior subordinated debentures, which resulted in the trustee of the First Personal Statutory Trust I redeeming all $4.124 million of the trust preferred securities as of December 17, 2018.

On January 24, 2019, the Bancorp completed its previously announced acquisition of AJS Bancorp, Inc., a Maryland corporation ("AJSB"), pursuant to an Agreement and Plan of Merger dated July 30, 2018 between the Bancorp and AJSB (the "AJSB Merger Agreement"). Pursuant to the terms of the AJSB Merger Agreement, AJSB merged with and into NWIN, with NWIN as the surviving corporation. Simultaneously with the AJSB Merger, A.J. Smith Federal Savings Bank, a federally chartered savings bank and wholly-owned subsidiary of AJSB, merged with and into Peoples Bank SB, with Peoples Bank as the surviving bank.

In connection with the AJSB Merger, each AJSB stockholder holding 100 or more shares of AJSB common stock received fixed consideration of (i) 0.2030 shares of NWIN common stock, and (ii) $7.20 per share in cash for each outstanding share of AJSB's common stock. Stockholders holding less than 100 shares of AJSB common stock received $16.00 in cash and no stock consideration for each outstanding share of AJSB common stock. Any fractional shares of NWIN common stock that an AJSB stockholder would have otherwise received in the AJSB Merger were cashed out in the amount of such fraction multiplied by $43.01.

The Bancorp issued 416,478 shares of Bancorp common stock to the former AJSB stockholders, and paid cash consideration of approximately $15.7 million. Based upon the closing price of NWIN's common stock on January 23, 2019, the transaction had an implied valuation of approximately $33.2 million, which includes unallocated shares held by the AJSB Employee Stock Ownership Plan ("ESOP"), some of which were cancelled in connection with the closing to satisfy the ESOP's outstanding loan balance. As of September 30, 2019, acquisition costs related to the AJSB Merger were approximately $2.1 million. The acquisition further expanded the Bank's banking center network in Cook County, Illinois, expanding the Bank's full-service retail banking network to 22 banking centers.

Under the acquisition method of accounting, the total purchase price is allocated to net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on preliminary valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on estimates and assumptions that are subject to change, the final purchase price for the AJSB acquisition is allocated as follows:

ASSETS	
Cash and due from banks	$ 68,303
Investment securities, available for sale	3,432
Commercial	712
Residential mortgage	85,635
Multifamily	1,442
Consumer	57
Total Loans	87,846
Premises and equipment, net	3,542
FHLB stock	512
Goodwill	2,939
Core deposit intangible	2,917
Interest receivable	351
Other assets	8,939
Total assets purchased	$ 178,781
Common shares issued	17,492
Cash paid	15,743
Total purchase price	$ 33,235
LIABILITIES	
Deposits	
Non-interest bearing	$ 24,502
NOW accounts	10,712
Savings and money market	68,875
Certificates of deposits	40,137
Total Deposits	144,226
Interest payable	50
Other liabilities	1,270
Total liabilities assumed	$ 145,546

Final estimates of fair value on the date of acquisition have not been finalized yet. Prior to the end of the one year measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation prospectively. If any adjustments are made to the preliminary assumptions (provisional amounts), disclosures will be made in the notes to the financial statements of the amounts recorded in the current period earnings by line item that have been recorded in previous reporting periods if the adjustments to the provisional amounts had been recognized as of the acquisition date.

Note 4 - Securities

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

	(Dollars in thousands)			
September 30, 2019	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market fund	$ 5,771	$ -	$ -	$ 5,771
U.S. government sponsored entities	14,420	96	(3)	14,513
Collateralized mortgage obligations and residential mortgage-backed securities	138,832	1,894	(105)	140,621
Municipal securities	92,999	5,119	(39)	98,079
Collateralized debt obligations	3,448	-	(1,378)	2,070
Total securities available-for-sale	$ 255,470	$ 7,109	$ (1,525)	$ 261,054

	(Dollars in thousands)			
December 31, 2018	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market fund	$ 2,480	$ -	$ -	$ 2,480
U.S. government sponsored entities	7,997	28	(131)	7,894
Collateralized mortgage obligations and residential mortgage-backed securities	137,834	135	(2,688)	135,281
Municipal securities	93,516	1,072	(524)	94,064
Collateralized debt obligations	3,481	-	(1,432)	2,049
Total securities available-for-sale	$ 245,308	$ 1,235	$ (4,775)	$ 241,768

The estimated fair value of available-for-sale debt securities at September 30, 2019, by contractual maturity, were as follows. Securities not due at a single maturity date, primarily collateralized mortgage obligations and residential mortgage-backed securities, are shown separately.

	(Dollars in thousands) Available-for-sale	
September 30, 2019	Estimated Fair Value	Tax-Equivalent Yield (%)
Due in one year or less	$ 8,840	2.71
Due from one to five years	3,397	4.95
Due from five to ten years	20,270	3.71
Due over ten years	87,926	4.02
Collateralized mortgage obligations and residential mortgage-backed securities	140,621	2.70
Total	$ 261,054	3.25

Sales of available-for-sale securities were as follows for the nine months ended:

	(Dollars in thousands) September 30, 2019	September 30, 2018
Proceeds	$ 35,859	$ 29,049
Gross gains	838	1,159
Gross losses	(84)	(4)

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, 2018	$ (2,796)
Current period change	7,214
Ending balance, September 30, 2019	$ 4,418

Securities with carrying values of approximately $69.2 million and $16.3 million were pledged as of September 30, 2019 and December 31, 2018, respectively, as collateral for repurchase agreements, public funds, and for other purposes as permitted or required by law. The increase in pledged securities for September 30, 2019, was the result of new pledging requirements for Indiana public funds deposits.

Securities with gross unrealized losses at September 30, 2019 and December 31, 2018 not recognized in income are as follows:

	(Dollars in thousands)					
	Less than 12 months		12 months or longer		Total	
September 30, 2019	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
U.S. government sponsored entities	$ 1,427	$ (3)	$ -	$ -	$ 1,427	$ (3)
Collateralized mortgage obligations and residential mortgage-backed securities	5,727	(34)	17,351	(71)	23,078	(105)
Municipal securities	2,579	(39)	-	-	2,579	(39)
Collateralized debt obligations	-	-	2,070	(1,378)	2,070	(1,378)
Total temporarily impaired	$ 9,733	$ (76)	$ 19,421	$ (1,449)	$ 29,154	$ (1,525)
Number of securities		8		19		27

	(Dollars in thousands)					
	Less than 12 months		12 months or longer		Total	
December 31, 2018	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
U.S. government sponsored entities	$ -	$ -	$ 3,866	$ (131)	$ 3,866	$ (131)
Collateralized mortgage obligations and residential mortgage-backed securities	28,388	(304)	89,234	(2,384)	117,622	(2,688)
Municipal securities	22,678	(367)	3,495	(157)	26,173	(524)
Collateralized debt obligations	-	-	2,049	(1,432)	2,049	(1,432)
Total temporarily impaired	$ 51,066	$ (671)	$ 98,644	$ (4,104)	$ 149,710	$ (4,775)
Number of securities		52		75		127

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

Note 5 - Loans Receivable

Loans receivable are summarized below:

(Dollars in thousands)

	September 30, 2019	December 31, 2018
Loans secured by real estate:		
Residential real estate	$ 298,138	$ 224,082
Home equity	49,719	45,423
Commercial real estate	282,536	253,104
Construction and land development	79,351	64,433
Multifamily	50,878	47,234
Farmland	230	240
Total loans secured by real estate	760,852	634,516
Commercial business	109,485	103,628
Consumer	763	495
Manufactured homes	12,882	4,798
Government	17,609	21,101
Subtotal	901,591	764,538
Less:		
Net deferred loan origination fees	2,813	530
Undisbursed loan funds	(131)	(668)
Loans receivable	$ 904,273	$ 764,400

(Dollars in thousands)	*Beginning Balance*	*Charge-offs*	*Recoveries*	*Provisions*	*Ending Balance*
The Bancorp's activity in the allowance for loan losses, by loan segment, is summarized below for the three months ended September 30, 2019:					
Allowance for loan losses:					
Residential real estate	$ 1,660	$ (62)	$ 5	$ 149	$ 1,752
Home equity	202	-	2	23	227
Commercial real estate	3,529	-	-	178	3,707
Construction and land development	806	-	-	188	994
Multifamily	453	-	-	51	504
Farmland	-	-	-	-	-
Commercial business	1,517	(9)	8	405	1,921
Consumer	51	(13)	5	7	50
Manufactured homes	505	-	-	(505)	-
Government	21	-	-	(2)	19
Total	$ 8,744	$ (84)	$ 20	$ 494	$ 9,174
The Bancorp's activity in the allowance for loan losses, by loan segment, is summarized below for the three months ended September 30, 2018:					
Allowance for loan losses:					
Residential real estate	$ 1,523	$ (30)	$ -	$ 82	$ 1,575
Home equity	183	-	-	10	193
Commercial real estate	3,170	-	22	48	3,240
Construction and land development	611	-	-	(32)	579
Multifamily	607	-	-	(150)	457
Farmland	4	-	-	(1)	3
Commercial business	1,264	-	8	61	1,333
Consumer	36	(19)	8	298	323
Manufactured homes	-	-	-	-	-
Government	50	-	-	(4)	46
Total	$ 7,448	$ (49)	$ 38	$ 312	$ 7,749

(Dollars in thousands)	*Beginning Balance*	*Charge-offs*	*Recoveries*	*Provisions*	*Ending Balance*
The Bancorp's activity in the allowance for loan losses, by loan segment, is summarized below for the nine months ended September 30, 2019:					
Allowance for loan losses:					
Residential real estate	$ 1,715	$ (128)	$ 23	$ 142	$ 1,752
Home equity	202	-	4	21	$ 227
Commercial real estate	3,335	-	-	372	$ 3,707
Construction and land development	756	-	-	238	$ 994
Multifamily	472	-	-	32	$ 504
Farmland	-	-	-	-	$ -
Commercial business	1,362	(9)	24	544	$ 1,921
Consumer	41	(38)	14	33	$ 50
Manufactured homes	41	-	-	(41)	$ -
Government	38	-	-	(19)	$ 19
Total	$ 7,962	$ (175)	$ 65	$ 1,322	$ 9,174
The Bancorp's activity in the allowance for loan losses, by loan segment, is summarized below for the nine months ended September 30, 2018:					
Allowance for loan losses:					
Residential real estate	$ 1,568	$ (136)	$ -	$ 143	$ 1,575
Home equity	166	(24)	-	51	193
Commercial real estate	3,125	(119)	24	210	3,240
Construction and land development	618	-	-	(39)	579
Multifamily	622	-	-	(165)	457
Farmland	-	-	-	3	3
Commercial business	1,298	(529)	125	439	1,333
Consumer	31	(41)	17	316	323
Manufactured homes	-	-	-	-	-
Government	54	-	-	(8)	46
Total	$ 7,482	$ (849)	$ 166	$ 950	$ 7,749

The Bancorp's impairment analysis is summarized below:

(Dollars in thousands)	*Individually evaluated for impairment reserves*	*Collectively evaluated for impairment reserves*	*Loan receivables*	*Individually evaluated for impairment*	*Purchased credit impaired individually evaluated for impairment*	*Collectively evaluated for impairment*
	Ending Balances					
The Bancorp's allowance for loan losses impairment evaluation and loan receivables are summarized below at September 30, 2019:						
Residential real estate	$ 17	$ 1,735	$ 297,830	$ 628	$ 1,747	$ 295,455
Home equity	9	218	49,781	282	220	49,279
Commercial real estate	218	3,489	282,536	1,352	486	280,698
Construction and land development	-	994	79,351	-	-	79,351
Multifamily	-	504	50,878	-	684	50,194
Farmland	-	-	230	-	-	230
Commercial business	967	954	109,359	2,436	1,147	105,776
Consumer	-	50	1,334	-	-	1,334
Manufactured homes	-	-	15,365	-	-	15,365
Government	-	19	17,609	-	-	17,609
Total	$ 1,211	$ 7,963	$ 904,273	$ 4,698	$ 4,284	$ 895,291
The Bancorp's allowance for loan losses impairment evaluation and loan receivables are summarized below at December 31, 2018:						
Residential real estate	$ 22	1,693	223,323	$ 570	$ 980	$ 221,773
Home equity	9	193	45,483	141	123	45,219
Commercial real estate	210	3,125	253,104	1,703	402	250,999
Construction and land development	-	756	64,433	-	-	64,433
Multifamily	-	472	47,234	-	-	47,234
Farmland	-	-	240	-	-	240
Commercial business	5	1,357	103,439	423	1,440	101,576
Consumer	-	82	643	-	-	643
Manufactured homes	-	-	5,400	-	-	5,400
Government	-	38	21,101	-	-	21,101
Total	$ 246	$ 7,716	$ 764,400	$ 2,837	$ 2,945	$ 758,618

The Bancorp's credit quality indicators are summarized below at September 30, 2019 and December 31, 2018:

	Credit Exposure - Credit Risk Portfolio By Creditworthiness Category							
	September 30, 2019							
(Dollars in thousands)	2	3	4	5	6	7	8	
Loan Segment	Moderate	Above average acceptable	Acceptable	Marginally acceptable	Pass/monitor	Special mention	Substandard	Total
Residential real estate	$ 940	$ 114,219	$ 105,136	$ 13,338	$ 54,445	4,304	5,448	$ 297,830
Home equity	110	7,293	39,736	253	997	810	582	49,781
Commercial real estate	2,575	2,398	85,479	129,731	56,424	4,091	1,838	282,536
Construction and land development	-	573	21,143	42,371	15,264	-	-	79,351
Multifamily	-	920	18,426	27,673	3,042	133	684	50,878
Farmland	-	-	-	-	230	-	-	230
Commercial business	8,326	19,337	20,804	35,889	20,381	2,500	2,122	109,359
Consumer	689	3	637	-	5	-	-	1,334
Manufactured homes	2,483	2,571	9,256	186	869	-	-	15,365
Government	-	1,889	12,560	3,160	-	-	-	17,609
Total	$ 15,123	$ 149,203	$ 313,177	$ 252,601	$ 151,657	$ 11,838	$ 10,674	$ 904,273

	December 31, 2018							
(Dollars in thousands)	2	3	4	5	6	7	8	
Loan Segment	Moderate	Above average acceptable	Acceptable	Marginally acceptable	Pass/monitor	Special mention	Substandard	Total
Residential real estate	$ 261	$ 58,276	$ 100,374	$ 10,404	$ 44,734	$ 3,908	$ 5,366	$ 223,323
Home equity	192	3,736	40,165	37	323	657	373	45,483
Commercial real estate	-	5,042	78,611	110,984	51,982	4,715	1,770	253,104
Construction and land development	-	322	24,271	29,383	10,457	-	-	64,433
Multifamily	-	569	19,255	23,417	3,844	149	-	47,234
Farmland	-	-	-	-	240	-	-	240
Commercial business	10,655	19,127	20,941	34,996	14,034	2,958	728	103,439
Consumer	202	-	441	-	-	-	-	643
Manufactured homes	723	2,953	599	196	909	20	-	5,400
Government	-	2,111	14,795	4,195	-	-	-	21,101
Total	$ 12,033	$ 92,136	$ 299,452	$ 213,612	$ 126,523	$ 12,407	$ 8,237	$ 764,400

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 these grades by the Bancorp is uniform and conforms to regulatory definitions. The loan grading system is as follows:

1 – Minimal Risk
Borrower demonstrates exceptional credit fundamentals, including stable and predictable profit margins, strong liquidity and a conservative balance sheet with superior asset quality. Excellent cash flow coverage of existing and projected debt service. Historic and projected performance indicates borrower is able to meet obligations under almost any economic circumstances.

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.

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

During the first nine months of 2019, five home equity loans and one commercial business loan totaling $472 thousand were renewed as troubled debt restructurings and two loans, consisting of one commercial business and one residential loan, totaling $135 thousand were restructured as new TDR loans. Two troubled debt restructurings totaling $163 thousand have subsequently defaulted during the periods presented. 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:

	As of September 30, 2019			For the nine months ended September 30, 2019	
(Dollars in thousands)	*Recorded Investment*	*Unpaid Principal Balance*	*Related Allowance*	*Average Recorded Investment*	*Interest Income Recognized*
With no related allowance recorded:					
Residential real estate	$ 2,222	$ 3,697	$ -	$ 1,915	$ 55
Home equity	439	462	-	368	6
Commercial real estate	1,380	1,976	-	1,586	41
Construction and land development	-	-	-	-	-
Multifamily	684	766	-	525	12
Farmland	-	-	-	-	-
Commercial business	1,832	1,942	-	1,933	63
Consumer	-	-	-	-	-
Manufactured homes	-	-	-	-	-
Government	-	-	-	-	-
With an allowance recorded:					
Residential real estate	153	153	17	158	3
Home equity	63	63	9	60	1
Commercial real estate	458	458	218	473	-
Construction and land development	-	-	-	-	-
Multifamily	-	-	-	-	-
Farmland	-	-	-	-	-
Commercial business	1,751	1,751	967	547	3
Consumer	-	-	-	-	-
Manufactured homes	-	-	-	-	-
Government	-	-	-	-	-
Total:					
Residential real estate	$ 2,375	$ 3,850	$ 17	$ 2,073	$ 58
Home equity	$ 502	$ 525	$ 9	$ 428	$ 7
Commercial real estate	$ 1,838	$ 2,434	$ 218	$ 2,059	$ 41
Construction & land development	$ -	$ -	$ -	$ -	$ -
Multifamily	$ 684	$ 766	$ -	$ 525	$ 12
Farmland	$ -	$ -	$ -	$ -	$ -
Commercial business	$ 3,583	$ 3,693	$ 967	$ 2,480	$ 66
Consumer	$ -	$ -	$ -	$ -	$ -
Manufactured homes	$ -	$ -	$ -	$ -	$ -
Government	$ -	$ -	$ -	$ -	$ -

(Dollars in thousands)	As of December 31, 2018 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the nine months ended September 30, 2018 Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential real estate	$ 1,389	$ 3,628	$ -	$ 1,208	$ 61
Home equity	207	214	-	87	1
Commercial real estate	1,624	2,222	-	1,114	46
Construction & land development	-	-	-	67	-
Multifamily	-	-	-	-	-
Farmland	-	-	-	-	-
Commercial business	1,799	2,038	-	651	20
Consumer	-	-	-	-	-
Manufactured homes	-	-	-	-	-
Government	-	-	-	-	-
With an allowance recorded:					
Residential real estate	161	161	22	114	4
Home equity	57	57	9	29	-
Commercial real estate	481	481	210	280	3
Construction & land development	-	-	-	-	-
Multifamily	-	-	-	-	-
Farmland	-	-	-	-	-
Commercial business	64	64	5	159	1
Consumer	-	-	-	-	-
Manufactured homes	-	-	-	-	-
Government	-	-	-	-	-
Total:					
Residential real estate	$ 1,550	$ 3,789	$ 22	$ 1,322	$ 65
Home equity	$ 264	$ 271	$ 9	$ 116	$ 1
Commercial real estate	$ 2,105	$ 2,703	$ 210	$ 1,394	$ 49
Construction & land development	$ -	$ -	$ -	$ 67	$ -
Multifamily	$ -	$ -	$ -	$ -	$ -
Farmland	$ -	$ -	$ -	$ -	$ -
Commercial business	$ 1,863	$ 2,102	$ 5	$ 810	$ 21
Consumer	$ -	$ -	$ -	$ -	$ -
Manufactured homes	$ -	$ -	$ -	$ -	$ -
Government	$ -	$ -	$ -	$ -	$ -

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 Past Due and Accruing
September 30, 2019							
Residential real estate	$ 2,179	$ 1,716	$ 4,268	$ 8,163	$ 289,667	$ 297,830	$ 318
Home equity	300	20	582	902	48,879	49,781	136
Commercial real estate	6,655	-	976	7,631	274,905	282,536	63
Construction and land development	-	299	-	299	79,052	79,351	-
Multifamily	282	133	31	446	50,432	50,878	31
Farmland	-	-	-	-	230	230	-
Commercial business	535	133	2,186	2,854	106,505	109,359	237
Consumer	-	-	-	-	1,334	1,334	-
Manufactured homes	165	128	-	293	15,072	15,365	-
Government	-	-	-	-	17,609	17,609	-
Total	$ 10,116	$ 2,429	$ 8,043	$ 20,588	$ 883,685	$ 904,273	$ 785
December 31, 2018							
Residential real estate	$ 3,659	$ 909	$ 4,362	$ 8,930	$ 214,393	$ 223,323	$ 122
Home equity	143	5	304	452	45,031	45,483	50
Commercial real estate	842	18	611	1,471	251,633	253,104	-
Construction and land development	491	533	-	1,024	63,409	64,433	-
Multifamily	-	149	-	149	47,085	47,234	-
Farmland	-	-	-	-	240	240	-
Commercial business	733	260	436	1,429	102,010	103,439	149
Consumer	1	-	-	1	642	643	-
Manufactured homes	-	72	-	72	5,328	5,400	-
Government	-	-	-	-	21,101	21,101	-
Total	$ 5,869	$ 1,946	$ 5,713	$ 13,528	$ 750,872	$ 764,400	$ 321

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

(Dollars in thousands)	September 30, 2019	December 31, 2018
Residential real estate	$ 5,132	$ 5,135
Home equity	547	270
Commercial real estate	913	695
Construction and land development	-	-
Multifamily	260	-
Farmland	-	-
Commercial business	1,951	495
Consumer	-	-
Manufactured homes	-	-
Government	-	-
Total	$ 8,803	$ 6,595

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 September 30, 2019, total purchased credit impaired loans with unpaid principal balances totaled $6.6 million with a recorded investment of $4.3 million. At December 31, 2018, purchased credit impaired loans with unpaid principal balances totaled $6.0 million with a recorded investment of $2.9 million.

Accretable interest taken from the purchase credit impaired portfolio, or income recorded for the nine months ended September 30, is as follows:

(dollars in thousands)	First Personal
2018	$ 26
2019	118

Accretable interest taken from the purchase credit impaired portfolio, or income expected to be recorded in the future is as follows:

(dollars in thousands)	First Personal
2019	$ (25)
2020	(100)
2021	(25)
Total	$ (150)

For the acquisitions of First Federal Savings & Loan ("First Federal"), Liberty Savings Bank ("Liberty Savings"), First Personal Bank ("First Personal"), and A.J. Smith Federal Savings Bank ("AJ Smith"), as part of the fair value of loans receivable, a net fair value discount was established for loans as summarized below:

(dollars in thousands)	First Federal		Liberty Savings		First Personal		AJ Smith	
	Net fair value discount	Accretable period in months	Net fair value discount	Accretable period in months	Net fair value discount	Accretable period in months	Net fair value discount	Accretable period in months
Residential real estate	$ 1,062	59	$ 1,203	44	$ 948	56	$ 3,734	52
Home equity	44	29	5	29	51	50	141	32
Commercial real estate	-	-	-	-	208	56	8	9
Construction and land development	-	-	-	-	1	30	-	-
Multifamily	-	-	-	-	11	48	2	48
Consumer	-	-	-	-	146	50	1	5
Commercial business	-	-	-	-	348	24	-	-
Purchased credit impaired loans	-	-	-	-	424	32	-	-
Total	$ 1,106		$ 1,208		$ 2,137		$ 3,886	

Accretable yield, or income recorded for the nine months ended September 30, is as follows:

(dollars in thousands)	First Federal	Liberty Savings	First Personal	AJ Smith	Total
2018	$ 105	$ 200	$ 114	$ -	$ 419
2019	22	42	402	843	$ 1,309

Accretable yield, or income expected to be recorded in the future is as follows:

(dollars in thousands)	First Personal	AJ Smith	Total
2019	$ 112	$ 216	$ 328
2020	402	833	1,236
2021	341	826	1,167
2022	330	826	1,156
2023	74	341	415
Total	$ 1,259	$ 3,043	$ 4,303

Note 6 - Foreclosed Real Estate

Foreclosed real estate at period-end is summarized below:

	(Dollars in thousands)	
	September 30, 2019	December 31, 2018
Residential real estate	$ 752	$ 1,132
Commercial real estate	346	346
Construction and land development	-	149
Total	$ 1,098	$ 1,627

Note 7 – Intangibles and Acquisition Related Accounting

The Bancorp established a goodwill balance totaling $11.1 million with the acquisitions of AJSB, First Personal, First Federal, and Liberty Savings. Goodwill of $2.9 million, $5.4 million, $2.0 million, and $804 thousand were established with the acquisition of AJSB, First Personal, First Federal, and Liberty Savings, respectively. 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. Goodwill totaled $11.1 million and $8.2 million as of September 30, 2019 and December 31, 2018, respectively.

In addition to goodwill, a core deposit intangible of $93 thousand for the acquisition of First Federal was established and is being amortized over an initial period of 7.9 years on a straight line basis. A core deposit intangible of $471 thousand for the acquisition of Liberty Savings was established and is being amortized over an initial period of 8.2 years on a straight line basis. A core deposit intangible of $3.0 million for the acquisition of First Personal was established and is being amortized over an initial period of 6.4 years on a straight line basis. A core deposit intangible of $2.9 million for the acquisition of AJSB was established and is being amortized over an initial period of 6.5 years on a straight line basis. The table below summarizes the annual amortization:

Amortization recorded for the nine months ended September 30, is as follows:

(dollars in thousands)	First Federal	Liberty Savings	First Personal	AJ Smith	Total
Current period	$ 9	$ 44	$ 356	$ 299	$ 708

Amortization to be recorded in future periods, is as follows:

(dollars in thousands)	First Federal	Liberty Savings	First Personal	AJ Smith	Total
Remainder 2019	3	14	119	112	248
2020	12	58	475	449	994
2021	12	58	475	449	994
2022	1	58	475	449	983
2023	-	38	475	449	962
2024	-	-	470	449	919
2025	-	-	-	261	261
Total	$ 28	$ 226	$ 2,489	$ 2,618	$ 5,361

For the First Personal acquisition, as part of the fair value of certificates of deposit, a fair value premium was established of $133 thousand that is being amortized over 8 months on a straight line basis. Approximately $53 thousand of amortization was taken as income during the nine months ended September 30, 2019. The premium has been fully amortized as of September 30, 2019. For the AJSB acquisition, as part of the fair value of certificates of deposit, a fair value premium was established of $174 thousand that is being amortized over 14 months on a straight line basis. Approximately $102 thousand of amortization was taken as income during the nine months ended September 30, 2019. It is estimated that an additional $38 thousand of amortization will occur during 2019 and an additional $34 thousand of amortization will occur during 2020.

Note 8 - Concentrations of Credit Risk

The primary lending area of the Bancorp encompasses Lake County in northwest Indiana and Cook County in northeast Illinois, where collectively a majority of loan activity is concentrated. The Bancorp is also an active lender in Porter County, and to a lesser extent, LaPorte, Newton and Jasper counties in Indiana; and Lake and Will counties in Illinois. Substantially all loans are secured by specific items of collateral including residences, commercial real estate, land development, business assets and consumer assets.

Note 9 - Earnings per 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 and diluted earnings per common share computations for the three and nine months ended September 30, 2019 and 2018 are as follows:

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Basic earnings per common share:				
Net income as reported	$ 3,578	$ 1,625	$ 9,823	$ 6,697
Weighted average common shares outstanding	3,451,797	3,029,369	3,416,045	2,922,271
Basic earnings per common share	$ 1.04	$ 0.54	$ 2.88	$ 2.29
Diluted earnings per common share:			-	
Net income as reported	$ 3,578	$ 1,625	$ 9,823	$ 6,697
Weighted average common shares outstanding	3,451,797	3,029,369	3,416,045	2,922,271
Weighted average common and dilutive potential common shares outstanding	3,451,797	3,029,369	3,416,045	2,922,271
Diluted earnings per common share	$ 1.04	$ 0.54	$ 2.88	$ 2.29

Note 10 - Stock Based Compensation

The Bancorp's 2015 Stock Option and Incentive Plan (the "Plan"), which was adopted by the Bancorp's Board of Directors on February 27, 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 Plan may be in the form of incentive stock options, non-qualified stock options, restricted stock, unrestricted stock, performance shares, or performance units.

As required by the Stock Compensation Topic, companies are required to record compensation cost for stock options and awards provided to employees in return for employment service. For the nine months ended September 30, 2019, stock based compensation expense of $233 thousand was recorded, compared to $104 thousand for the nine months ended September 30, 2018. It is anticipated that current outstanding unvested awards will result in additional compensation expense of approximately $478 thousand through 2022 as follows: $68 thousand in 2019, $242 thousand in 2020, $149 thousand in 2021, and $19 thousand in 2022.

There were no incentive stock options granted during the first nine months of 2019 or 2018. When options are granted, the cost is measured at the fair value of the options when granted, and this cost is expensed over the employment service period, which is normally the vesting period of the options or awards. At September 30, 2019, there were no outstanding incentive stock options.

There were 7,407 shares of restricted stock granted during the first nine months of 2019 compared to 4,433 shares granted during the first nine months of 2018. Restricted stock awards are issued with an award price equal to the market price of the Bancorp's common stock on the award date and vest between three and five years after the grant date. Forfeiture provisions exist for personnel that separate employment before the vesting period expires. A summary of restricted stock activity under the Bancorp's Plan described above for the year ended December 31, 2018 and nine months ended September 30, 2019 follows:

Non-vested Shares	*Shares*	*Weighted Average Grant Date Fair Value*
Non-vested at January 1, 2018	30,690	$ 28.51
Granted	4,433	43.50
Vested	(7,700)	22.64
Forfeited	-	-
Non-vested at December 31, 2018	27,423	$ 32.58
Non-vested at January 1, 2019	27,423	$ 32.58
Granted	7,407	43.00
Vested	(4,625)	29.37
Forfeited	-	-
Non-vested at September 30, 2019	30,205	$ 35.63

Note 11 – Change in Accounting Principles

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, superseding 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 was effective for the Bancorp's year ending December 31, 2018 and has been adopted as of January 1, 2018. The use of the modified retrospective approach has been used for implementing this standard. Interest income is outside of the scope of the new standard and was not impacted by the adoption of the standard. Management mapped noninterest income accounts to their associated income streams and applied the five step model to identify the contract, identify the performance obligations in the contract, determine the total transaction price, allocate the transaction price to each performance obligation, and ensure revenue is recognized when the performance obligation is satisfied. A review of the Bancorp’s noninterest income has not resulted in a change in revenue recognition since adoption.

In January 2016, FASB issued 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 was effective for the Bancorp's year ending December 31, 2018 and was adopted on January 1, 2018. The adoption of this ASU has not had a material impact on the consolidated financial statements, as the Bancorp does not hold any equity securities with unrealized gains or losses. The new reporting requirements have been incorporated into the fair value of financial instruments table and disclosures.

In February 2016, FASB issued ASU No. 2016-02, *Lease*s, which superseded the 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 are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Prior to this ASU, leases were 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 under the new guidance is generally consistent with the prior guidance. The new guidance is effective for the Bancorp's year ending December 31, 2019 and was adopted on January 1, 2019. The adoption of this ASU has not had a material impact on the consolidated financial statements, as the Bancorp does not engage in the leasing of property or in leasing of any significant furniture, fixtures, equipment, or software.

Note 12 - Upcoming Accounting Standards

In June 2016, FASB issued 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. In October 2019, the FASB voted and approved proposed changes to the effective date of this ASU for smaller reporting companies, such as the Bancorp, and other non-SEC reporting entities. The approval changed the effective date of the ASU to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. The new credit loss guidance will be effective for the Bancorp's year ending December 31, 2023. 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. This process of evaluation has engaged multiple areas of the Bancorp’s management in discussing loss estimation methods and the application of these methods to specific segments of the loans receivable portfolio. Management has been actively monitoring developments and evaluating the use of different methods allowed. Due to continuing development of understanding of application, additional time is required to understand how this ASU will affect the Bancorp’s financial statements. Management plans on running parallel calculations during the year and finalizing a method or methods of adoption in time for the effective date.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* . This Standard simplifies the manner in which an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity, prior to the amendments in ASU No. 2017-04, had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities, including unrecognized assets and liabilities, in accordance with the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. However, under the amendments in this ASU, an entity should
(1) perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and (2) recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, ASU No. 2017-04 removes the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails such qualitative test, to perform Step 2 of the goodwill impairment test. Finally, this ASU amends the Overview and Background sections of the Accounting Standards Codification as part of the FASB’s initiative to unify and improve such sections across Topics and Subtopics. The new guidance will be effective for the Company’s year ending December 31, 2020.

In March 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. This Standard amends the amortization period for certain purchased callable debt securities held at a premium. In particular, the amendments in this ASU require the premium to be amortized to the earliest call date. The amendments do not, however, require an accounting change for securities held at a discount; instead, the discount continues to be amortized to maturity. The amendments in this ASU more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. In fact, in most cases, market participants price securities to the call date that produces the worst yield when the coupon is above current market rates (i.e., the security is trading at a premium), and price securities to maturity when the coupon is below market rates (i.e., the security is trading at a discount), in anticipation that the borrower will act in its economic best interest. The new guidance will be effective for the Company's year ending December 31, 2020. Management will recognize amortization expense as dictated by the amount of premiums and the differences between maturity and call dates at the time of adoption.

Note 13 - Fair Value

The Fair Value Measurements 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 a 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 GAAP. Impairment is other-than-temporary if the decline in the fair value 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 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; 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 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.

The Bancorp's management utilizes a specialist to perform an other-than-temporary impairment analysis for each of its pooled trust preferred securities. The analysis is performed annually during December 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 GAAP. 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 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. Based on current market conditions and a review of the trustee reports, management performed an analysis of the pooled trust preferred securities and no additional impairment was taken at December 31, 2018. A specialist will be used to review all pooled trust preferred securities again at December 31, 2019.

The table below shows the credit loss roll forward on a year-to-date basis 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, 2018	$ 235
Additions not previously recognized	-
Ending balance, September, 2019	$ 235

At September 30, 2019, trust preferred securities with a cost basis of $3.4 million continue to be in "payment in kind" status. These trust preferred securities classified as "payment in kind" are a result of not receiving the scheduled quarterly interest payments. For these trust preferred 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 GAAP, 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 on a consistent basis.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

There were no transfers to or from Levels 1 and 2 during the nine months ended September 30, 2019. Assets measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at September 30, 2019 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	$ 5,771	$ 5,771	$ -	$ -
U.S. treasury securities	-	-	-	-
U.S. government sponsored entities	14,513	-	14,513	-
Collateralized mortgage obligations and residential mortgage-backed securities	140,621	-	140,621	-
Municipal securities	98,079	-	98,079	-
Collateralized debt obligations	2,070	-	-	2,070
Total securities available-for-sale	$ 261,054	$ 5,771	$ 253,213	$ 2,070

		Fair Value Measurements at December 31, 2018 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	$ 2,480	$ 2,480	$ -	$ -
U.S. treasury securities	-	-	-	-
U.S. government sponsored entities	7,894	-	7,894	-
Collateralized mortgage obligations and residential mortgage-backed securities	135,281	-	135,281	-
Municipal securities	94,064	-	94,064	-
Collateralized debt obligations	2,049	-	-	2,049
Total securities available-for-sale	$ 241,768	$ 2,480	$ 237,239	$ 2,049

A roll forward of available-for-sale securities, which require significant adjustment based on unobservable data, are presented in the following table:

(Dollars in thousands)	*Estimated Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*
	Available-for-sale securities
Beginning balance, January 1, 2018	$ 3,439
Principal payments	(51)
Total unrealized gains, included in other comprehensive income	(36)
Transfers in and/or (out) of Level 3	(1,303)
Ending balance, December 31, 2018	$ 2,049
Beginning balance, January 1, 2019	$ 2,049
Principal payments	(33)
Total unrealized gains, included in other comprehensive income	54
Sale out of Level 3	-
Ending balance, September 30, 2019	$ 2,070

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

(Dollars in thousands)	Estimated Fair Value	(Dollars in thousands) Fair Value Measurements at September 30, 2019 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 7,771	$ -	$ -	$ 7,771
Foreclosed real estate	1,098	-	-	1,098

(Dollars in thousands)	Estimated Fair Value	(Dollars in thousands) Fair Value Measurements at December 31, 2018 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 5,536	$ -	$ -	$ 5,536
Foreclosed real estate	1,627	-	-	1,627

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 a present value of 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 in impaired loans was approximately $9.0 million and the related specific reserves totaled approximately $1.2 million, resulting in a fair value of impaired loans totaling approximately $7.8 million, at September 30, 2019. The recorded investment of impaired loans was approximately $5.8 million and the related specific reserves totaled approximately $246 thousand, resulting in a fair value of impaired loans totaling approximately $5.5 million, at December 31, 2018. 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.

	September 30, 2019		Estimated Fair Value Measurements at September 30, 2019 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	$ 71,942	$ 71,942	$ 71,942	$ -	$ -
Certificates of deposit in other financial institutions	2,170	2,137	-	2,137	-
Securities available-for-sale	261,054	261,054	5,771	253,213	2,070
Loans held-for-sale	4,641	4,761	4,761	-	-
Loans receivable, net	895,099	907,899	-	-	907,899
Federal Home Loan Bank stock	3,912	3,912	-	3,912	-
Interest rate swap agreements	1,860	1,860	-	1,860	-
Accrued interest receivable	3,995	3,995	-	3,995	-
Financial liabilities:					
Non-interest bearing deposits	176,878	176,878	176,878	-	-
Interest bearing deposits	975,589	975,443	638,314	337,129	-
Repurchase agreements	14,931	14,931	13,158	1,773	-
Borrowed funds	16,000	16,105	-	16,105	-
Interest rate swap agreements	1,860	1,860	-	1,860	-
Accrued interest payable	166	166	-	166	-

	December 31, 2018		Estimated Fair Value Measurements at December 31, 2018 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	$ 17,139	$ 17,139	$ 17,139	$ -	$ -
Certificates of deposit in other financial institutions	2,024	2,001	-	2,001	-
Securities available-for-sale	241,768	241,768	2,480	237,239	2,049
Loans held-for-sale	2,863	2,910	2,910	-	-
Loans receivable, net	756,438	747,553	-	-	747,553
Federal Home Loan Bank stock	3,460	3,460	-	3,460	-
Interest rate swap agreements	196	196	-	196	
Accrued interest receivable	3,632	3,632	-	3,632	-
Financial liabilities:					
Non-interest bearing deposits	127,277	127,277	127,277	-	-
Interest bearing deposits	802,509	800,349	543,617	256,732	-
Repurchase agreements	11,628	11,626	9,867	1,759	-
Borrowed funds	43,000	42,888	-	42,888	-
Interest rate swap agreements	196	196		196	
Accrued interest payable	186	186	-	186	-

The following methods were used to estimate the fair value of financial instruments presented in the preceding table for the periods ended September 30, 2019 and December 31, 2018:

Cash and cash equivalent carrying amounts approximate fair value. Certificates of deposits in other financial institutions carrying amounts approximate fair value (Level 2). 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 the exit price notion which is the exchange price that would be received to transfer the loans at the most advantageous market price in an orderly transaction between market participants on the measurement date (Level 3). Federal Home Loan Bank stock is estimated at book value due to restrictions that limit the sale or transfer of the security. Interest rate swap agreements, both assets and liabilities, are valued by a third-party pricing agent using an income approach (Level 2). 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary

NorthWest Indiana Bancorp (the "Bancorp") is a financial holding company registered with the Board of Governors of the Federal Reserve System. Peoples Bank SB ("the Bank"), an Indiana savings bank, and NWIN Risk Management, Inc., a captive insurance company, are wholly-owned subsidiaries of the Bancorp. The Bancorp has no other business activity other than being a holding company for the Bank and NWIN Risk Management, Inc. The following management's discussion and analysis presents information concerning our financial condition as of September 30, 2019, as compared to December 31, 2018, and the results of operations for the quarter and nine months ending September 30, 2019, and September 30, 2018. This discussion should be read in conjunction with the consolidated financial statements and other financial data presented elsewhere herein and with the financial statements and other financial data, as well as the Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

At September 30, 2019, the Bancorp had total assets of $1.3 billion, total loans receivable of $904.3 million and total deposits of $1.2 billion. Stockholders' equity totaled $133.0 million or 10.00% of total assets, with a book value per share of $38.53. Net income for the quarter ended September 30, 2019, was $3.6 million, or $1.04 earnings per common share for both basic and diluted calculations. For the quarter ended September 30, 2019, the return on average assets (ROA) was 1.08%, while the return on average stockholders' equity (ROE) was 11.05%. Net income for the nine months ended September 30, 2019, was $9.8 million, or $2.88 earnings per common share for both basic and diluted calculations. For the nine months ended September 30, 2019, the ROA was 1.03%, while the ROE was 10.54%.

Financial Condition

During the nine months ended September 30, 2019, total assets increased by $234.3 million (21.4%), with interest-earning assets increasing by $202.8 million (19.9%). At September 30, 2019, interest-earning assets totaled $1.2 billion compared to $1.0 billion at December 31, 2018. Earning assets represented 91.8% of total assets at September 30, 2019 and 92.9% of total assets at December 31, 2018. The increase in total assets and interest earning assets for the nine months was primarily the result of the completion of the acquisition of AJSB as well as internally generated growth.

Net loans receivable totaled $895.1 million at September 30, 2019, compared to $756.4 million at December 31, 2018. The loan portfolio, which is the Bancorp's largest asset, is the primary source of both interest and fee income. The Bancorp's lending strategy emphasizes quality loan growth, product diversification, and competitive and profitable pricing.

The Bancorp's end-of-period loan balances were as follows:

(Dollars in thousands)	September 30, 2019 (unaudited) Balance	% Loans	December 31, 2018 Balance	% Loans
Residential real estate	$ 297,830	32.9%	223,323	29.2%
Home equity	49,781	5.5%	45,483	6.0%
Commercial real estate	282,536	31.2%	253,104	33.1%
Construction and land development	79,351	8.8%	64,433	8.4%
Multifamily	50,878	5.6%	47,234	6.2%
Farmland	230	0.0%	240	0.0%
Consumer	1,334	0.2%	643	0.1%
Manufactured homes	15,365	1.7%	5,400	0.7%
Commercial business	109,359	12.1%	103,439	13.5%
Government	17,609	2.0%	21,101	2.8%
Loans receivable	$ 904,273	100.0%	$ 764,400	100.0%
Adjustable rate loans / loans receivable	$ 499,900	55.3%	$ 348,559	45.6%

	September 30, 2019 (unaudited)	December 31, 2018
Loans receivable to total assets	68.0%	69.7%
Loans receivable to earning assets	74.1%	75.1%
Loans receivable to total deposits	78.5%	82.2%

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. These loans are identified as held for sale when originated and sold, on a loan-by-loan basis, in the secondary market. The Bancorp will also retain fixed rate mortgage loans with a contractual maturity greater than 15 years on a limited basis. During the nine months ended September 30, 2019, the Bancorp originated $54.6 million in new fixed rate mortgage loans for sale, compared to $41.8 million during the nine months ended September 30, 2018. Net gains realized from the mortgage loan sales totaled $1.3 million for the nine months ended September 30, 2019, compared to $1.0 million for the nine months ended September 30, 2018. At September 30, 2019, the Bancorp had $4.6 million in loans that were classified as held for sale, compared to $2.9 million at December 31, 2018.

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. At September 30, 2019, non-performing loans that remained accruing and more than 90 days past due include three residential real estate loans totaling $318 thousand, one commercial business loan totaling $237 thousand, one commercial real estate loan totaling $63 thousand, one multifamily loan totaling $31 thousand, and two home equity loans totaling $136 thousand. The Bancorp will at times leave notes accruing, despite being over 90 days past due, for short periods of time when management has reason to believe payments are in process of being received.

The Bancorp's nonperforming loans are summarized below:

(Dollars in thousands)

Loan Segment	(unaudited) September 30, 2019	December 31, 2018
Residential real estate	$ 5,450	$ 5,257
Home equity	683	320
Commercial real estate	976	695
Construction and land development	-	-
Multifamily	291	-
Farmland	-	-
Commercial business	2,188	644
Consumer	-	-
Manufactured homes	-	
Government	-	-
Total	$ 9,588	$ 6,916
Nonperforming loans to total loans	1.06%	0.90%
Nonperforming loans to total assets	0.72%	0.63%

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 September 30, 2019 or December 31, 2018.

The Bancorp's substandard loans are summarized below:
(Dollars in thousands)

Loan Segment	(unaudited) September 30, 2019	December 31, 2018
Residential real estate	$ 5,448	$ 5,366
Home equity	582	373
Commercial real estate	1,838	1,770
Construction and land development	-	-
Multifamily	684	-
Farmland	-	-
Commercial business	2,122	728
Consumer	-	-
Manufactured homes	-	-
Government	-	-
Total	$ 10,674	$ 8,237

In addition to identifying and monitoring non-performing and other classified loans, management maintains a list of special mention loans. Special mention loans represent loans management is closely monitoring due to one or more factors that may cause the loan to become classified as substandard.

The Bancorp's special mention loans are summarized below:
(Dollars in thousands)

Loan Segment	(unaudited) September 30, 2019	December 31, 2018
Residential real estate	$ 4,304	$ 3,908
Home equity	810	657
Commercial real estate	4,091	4,715
Construction and land development	-	-
Multifamily	133	149
Farmland	-	-
Commercial business	2,500	2,958
Consumer	-	-
Manufactured homes	-	20
Government	-	-
Total	$ 11,838	$ 12,407

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. 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.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. Purchased loans with evidence of credit quality deterioration since origination are considered purchased credit impaired loans. Expected future cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable (“accretable yield”). The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference and represents probable losses in the portfolio. In determining the acquisition date fair value of purchased credit impaired loans, and in subsequent accounting, the Bancorp aggregates these purchased loans into pools of loans by common risk characteristics, such as credit risk rating and loan type. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses.

The Bancorp's impaired loans, including purchased credit impaired loans, are summarized below:
(Dollars in thousands)

Loan Segment	(unaudited) September 30, 2019	December 31, 2018
Residential real estate	$ 2,375	$ 1,550
Home equity	502	264
Commercial real estate	1,838	2,105
Construction and land development	-	-
Multifamily	684	-
Farmland	-	-
Commercial business	3,583	1,863
Consumer	-	-
Manufactured homes	-	-
Government	-	-
Total	$ 8,982	$ 5,782

At times, the Bancorp will modify the terms of a loan to forego a portion of interest or principal or reduce the interest rate on the loan to a rate materially less than market rates, or materially extend the maturity date of a loan as part of a troubled debt restructuring. The valuation basis for the Bancorp's troubled debt restructurings is based on the present value of expected future 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 troubled debt restructured loans are summarized below:
(Dollars in thousands)

Loan Segment	(unaudited) September 30, 2019	December 31, 2018
Residential real estate	$ 436	$ 457
Home equity	178	141
Commercial real estate	840	1,074
Construction and land development	-	-
Multifamily	-	-
Farmland	-	-
Commercial business	647	359
Consumer	-	-
Manufactured homes	-	-
Government	-	-
Total	$ 2,101	$ 2,031

The increase in the troubled debt restructure loans reflected in the table above for the nine months ending September 30, 2019 was due to five home equity loans and one commercial business loan totaling $472 thousand which were renewed as troubled debt restructurings and two loans, consisting of one commercial business and one residential loan, totaling $135 thousand which were approved as new TDR loans, which was offset by scheduled payments totaling $138 thousand, the payoff of one commercial real estate loan totaling $176 thousand and the removal of the TDR status for two residential and four home equity loans totaling $222 thousand due to positive payment performance. These restructurings along with nine commercial business loans to five customers and the AJSB purchased credit impaired loans all contributed to the increase in impaired loans.

The increase in the nonperforming, substandard, and impaired loans reflected in the tables above for the nine months ending September 30, 2019, are due primarily to the completion of the AJSB acquisition as well as ten commercial business loans to five customers .The majority of new additions to these loan categories after AJSB acquisition were not related to the acquisition. AJSB loans totaling $1.2 million and eleven commercial business loans to six customers totaling $2.1 million contributed to the September 30, 2019 increase in nonperforming loans. AJSB loans totaling $1.5 million and ten commercial business loans to five customers totaling $1.8 million contributed to the September 30, 2019 increase in substandard loans. The movement of various loans out of watch totaling $3.5 million contributed to the September 30, 2019 decrease in watch loans, which was offset by AJSB loans totaling $1.1 million, five commercial business loans totaling $933 thousand and various residential loans totaling $1.1 million. AJSB purchased credit impaired loans totaling $1.6 million and eleven commercial business loans to six customers totaling $2.1million contributed to the September 30, 2019 increase in impaired loans.

At September 30, 2019, management is of the opinion that there are no loans, except certain of 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 affect future operations, liquidity or capital resources.

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.

The Bancorp's provision for loan losses for the nine months ended are summarized below:
(Dollars in thousands)

Loan Segment	(unaudited) September 30, 2019	(unaudited) September 30, 2018
Residential real estate	$ 142	$ 143
Home equity	21	51
Commercial real estate	372	210
Construction and land development	238	(39)
Multifamily	32	(165)
Farmland	-	3
Commercial business	544	439
Consumer	33	316
Manufactured homes	(41)	-
Government	(19)	(8)
Total	$ 1,322	$ 950

The Bancorp's charge-off and recovery information is summarized below:
(Dollars in thousands)

	(unaudited) As of September 30, 2019		
Loan Segment	Charge-off	Recoveries	Net Charge-offs
Residential real estate	$ (128)	$ 23	$ (105)
Home equity	-	4	4
Commercial real estate	-	-	-
Construction and land development	-	-	-
Multifamily	-	-	-
Farmland	-	-	-
Commercial business	(9)	24	15
Consumer	(38)	14	(24)
Manufactured homes	-	-	
Government	-	-	-
Total	$ (175)	$ 65	$ (110)

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 considered risks associated with the local economy, changes in loan balances and mix, and asset quality.

In addition, management considers reserves that are not part of the ALL that have been established from 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 September 30, 2019, total purchased credit impaired loans nonaccretable and accretable discount totaled $2.3 million compared to $3.1 million at December 31, 2018. Additionally, the Bancorp has acquired loans where there was no evidence of credit quality deterioration since origination and has marked these loans to their fair values. As part of the fair value of loans receivable, a net fair value discount was established for loans acquired of $4.3 million at September 30, 2019, compared to $1.8 million at December 31, 2018. The increase in the fair value discount and purchase credit impaired discounts, as of September 30, 2019, is the result of the AJSB acquisition. Details on these fair value marks and the additional reserves created can be found in Note 5, Loans Receivable.

A deferred cost reserve is maintained for manufactured home loans. This reserve is available for use for manufactured home loan nonperformance and costs associated with nonperformance. As the manufactured home loan segment performs a portion of this reserve is paid as an origination cost.

The Bancorp's allowance to total loans and non-performing loans are summarized below:
(Dollars in thousands)

	(unaudited) September 30, 2019	December 31, 2018
Allowance for loan losses	$ 9,174	$ 7,962
Total loans	$ 904,273	$ 764,400
Non-performing loans	$ 9,588	$ 6,916
ALL-to-total loans	1.01%	1.04%
ALL-to-non-performing loans (coverage ratio)	95.7%	115.1%

The balance in the ALL account is considered adequate by management after evaluation of the loan portfolio, past experience, current economic and market conditions, and additional reserves from acquisition accounting as described in the immediately preceding paragraph. 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 September 30, 2019, foreclosed real estate totaled $1.1 million, which was comprised of nineteen properties, compared to $1.6 million and twenty-four properties at December 31, 2018. Net gains from the sale of foreclosed real estate totaled $83 thousand for the nine months ended September 30, 2019. At the end of September 2019, all of the Bancorp’s foreclosed real estate is located within its primary market area, which has been expanded into the Cook County, Illinois and Chicagoland metropolitan area with the acquisition of First Personal and AJSB.

The primary objective of the Bancorp’s 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. Funds are generally invested in federal funds, interest bearing balances in other financial institutions, U.S. government securities, federal agency obligations, obligations of state and local municipalities and corporate securities. The securities portfolio, all of which is designated as available-for-sale, totaled $261.1 million at September 30, 2019, compared to $241.8 million at December 31, 2018, an increase of $19.3 million (8.0%). The increase in the securities portfolio during the year is a result of market value adjustments and the AJSB acquisition. At September 30, 2019, the securities portfolio represented 21.4% of interest-earning assets and 19.6% of total assets compared to 23.7% of interest-earning assets and 22.1% of total assets at December 31, 2018.

The Bancorp's end-of-period investment portfolio and other short-term investments and stock balances were as follows:

(Dollars in thousands)	September 30, 2019 (unaudited) Balance	% Securities	December 31, 2018 Balance	% Securities
Money market fund	$ 5,771	2.2%	$ 2,480	1.0%
U.S. government sponsored entities	14,513	5.6%	7,894	3.3%
Collateralized mortgage obligations and residential mortgage-backed securities	140,621	53.9%	135,281	56.0%
Municipal securities	98,079	37.6%	94,064	38.9%
Collateralized debt obligations	2,070	0.7%	2,049	0.8%
Total securities available-for-sale	$ 261,054	100.0%	$ 241,768	100.0%

(Dollars in thousands)	September 30, 2019 (unaudited) Balance	December 31, 2018 Balance	YTD Change $	%
Interest bearing deposits in other financial institutions	$ 42,953	$ 3,116	$ 39,837	1278.5%
Fed funds sold	2,150	763	1,387	181.8%
Certificates of deposit in other financial institutions	2,170	2,024	146	7.2%
Federal Home Loan Bank stock	3,912	3,460	452	13.1%

The net increase in interest bearing deposits in other financial institutions and fed funds sold is primarily the result of the AJSB acquisition and timing of liquidity needs. The increase in Federal Home Loan Bank stock corresponds to stock ownership requirements based the AJSB acquisition.

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.

The Bancorp's end-of-period deposit portfolio balances were as follows:

(Dollars in thousands)	September 30, 2019 (unaudited) Balance	December 31, 2018 Balance	YTD Change $	%
Checking	$ 399,102	$ 341,677	$ 57,425	16.8%
Savings	212,517	160,490	52,027	32.4%
Money market	203,573	168,727	34,846	20.7%
Certificates of deposit	337,275	258,892	78,383	30.3%
Total deposits	$ 1,152,467	$ 929,786	$ 222,681	23.9%

The overall increase in total deposits is primarily a result of the acquisition of AJSB, along with internally generated growth. This increase also reflects the cyclical nature and timing of municipality deposits.

The Bancorp's borrowed funds are primarily used to fund asset growth not supported by deposit generation. The Bancorp's end-of-period borrowing balances were as follows:

(Dollars in thousands)	September 30, 2019 (unaudited) Balance	December 31, 2018 Balance	YTD Change $	%
Repurchase agreements	$ 14,931	$ 11,628	$ 3,303	28.4%
Borrowed funds	16,000	43,000	(27,000)	-62.8%
Total borrowed funds	$ 30,931	$ 54,628	$ (23,697)	-43.4%

Repurchase agreements increased as part of normal account fluctuations within that product line. Borrowed funds decreased as FHLB advances were paid down and matured during the quarter.

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 other 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 the nine months ended September 30, 2019, cash and cash equivalents increased by $54.8 million compared to a $2.9 million increase for the nine months ended September 30, 2018. The primary sources of cash and cash equivalents were the growth of deposits, net cash received from the acquisition of AJSB, sale of loans originated for sale, and proceeds from sales of securities. The primary uses of cash and cash equivalents were the purchase of securities, loan originations, and the repayment of FHLB advances. Cash provided by operating activities totaled $11.4 million for the nine months ended September 30, 2019, compared to cash provided of $2.3 million for the nine month period ended September 30, 2018. Cash provided from operating activities was primarily a result of net income, and sale of loans originated for sale, offset by the origination of loans for sale. Cash outflows from investing activities totaled $8.3 million for the current period, compared to cash outflows of $10.4 million for the nine months ended September 30, 2018. Cash outflows from investing activities for the current nine months were primarily related to purchases of securities available-for-sale and origination of loans, offset against the net cash received from the acquisition of AJSB. Net cash provided from financing activities totaled $51.7 million during the current period compared to net cash provided of $11.0 million for the nine months ended September 30, 2018. The net cash inflows from financing activities were primarily a result of net change in deposits offset against repayment of FHLB advances. On a cash basis, the Bancorp paid dividends on common stock of $3.0 million for the nine months ended September 30, 2019 and $2.5 million for the nine months ended September 30, 2018.

At September 30, 2019, outstanding commitments to fund loans totaled $205.1 million. Approximately 55.5% of the commitments were at variable rates. Standby letters of credit, which are conditional commitments issued by the Bancorp to guarantee the performance of a customer to a third party, totaled $10.4 million at September 30, 2019. Management believes that the Bancorp has sufficient cash flow and borrowing capacity to fund all outstanding commitments and letters of credit, while maintaining proper levels of liquidity.

Management strongly believes that maintaining a high level of capital enhances safety and soundness. During the nine months ended September 30, 2019, stockholders' equity increased by $31.5 million (31.1%). During the nine months ended September 30, 2019, stockholders' equity was primarily increased by net income of $9.8 million, increased unrealized gains on available securities of $7.2 million, and the issuance of 416,478 shares for $17.5 million as part of the acquisition of AJSB. Decreasing stockholders' equity was the declaration of $3.2 million in cash dividends. 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 under the program during the first nine months of 2019 or 2018. During 2019, 4,625 restricted stock shares vested under the Incentive Plan outlined in Note 10 of the financial statements, of which 1,245 of these shares were withheld in the form of a net surrender to cover the withholding tax obligations of the vesting employees. The repurchase of these surrendered shares is considered outside of the scope of the formal stock repurchase program.

The Bancorp is subject to risk-based capital guidelines adopted by the Board of Governors of the Federal Reserve System (the "FRB"), and the Bank is subject to risk-based capital guidelines adopted by the FDIC. As applied to the Bancorp and the Bank, the FRB and FDIC capital requirements are substantially the same. These regulations divide capital into multiple tiers. The first tier (Common Equity Tier 1 Capital) includes common shareholders' equity, after deductions for various items including goodwill and certain other intangible assets, and after certain other adjustments. Common Equity Tier 1 Capital also includes accumulated other comprehensive income (for organizations that do not make opt-out elections). The next tier (Tier 1 Capital) is comprised of Common Equity Tier 1 Capital plus other qualifying capital instruments such as perpetual noncumulative preferred stock and junior subordinated debt issued to trusts, and other adjustments. The third tier (Tier 2 Capital) includes instruments such as subordinated debt that have a minimum original maturity of at least five years and are subordinated to the claims of depositors and general creditors, total capital minority interest not included in Tier 1 Capital, and limited amounts of the allowance for loan losses, less applicable regulatory adjustments and deductions. The Bancorp and the Bank are required to maintain a Common Equity Tier 1 Capital ratio of 4.5%, a Tier 1 Capital ratio of 6%, and a Total Capital ratio (comprised of Tier 1 Capital plus Tier 2 Capital) of 8%. In addition, the capital regulations provide for a minimum leverage ratio (Tier 1 capital to adjusted average assets) of 4%.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 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 $3 billion in consolidated assets, such as the Bancorp, are exempt from consolidated regulatory capital requirements, unless the FRB determines otherwise in particular cases.

During the nine months ended September 30, 2019, the Bancorp's and Bank's regulatory capital ratios continued to be negatively impacted by regulatory requirements regarding collateralized debt obligations. The regulatory requirements state that for collateralized debt obligations that have been downgraded below investment grade by the rating agencies, increased risk based asset weightings are required. The Bancorp currently holds pooled trust preferred securities with a cost basis of $3.4 million. These investments currently have ratings that are below investment grade. As a result, approximately $15.8 million of risk-based assets are generated by the trust preferred securities in the Bancorp's and Bank's total risk based capital calculation.

The following table shows that, at September 30, 2019, and December 31, 2018, the Bancorp's capital exceeded all applicable regulatory capital requirements. The dollar amounts are in millions.

(Dollars in millions) At September 30, 2019	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Amount	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Amount	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Ratio
Common equity tier 1 capital to risk-weighted assets	$ 109.2	11.7%	$ 41.8	4.5%	N/A	N/A
Tier 1 capital to risk-weighted assets	$ 109.2	11.7%	$ 55.8	6.0%	N/A	N/A
Total capital to risk-weighted assets	$ 118.4	12.7%	$ 74.4	8.0%	N/A	N/A
Tier 1 capital to adjusted average assets	$ 109.2	8.4%	$ 52.0	4.0%	N/A	N/A

(Dollars in millions) At December 31, 2018	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Amount	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Amount	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Ratio
Common equity tier 1 capital to risk-weighted assets	$ 92.8	11.6%	$ 26.1	4.5%	N/A	N/A
Tier 1 capital to risk-weighted assets	$ 92.8	11.6%	$ 42.2	6.0%	N/A	N/A
Total capital to risk-weighted assets	$ 100.8	12.6%	$ 64.2	8.0%	N/A	N/A
Tier 1 capital to adjusted average assets	$ 92.8	8.6%	$ 43.2	4.0%	N/A	N/A

In addition, the following table shows that, at September 30, 2019, and December 31, 2018, the Bank's capital exceeded all applicable regulatory capital requirements. The dollar amounts are in millions.

(Dollars in millions) At September 30, 2019	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Amount	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Amount	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Ratio
Common equity tier 1 capital to risk-weighted assets	$ 105.9	11.4%	$ 41.9	4.5%	$ 60.5	6.5%
Tier 1 capital to risk-weighted assets	$ 105.9	11.4%	$ 55.8	6.0%	$ 74.4	8.0%
Total capital to risk-weighted assets	$ 115.1	12.4%	$ 74.4	8.0%	$ 93.1	10.0%
Tier 1 capital to adjusted average assets	$ 105.9	8.2%	$ 51.9	4.0%	$ 64.9	5.0%

(Dollars in millions) At December 31, 2018	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Amount	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Amount	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations Ratio
Common equity tier 1 capital to risk-weighted assets	$ 89.9	11.2%	$ 36.2	4.5%	$ 52.2	6.5%
Tier 1 capital to risk-weighted assets	$ 89.9	11.2%	$ 48.2	6.0%	$ 64.3	8.0%
Total capital to risk-weighted assets	$ 97.9	12.2%	$ 64.3	8.0%	$ 80.3	10.0%
Tier 1 capital to adjusted average assets	$ 89.9	8.4%	$ 42.9	4.0%	$ 53.6	5.0%

The Bancorp's ability to pay dividends to its shareholders is primarily 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 2019, without the need for qualifying for an exemption or prior DFI approval, is $1.5 million plus 2019 net profits. Moreover, the FDIC and the FRB 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 August 23rd, 2019, the Board of Directors of the Bancorp declared a third quarter dividend of $0.31 per share. The Bancorp's third quarter dividend was paid to shareholders on October 3, 2019.

Results of Operations - Comparison of the Quarter Ended September 30, 2019 to the Quarter Ended September 30, 2018

For the quarter ended September 30, 2019, the Bancorp reported net income of $3.6 million, compared to net income of $1.6 million for the quarter ended September 30, 2018, an increase of $2.0 million (120.2%). For the quarter, the ROA was 1.08%, compared to 0.62% for the quarter ended September 30, 2018. The ROE was 11.05% for the quarter ended September 30, 2019, compared to 6.70% for the quarter ended September 30, 2018. The primary increase in income is driven by the timing of the First Personal acquisition, see discussion of the First Personal acquisition in footnote 3 and related income and expense timing in the discussion below.

Net interest income for the quarter ended September 30, 2019 was $10.8 million, an increase of $1.8 million (19.7%), compared to $9.0 million for the quarter ended September 30, 2018. The weighted-average yield on interest-earning assets was 4.40% for the quarter ended September 30, 2019, compared to 4.26% for the quarter ended September 30, 2018. The weighted-average cost of funds for the quarter ended September 30, 2019 was 0.86% compared to 0.56% for the quarter ended September 30, 2018. The impact of the 4.40% return on interest earning assets and the 0.86% cost of funds resulted in an interest rate spread of 3.54% for the current quarter, a decrease from the 3.69% spread for the quarter ended September 30, 2018. The net interest margin on earning assets was 3.56% for the quarter ended September 30, 2019 and 3.72% for the quarter ended September 30, 2018. The net interest margin decrease is the result of continued compression of the yield curve. On a tax equivalent basis, the Bancorp's net interest margin was 3.63% for the quarter ended September 30, 2019, compared to 3.91% for the quarter ended September 30, 2018. Comparing the net interest margin on a tax equivalent basis more accurately compares the returns on tax-exempt loans and securities to those on taxable interest-earning assets.

Information relating to the average consolidated balance sheet and the yield on average earning assets and cost of average liabilities for the periods indicated are in the following table. Dividing the related interest, on an annualized basis, by the average balance of assets or liabilities drives the disclosed rates. Average balances are derived from daily balances.

Quarter-to-Date *(Dollars in thousands)* *(unaudited)*	Average Balances, Interest, and Rates					
	September 30, 2019			September 30, 2018		
	Average Balance	Interest	Rate (%)	Average Balance	Interest	Rate (%)
ASSETS						
Interest bearing deposits in other financial institution.	$ 45,686	$ 262	2.29	$ 6,502	$ 38	2.34
Federal funds sold	5,141	46	3.58	1,104	11	3.99
Certificates of deposit in other financial institutions.	2,076	18	3.47	3,570	25	2.80
Securities available-for-sale	258,851	1,612	2.49	236,629	1,674	2.83
Loans receivable.	896,096	11,335	5.06	719,654	8,552	4.75
Federal Home Loan Bank stock	3,912	47	4.81	3,177	35	4.41
Total interest earning assets	1,211,762	$ 13,320	4.40	970,636	$ 10,335	4.26
Cash and non-interest bearing deposits in other financial institutions	23,183			10,348		
Allowance for loan losses	(8,887)			(7,542)		
Other noninterest bearing assets	93,937			68,849		
Total assets	$ 1,319,995			$ 1,042,291		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Total deposits	$ 1,146,053	$ 2,353	0.82	$ 883,405	$ 1,018	0.46
Repurchase agreements	13,696	64	1.87	12,615	47	1.49
Borrowed funds	17,000	108	2.54	38,624	254	2.63
Total iinterest bearing liabilities	1,176,749	$ 2,525	0.86	934,644	$ 1,319	0.56
Other noninterest bearing liabilities	13,781			10,626		
Total liabilities	1,190,530			945,270		
Total stockholders' equity	129,465			97,021		
Total liabilities and stockholders' equity	$ 1,319,995			$ 1,042,291		

The increase in interest income for interest bearing deposits in other financial institutions was the result of higher average balances for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018. The increase in interest income for federal funds sold was primarily the result of higher average balances for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018. The decrease in interest income for certificates of deposit in other financial institutions was the result of lower average balances for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018. The decrease in interest income for securities available-for-sale was primarily the result of lower average rates for the quarter ended September 30, 2019, compared to the quarter ended September 30 2018. The increase in interest income for loans receivable was the result of higher average balances and higher weighted average rates during the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018. The increase in the interest expense of total deposits was the result of higher average balances and higher weighted average rates for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018. The increase in the interest expense for repurchase agreements was the result of higher average balances and weighted average rates for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018. The decrease in the interest expense for borrowed funds was the result of lower average balances and lower average rates for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018.

The following table shows the change in noninterest income for the quarter ending September 30, 2019, and September 30, 2018.

(unaudited) *(Dollars in thousands)*	Three Months Ended September 30,		Three Months Ended	
	2019	2018	$ Change	% Change
Noninterest income:				
Fees and service charges	$ 1,203	$ 991	$ 212	21.4%
Wealth management operations	447	414	33	8.0%
Gain on sale of loans held-for-sale, net	681	451	230	51.0%
Gain on sale of securities, net	102	151	(49)	-32.5%
Increase in cash value of bank owned life insurance	177	130	47	36.2%
Benefit from bank owned life insurance	205	-	205	0.0%
Gain on sale of foreclosed real estate, net	43	54	(11)	-20.4%
Other	39	32	7	21.9%
Total noninterest income	$ 2,897	$ 2,223	$ 674	30.3%

The increase in fees and service charges is the result of the Bancorp’s continued focus on maintaining competitive fees within its market place, as well the acquisition of First Personal and AJSB. The increase in gains on sale of loans is a result of overall increase in loan origination volume. Due to a death benefit recorded during the quarter, the Bancorp will receive a benefit from bank owned life insurance. The increase in cash value of bank owned life insurance is related to the increased bank owned life insurance balances from the AJSB and First Personal acquisitions. The decrease in gains on sale of securities is a result of current market conditions and maintaining current securities cash flows.

The following table shows the change in noninterest expense for the quarter ending September 30, 2019, and September 30, 2018.

(unaudited) *(Dollars in thousands)*	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Three Months Ended $ Change	Three Months Ended % Change
Noninterest expense:				
Compensation and benefits	$ 4,932	$ 4,669	$ 263	5.6%
Occupancy and equipment	1,231	829	402	48.5%
Data processing	806	1,012	(206)	-20.4%
Marketing	170	223	(53)	-23.8%
Federal deposit insurance premiums	18	91	(73)	-80.2%
Other	2,112	2,233	(121)	-5.4%
Total noninterest expense	$ 9,269	$ 9,057	$ 212	2.3%

The increase in compensation and benefits is primarily the result of increased compensation due to the acquisition of AJSB and First Personal. Additionally, increases to compensation and benefits can be attributed to management's continued focus on talent management and retention. The increase in occupancy and equipment is primarily related to the First Personal and AJSB acquisitions and related assets brought over. The decrease in data processing expense is primarily related to timing of the First Personal acquisition. The decrease in other operating expenses expense is primarily related to timing of the First Personal acquisition. The decrease in federal deposit insurance premiums is the result of application of the Small Bank Assessment Credit that was applied to the second quarter assessment period and credited in the third quarter of 2019. The decrease in marketing expense is primarily related to timing of the First Personal acquisition. The decrease in other noninterest expense is primarily related to timing of the First Personal acquisition. The Bancorp's efficiency ratio was 67.7% for the quarter ended September 30, 2019, compared to 80.59% for the quarter ended September 30, 2018. The decreased ratio is related primarily to the increase in interest income and timing of the First Personal acquisition. The efficiency ratio is determined by dividing total noninterest expense by the sum of net interest income and total noninterest income for the period. The acquisition of AJSB and First Personal acquisitions are discussed in Note 3 of the financial statements.

Income tax expenses for the quarter ended September 30, 2019, totaled $351 thousand, compared to income tax expense of $245 thousand for the quarter ended September 30, 2018, an increase of $106 thousand (43.3%). The combined effective federal and state tax rates for the Bancorp was 8.9% for the quarter ended September 30, 2019, compared to 13.1% for the quarter ended September 30, 2018. The decrease in the effective tax rate is the result of a larger increase to tax preferred income relative to the increase to earnings and the tax benefits resulting from a new market tax credit.

Results of Operations - Comparison of the Nine Months Ended September 30, 2019 to the Nine Months Ended September 30, 2018

For the nine months ended September 30, 2019, the Bancorp reported net income of $9.8 million, compared to net income of $6.7 million for the nine months ended September 30, 2018, an increase of $3.1 million (46.7%). For the nine months ended, the ROA was 1.03%, compared to 0.92% for the nine months ended September 30, 2018. The ROE was 10.54% for the nine months ended September 30, 2019, compared to 9.56% for the nine months ended September 30, 2018.

Net interest income for the nine months ended September 30, 2019, was $32.6 million, an increase of $7.9 million (31.8%), compared to $24.7 million for the nine months ended September 30, 2018. The weighted-average yield on interest-earning assets was 4.49% for the nine months ended September 30, 2019, compared to 4.11% for the nine months ended September 30, 2018. The weighted-average cost of funds for the nine months ended September 30, 2019, was 0.78% compared to 0.51% for the nine months ended September 30, 2018. The impact of the 4.49% return on interest earning assets and the 0.78% cost of funds resulted in an interest rate spread of 3.71% for the current nine months, which is an increase from the spread of 3.60% as of September 30, 2018. The net interest margin on earning assets was 3.73% for the nine months ended September 30, 2019, and 3.62% for the nine months ended September 30, 2018. On a tax equivalent basis, the Bancorp's net interest margin was 3.80% for the nine months ended September 30, 2019, compared to 3.81% for the nine months ended September 30, 2018. Comparing the net interest margin on a tax equivalent basis more accurately compares the returns on tax-exempt loans and securities to those on taxable interest-earning assets.

Information relating to the average consolidated balance sheet and the yield on average earning assets and cost of average liabilities for the periods indicated are in the following table. Dividing the related interest, on an annualized basis, by the average balance of assets or liabilities drives the disclosed rates. Average balances are derived from daily balances.

Year-to-Date *(Dollars in thousands)*	Average Balances, Interest, and Rates					
	September 30, 2019			September 30, 2018		
	Average Balance	Interest	Rate (%)	Average Balance	Interest	Rate (%)
ASSETS						
Interest bearing deposits in other financial institutions	$ 33,191	$ 438	1.76	$ 4,203	$ 66	2.09
Federal funds sold	4,811	123	3.41	1,055	30	3.79
Certificates of deposit in other financial institutions	2,149	50	3.10	2,251	38	2.25
Securities available-for-sale	253,004	5,101	2.69	239,020	5,010	2.79
Loans receivable	867,941	33,363	5.13	661,300	22,803	4.60
Federal Home Loan Bank stock	3,894	136	4.66	3,063	117	5.09
Total interest earning assets	1,164,990	$ 39,211	4.49	910,892	$ 28,064	4.11
Cash and non-interest bearing deposits in other financial institutions	23,496			10,351		
Allowance for loan losses	(8,449)			(7,415)		
Other noninterest bearing assets	92,595			58,729		
Total asset	$ 1,272,632			$ 972,563		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Total deposit	$ 1,094,631	$ 6,036	0.74	$ 816,880	$ 2,531	0.41
Repurchase agreements	12,636	179	1.89	12,374	124	1.34
Borrowed	19,935	402	2.69	40,225	682	2.26
Total interest bearing liabilities	1,127,202	$ 6,617	0.78	869,479	$ 3,337	0.51
Other noninterest bearing liabilities	21,179			9,676		
Total liabilities	1,148,381			879,155		
Total stockholders' equity	124,251			93,408		
Total liabilities and stockholders' equity	$ 1,272,632			$ 972,563		

The increase in interest income for interest bearing deposits in other financial institutions was the result of higher average balance for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The increase in federal funds sold was result of higher average balances for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The increase in certificates of deposits in other financial institutions was the result of higher average rates for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018.The increase in interest income for securities available-for-sale was the result of higher average balances for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The increase for loans receivable was the result of higher average balances, higher weighted average rates, and the recognition of one-time gains from excess reserves associated with purchase credit impaired loans from the former acquisitions of First Federal Savings & Loan and Liberty Savings Bank during the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The increase in Federal Home Loan Bank stock is the result of higher average balances for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The increase in the cost of total deposits was the result of higher average balances and higher weighted average rates for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The increase in the cost of repurchase agreements was the result of higher weighted average rates and balances for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The decrease in the cost of borrowed was the result of lower average balances for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018.

The following table shows the change in noninterest income for the nine months ending September 30, 2019, and September 30, 2018.

(unaudited) *(Dollars in thousands)*	Nine Months Ended September 30,		Nine Months Ended	
	2019	2018	$ Change	% Change
Noninterest income:				
Fees and service charges	$ 3,608	$ 2,830	$ 778	27.5%
Wealth management operations	1,426	1,253	173	13.8%
Gain on sale of loans held-for-sale, net	1,323	1,021	302	29.6%
Gain on sale of securities, net	754	1,155	(401)	-34.7%
Increase in cash value of bank owned life insurance	519	358	161	45.0%
Benefit from bank owned life insurance	205	-	205	0.0%
Gain on sale of foreclosed real estate, net	83	154	(71)	-46.1%
Other	217	104	113	108.7%
Total noninterest income	$ 8,135	$ 6,875	$ 1,260	18.3%

The increase in fees and service charges is the result of the Bancorp's continued focus on maintaining competitive fees within its market place, as well the acquisition of First Personal and AJSB. The increase in wealth management income is related to book value changes in assets under management and the timing of one time fees. The increase in gain on sale of loans held for sale is the result of continued efforts on loan growth and normal course of business sales. The decrease in gains on sale of securities is a result of current market conditions and maintaining current securities cash flows. The increase in cash value of bank owned life insurance is related to the increased bank owned life insurance balances from the AJSB and First Personal acquisitions. Due to a death benefit recorded during the year, the Bancorp will receive a benefit from bank owned life insurance. The increase in other noninterest income is primarily driven by gains made on the sale of fixed assets.

The following table shows the change in noninterest expense for the nine ending September 30, 2019, and September 30, 2018.

(unaudited) *(Dollars in thousands)*	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Nine Months Ended $ Change	Nine Months Ended % Change
Noninterest expense:				
Compensation and benefits	$ 14,333	$ 12,045	$ 2,288	19.0%
Occupancy and equipment	3,522	2,524	998	39.5%
Data processing	2,753	2,076	677	32.6%
Marketing	783	523	260	49.7%
Federal deposit insurance premiums	286	250	36	14.4%
Other	6,305	5,512	793	14.4%
Total noninterest expense	$ 27,982	$ 22,930	$ 5,052	22.0%

The increase in compensation and benefits is primarily the result of increased compensation due to the acquisitions of AJSB and First Personal. Additionally, increases to compensation and benefits can be attributed to management's continued focus on talent management and retention. The increase in occupancy and equipment is primarily related to the First Personal and AJSB acquisitions and related assets brought over. The increase in data processing expense is primarily the result of increased utilization of systems. The increase in marketing expenses is primarily related to the acquisition of AJSB as well as regular advertising initiatives. The increase in other operating expenses is related to timing of acquisition costs for AJSB and higher third party costs. The Bancorp's efficiency ratio was 68.7% for the nine-months ended September 30, 2019, compared to 72.6% for the nine-months ended September 30, 2018. The decreased ratio is related primarily to the increase in interest income. The acquisition of AJSB and First Personal acquisitions are discussed in Note 3 of the financial statements.

Income tax expenses for the nine months ended September 30, 2019 totaled $1.6 million, compared to income tax expense of $1.0 for the nine months ended September 30, 2018, an increase of $577 thousand (56.3%). The combined effective federal and state tax rates for the Bancorp was 14.0% for the nine months ended September 30, 2019, compared to 13.3% for the quarter ended September 30, 2018. The Bancorp's higher current period effective tax rate is a result of a larger increase to earnings relative to increased tax preferred income.

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 critical accounting policies from December 31, 2018, remain unchanged.

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, merger and acquisition activities, 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, including those identified in the Bancorp's 2018 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

The Bancorp maintains disclosure controls and procedures (as defined in Sections 13a – 15(e) and 15d – 15(e)) of regulations promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”) that are designed to ensure that information required to be disclosed by the Bancorp in the reports that it files or submits under the "Exchange Act" is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Bancorp in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Bancorp's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. The Bancorp's Chief Executive Officer and Chief Financial Officer evaluate the effectiveness of the Bancorp's disclosure controls and procedures as of the end of each quarter. Based on that evaluation as of September 30, 2019, the Bancorp’s Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures were effective as of that date in ensuring that information required to be disclosed by the Bancorp under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

(b) Changes in Internal Control Over Financial Reporting.

There was no change in the Bancorp's internal control over financial reporting identified in connection with the Bancorp’s evaluation of controls that occurred during the nine months ended September 30, 2019, that has materially affected, or is reasonably likely to materially affect, the Bancorp's internal control over financial reporting.

PART II - Other Information

Item 1. Legal Proceedings

The Bancorp and its subsidiaries, from time to time, are involved in legal proceedings in the ordinary course of business against its debtors and are defendants in legal actions arising from normal business activities. Management, after consultation with legal counsel believes that the ultimate liabilities, if any, resulting from these actions will not have a material adverse effect on the financial position of the Bank or on the consolidated financial position of the Bancorp.

Item 1A. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 nine months ended September 30, 2019 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, 2019 – January 31, 2019	-	N/A	-	48,828
February 1, 2019 – February 28, 2019	-	N/A	-	48,828
March 1, 2019 – March 31, 2019	-	N/A	-	48,828
April 1, 2019 – April 30, 2019	-	N/A	-	48,828
May 1, 2019 – May 31, 2019	-	N/A	-	48,828
June 1, 2019 – June 30, 2019	-	N/A	-	48,828
July 1, 2019 – July 31, 2019	-	N/A	-	48,828
August 1, 2019 – August 31, 2019	-	N/A	-	48,828
September 1, 2019 – September 30, 2019	-	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 3. Defaults Upon Senior Securities

Thereare no matters reportable under this item.

Item 4. Mine Safety Disclosures

NotApplicable

Item 5. Other Information

On October 28, 2019, the Board of Directors of the Bancorp adopted the NorthWest Indiana Bancorp Executive Change in Control Severance Plan (the "Severance Plan"). The purpose of the Severance Plan is to attract and retain talent and to assure the present and future continuity, objectivity, and dedication of management in the event of any change in control of the Bancorp or the Bank. The participants under the Severance Plan (each, a "Participant") include any full-time employee of the Bancorp who is a President, Chief Financial Officer, Chief Operating Officer, or Executive Vice President, and any other full-time employee of the Bancorp or the Bank who is recommended by the Chief Executive Officer of the Bancorp to the Compensation and Benefits Committee of the Bancorp's Board of Directors to be a key employee who should be eligible to participate in the Severance Plan, and who, in each case, has at least three years of continuous employment and as of the date of the occurrence of a change in control does not have a separate written agreement with the Bancorp or the Bank providing for the payment of severance or other compensation following a change in control.

The Bancorp will provide a Participant with the payments and benefits set forth in the Severance Plan if (i) his or her employment is terminated by the Bancorp or the Bank (or any successor) without Cause (as such term is defined in the Severance Plan) during the period beginning on the first occurrence of a Change in Control (as such term is defined in the Severance Plan) and lasting through the earlier of the Participant's death, or the 18-month anniversary of the occurrence of the Change in Control (such period, the "Covered Period"); or (ii) both (A) an event of Good Reason (as such term is defined in the Severance Plan) occurs during the Covered Period, and (B) the Participant terminates his or her employment with the Bancorp or the Bank (or any successor) for such event of Good Reason within 60 calendar days following the date the Participant provides notice of Good Reason to the Bancorp (or successor) and after the Bancorp (or successor) has had an opportunity to cure such Good Reason.

The payments and benefits under the Severance Plan will include: (i) a cash severance payment equal to one times the sum of (A) the Participant's base salary in effect on the date of termination, or, if greater, in effect on the date of the change in control, plus (B) the greater of the actual annual cash bonus received by the Participant for the calendar year immediately preceding the calendar year in which termination occurs or the annual cash bonus that the Participant would have earned for the entire calendar year in which the termination occurs, at target level; (ii) a lump sum amount equal to 100% of the aggregate annual COBRA premium amounts (based on COBRA rates then in effect) for the medical and dental coverage that was being provided to the Participant and his or her spouse and eligible dependents as of the date of termination; and (iii) a lump sum amount equal to 100% of the annual premiums paid by the Bancorp in respect of the life insurance coverage provided for an active employee similarly situated to the Participant (based upon coverage and rates in effect on the date of the Participant's termination). The benefits are generally to be paid in a single lump sum, in cash, on the later of the 25^{th} business day following the date of termination, or the fifth business day following the date the release required under the Severance Plan to be executed by the Participant in favor of the Bancorp and the Bank (or successor) becomes effective and irrevocable.

The foregoing description of the Severance Plan does not purport to be complete and is qualified in its entirety by reference to the complete copy of the Severance Plan attached hereto as Exhibit 10.1.

Item 6. Exhibits

Exhibit Number	Description
10.1	NorthWest Indiana Bancorp Executive Change in Control Severance Plan.
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.
32.1	Section 1350 Certifications.
101	The following materials from the Bancorp's Form 10-Q for the quarterly period ended September 30, 2019, formatted in an XBRL Interactive Data File: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Changes in Stockholders' Equity; (iv) Consolidated Statement of Comprehensive Income; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, with detailed tagging of notes and financial statement schedules.

SIGNATURES

Pursuant to the requirements 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

Date: October 29, 2019

/s/ Benjamin J. Bochnowski
Benjamin J. Bochnowski
President and Chief Executive Officer

Date: October 29, 2019

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

NORTHWEST INDIANA BANCORP
EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN

This EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN has been established by NorthWest Indiana Bancorp, an Indiana corporation (the "Company"), on October 28, 2019 (the "Effective Date") to provide Participants with the opportunity to receive severance protection in connection with a Change in Control of the Company or the Company's wholly-owned Indiana state chartered savings bank subsidiary, Peoples Bank SB (the " Bank"). The Plan provides special severance benefits to executive officers of the Company at the level of Executive Vice President and above who have at least three years of employment with the Company or the Bank and are employed at the time of the Change in Control, if such persons do not have separate contractual arrangements regarding change in control severance benefits at that time. The purpose of the Plan is to attract and retain talent and to assure the present and future continuity, objectivity, and dedication of management in the event of any Change in Control. The Plan is intended to be an unfunded plan primarily to provide welfare benefits for a select group of management or highly compensated employees.

Article I
Definitions

For purposes of this Plan, the following terms shall have the meanings as set forth below:

"Accountants" has the meaning set forth in Section 6.3.

"Administrator" means the Compensation Committee, or any committee or sub-committee thereof duly authorized by the Board to administer the Plan. The Board may at any time administer the Plan, in whole or in part, notwithstanding that the Board has previously appointed a committee to act as the Administrator. After the occurrence of a Change in Control, the term "Administrator" shall refer to the compensation committee of the board of directors (or equivalent body) of the Company's successor entity if the Company no longer has an independent existence as a result of the Change in Control.

"Applicable Severance Multiplier" means one for any Participant.

"Beneficial Owner" has the meaning ascribed to it in Rule 13d-3 and Rule 13d-5 under the Exchange Act; except that, in calculating the beneficial ownership of any particular Person, such Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The term "Beneficial Ownership" has a corresponding meaning.

"Board" means the Board of Directors of the Company, as constituted from time to time, or the board of directors of a successor to the Company upon the occurrence of a Change in Control.

"Bonus Amount" means the greater of (i) the actual annual cash bonus received by the Participant for the calendar year immediately preceding the calendar year in which the Qualifying Termination occurs; or (ii) the annual cash bonus that the Participant would have earned for the entire calendar year in which the Qualifying Termination occurs, at target level.

"Cause" means (i) the Participant's willful and continued failure to perform his or her duties for the Company or the Bank, after at least one warning in writing from the Board specifically identifying any such failure; (ii) the Participant's willful failure to comply with any valid and legal directive of the Board or the employee of the Company or the Bank to whom the Participant reports, after at least one warning in writing from the Board specifically identifying any such failure; (iii) the Participant's willful engagement in one or more acts of dishonesty, illegal conduct, or other misconduct which, in each case, causes material injury to the Company or the Bank, as specified in a written notice to the Participant from the Board; (iv) the Participant's embezzlement, misappropriation, or fraud, whether or not related to the Participant's employment with the Company or the Bank, as specified in a written notice to the Participant from the Board; (v) the Participant's conviction of or plea of guilty or *nolo contendere* to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude; or (vi) the Participant's violation of a material policy of the Company or the Bank, after at least one warning in writing from the Board specifically identifying the violation. For purposes of this definition, no act or failure to act on the part of the Participant shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Company or the Bank.

"Change in Control" means the consummation of any one of the events specified in the following clauses (i) through (iii):

(i) any third Person (including a "group," as provided in Section 13(d)(3) of the Exchange Act) shall, after the date of the adoption of the Plan by the Board, first become the Beneficial Owner of shares of the voting capital stock of the Company with respect to which 25% or more of the total number of votes for the election of the Board of the Company may be cast;

(ii) as a result of, or in connection with, any cash tender offer, exchange offer, merger, or other business combination, sale of assets, or contested election, or combination of the foregoing, the individuals who were directors of the Company immediately prior to such transaction or combination shall cease to constitute a majority of the Board of the Company; or

(iii) the shareholders of the Company shall approve an agreement providing either for a transaction in which the Company will cease to be an independent publicly owned entity or for a sale or other disposition of all or substantially all the assets of the Company (including a sale of the common stock of the Bank if after such sale any Person other than the Company owns a majority of the Bank's common stock, or a sale of all or substantially all of the Bank's assets other than in the ordinary course of business);

provided that, the occurrence of any of such events set forth in this definition shall not be deemed a Change in Control if, prior to such occurrence, a resolution specifically providing that such occurrence shall not constitute a Change in Control under the Plan shall have been adopted by at least a majority of the Board of the Company.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

"Company" has the meaning set forth in the first paragraph of this Plan.

"Compensation Committee" means the Compensation and Benefits Committee of the Board.

"Continuous Employment" means the continuous employment with the Company, the Bank, or any of their respective subsidiaries, but not, by way of clarification, employment with any entity acquired by the Company or Bank by merger or otherwise.

"Covered Payments" has the meaning set forth in Section 6.1.

"Covered Period" means the period of time beginning on the first occurrence of a Change in Control and lasting through the earlier of: (i) the Participant's death; or (ii) the 18-month anniversary of the occurrence of the Change in Control.

"Effective Date" has the meaning set forth in the first paragraph of this Plan.

"Eligible Employee" means any full-time employee of the Company who is a President, Chief Financial Officer, Chief Operating Officer, or Executive Vice President, and any other full-time employee of the Company or the Bank who is recommended by the Chief Executive Officer of the Company to the Administrator to be a key employee who should be eligible to participate in the Plan, and who, in each case, as of the date of the occurrence of the Change in Control does not have a separate written agreement with the Company or the Bank which provides for the payment of severance or other compensation following a change in control (as such terms may be defined in such separate written agreement); *PROVIDED THAT*, in each case, such Person has at least three years of Continuous Employment with the Company. Eligible Employees shall be limited to a select group of management or highly compensated employees.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended.

"Excise Tax" has the meaning set forth in Section 6.1.

"Good Reason" means any of the following, if taken without the Participant's express written consent: (i) a reduction in the Participant's annual base salary or target annual bonus opportunity as in effect immediately prior to a Change in Control; (ii) failure by the Company to continue, or the failure by the Company to obtain the agreement of any successor to the Company or the Bank to continue, any bonus plan in which the Participant participated immediately prior to the Change in Control, unless the Company or a successor of the Company or the Bank includes the Participant as a participant in a similar bonus plan after the Change in Control on at least the same basis as the Participant participated prior to the Change in Control; (iii) a relocation of the Participant's principal place of employment to another geographic location more than 35 miles from the Participant's present principal place of employment, except for required business travel to an extent substantially consistent with the Participant's travel obligations immediately prior to such Change in Control; (iv) the Company's failure to obtain an agreement from any successor to the Company or the Bank to assume and agree to perform the obligations under this Plan in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operation of law; or (v) a material, adverse change in the Participant's title, reporting relationship, authority, duties, or responsibilities (other than temporarily while the Participant is physically or mentally incapacitated or as required by applicable law); *provided that*, notwithstanding the foregoing, if any of the above conditions in clauses (i) through (v) exists, the Participant cannot terminate his or her employment for Good Reason unless the Participant provides written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason and his or her intention to terminate his or her employment for Good Reason (the "Notice of Good Reason") no more than 90 calendar days following the initial existence of such grounds, and the Company has had a period of 30 calendar days following the date of the Notice of Good Reason during which it may cure such circumstances, if curable.

"Net-Better Amount" has the meaning set forth in Section 6.1(b).

"Notice of Good Reason" has the meaning set forth in the proviso clause of the definition of Good Reason above.

"Parachute Payments" has the meaning set forth in Section 6.1.

"Participant" has the meaning set forth in Section 2.1.

"Person" has the meaning ascribed to it in Section 13(d)(3) of the Exchange Act.

"Plan" means this NorthWest Indiana Bancorp Executive Change in Control Severance Plan, as may be amended and/or restated from time to time.

"Qualifying Termination" means either: (i) the termination of a Participant's employment during the Covered Period by the Company or the Bank, or by any successor to the Company or the Bank, without Cause; or (ii) both (A) an event of Good Reason occurs during the Covered Period, and (B) the Participant terminates his or her employment with the Company or the Bank, or with any successor to the Company or the Bank, for such event of Good Reason within 60 calendar days following the date of the Notice of Good Reason; *PROVIDED THAT*, notwithstanding any contrary provision herein, a Qualifying Termination shall not include a termination of the Participant's employment by reason of the death or disability of a Participant.

"Reduced Amount" has the meaning set forth in Section 6.1(a).

"Release" has the meaning set forth in Article V, subsection (b).

"Specified Employee Payment Date" has the meaning set forth in Section 9.13(b).

Article II
Participation

Section 2.1 **Participants.** Each Eligible Employee shall be a "Participant" in the Plan. Notwithstanding the preceding sentence, the Administrator shall have the right, in its sole discretion, to remove a Participant from participation in the Plan; *provided that*, any such removal shall not be effective unless the Administrator provides written notice of removal to the Participant at least six months prior to the occurrence of a Change in Control.

Section 2.2 **Change in Applicable Severance Multiplier.** The Administrator may change any Participant's Applicable Severance Multiplier at any time; *provided that*, no such change (to the extent that it is a reduction in the Applicable Severance Multiplier) shall be effective unless the Administrator provides written notice of such change to the Participant at least six months prior to the occurrence of a Change in Control.

Article III
Severance and Benefits

Section 3.1 **Severance.** If a Participant has a Qualifying Termination, then, subject to Articles V and VI and Section 9.13, the Company will provide the Participant with the payments and benefits set forth in the following subsections of this Section 3.1:

(a) A cash severance payment in an amount equal to the product of (i) the Participant's Applicable Severance Multiplier, multiplied by (ii) the sum of (A) the Participant's base salary in effect on the date of the Qualifying Termination, or, if greater, in effect on the date of the first occurrence of a Change in Control, plus (B) the Bonus Amount.

(b) A lump sum amount equal to 100% of the aggregate annual COBRA premium amounts (based on COBRA rates then in effect) for the medical and dental coverage that was being provided to the Participant and his or her spouse and eligible dependents as of the date of the Qualifying Termination.

(c) A lump sum amount equal to 100% of the Company paid annual premiums in respect of the life insurance coverage provided for an active employee similarly situated to the Participant (based upon coverage and rates in effect on the date of the Participant's Qualifying Termination).

Section 3.2 **Payment of Severance.** Subject to Articles V and VI and Section 9.13, the amounts due to a Participant under Section 3.1 shall be paid in a single lump sum, in cash, on the later of (i) the 25th business day following the date of the Qualifying Termination; or (ii) the fifth business day following the date the Release described in Article V, subsection (b) becomes effective and irrevocable.

Article IV
Equity Awards

The Plan does not affect the terms of any outstanding equity awards of a Participant. The treatment of any outstanding equity awards shall be determined in accordance with the terms of the Company equity incentive plan or other similar plan under which they were granted and any applicable award agreements.

Article V
Conditions

A Participant's entitlement to any benefits and payments under Articles III and IV will be subject to the following:

(a) the Participant experiencing a Qualifying Termination; and

(b) the Participant executing a release of claims in favor of the Company, the Bank, and their respective affiliates, officers, and directors in a form to be provided by the Company (the "Release") and such Release becoming effective and irrevocable within 60 days following the Participant's Qualifying Termination.

Article VI
Section 280G

Section 6.1 **Reduction.** Notwithstanding any contrary provision set forth in this Plan or any other plan, arrangement, or agreement between the Company or the Bank and the Participant, if any of the payments or benefits provided or to be provided by the Company or its affiliates to a Participant or for a Participant's benefit pursuant to the terms of this Plan or otherwise ("Covered Payments") constitute parachute payments within the meaning of Section 280G of the Code ("Parachute Payments"), and would, but for this Article VI, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then the Covered Payments shall be either:

(a) reduced in the smallest amount necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (such amount, the "Reduced Amount"); or

(b) payable in full if the Participant's receipt, on an after-tax basis, of the full amount of payments and benefits (after taking into account the applicable federal, state, local, and foreign income, employment, and excise taxes (including the Excise Tax)) would result in the Participant receiving an amount at least 10% greater than the after-tax Reduced Amount (such amount, the "Net-Better Amount").

Section 6.2 **Order of Reduction.** Any reduction in the Covered Payments pursuant to Section 6.1 shall be made in the manner determined by the Company in its sole discretion; *provided that*, any such reduction shall be consistent with the requirements of Section 409A of the Code.

Section 6.3 **Determinations.** Any determination under this Article VI of whether any Covered Payment constitutes a Parachute Payment, as well as the determination of the amount of any Excise Tax, Reduced Amount, or Net-Better Amount, shall be made in writing in good faith by the certified public accounting firm that was the Company's independent auditor immediately prior to the occurrence of the Change in Control (the "Accountants"), which shall provide detailed supporting calculations to the Company and the Participant as requested by the Company. The Company and the Participant shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make their determinations under this Article VI. For purposes of making the calculations and determinations required by this Article VI, the Accountants may rely on reasonable, good faith assumptions and approximations concerning the application of Sections 280G and 4999 of the Code. The Accountants' determinations shall be final and binding on the Company and the Participant. The Company shall be responsible for all fees and expenses of the Accountants in connection with the determinations required by this Article VI.

Article VII
Claims Procedures

Section 7.1 **Initial Claims.** Generally, a Participant does not need to file a claim for benefits under this Plan. If a Participant becomes entitled to a benefit hereunder, the Administrator will notify the Participant of his or her entitlement. However, if a Participant does not receive any such notification, or if the Participant disagrees with the amount of such entitlement, the Participant or his or her authorized representative must submit a written claim for benefits to the Administrator within 60 days after the Participant's Qualifying Termination. Claims should be addressed and sent to the following person or any successor to the following person:

Robert T. Lowry, Chief Financial Officer
NorthWest Indiana Bancorp
9204 Columbia Avenue
Munster, Indiana 46321

If the Participant's claim is denied, in whole or in part, the Participant will be furnished with written notice of the denial within 90 days after the Administrator's receipt of the Participant's written claim, unless special circumstances require an extension of time for processing the claim, in which case a period not to exceed 180 days will apply. If such an extension of time is required, written notice of the extension will be furnished to the Participant before the termination of the initial 90-day period and will describe the special circumstances requiring the extension and the date on which a decision is expected to be rendered. Written notice of the denial of the Participant's claim will contain the following information:

(a) the specific reason or reasons for the denial of the Participant's claim;

(b) references to the specific Plan provisions on which the denial of the Participant's claim was based;

(c) a description of any additional information or material required by the Administrator to reconsider the Participant's claim (to the extent applicable) and an explanation of why such material or information is necessary; and

(d) a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on review.

Section 7.2 **Appeal of Denied Claims.** If the Participant's claim is denied and he or she wishes to submit a request for review of the denied claim, the Participant or his or her authorized representative must follow the procedures described below:

(a) Upon receipt of the denied claim, the Participant (or his or her authorized representative) may file a request for review of the claim in writing with the Administrator. This request for review must be filed no later than 60 days after the Participant has received written notification of the denial.

(b) The Participant has the right to submit in writing to the Administrator any comments, documents, records, or other information relating to his or her claim for benefits.

(c) The Participant has the right to be provided with, upon request and free of charge, reasonable access to and copies of all pertinent documents, records, and other information that is relevant to his or her claim for benefits.

(d) The review of the denied claim will take into account all comments, documents, records, and other information that the Participant submitted relating to his or her claim, without regard to whether such information was submitted or considered in the initial denial of his or her claim.

Section 7.3 **Administrator's Response to Appeal.** The Administrator will provide the Participant with written notice of its decision within 60 days after the Administrator's receipt of the Participant's written claim for review. There may be special circumstances which require an extension of this 60-day period. In any such case, the Administrator will notify the Participant in writing within the 60-day period and the final decision will be made no later than 120 days after the Administrator's receipt of the Participant's written claim for review. The Administrator's decision on the Participant's claim for review will be communicated to the Participant in writing and will clearly state:

(a) the specific reason or reasons for the denial of the Participant's claim;

(b) reference to the specific Plan provisions on which the denial of the Participant's claim is based;

(c) a statement that the Participant's is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan and all documents, records, and other information relevant to his or her claim for benefits; and

(d) a statement describing the Participant's right to bring an action under Section 502(a) of ERISA.

Section 7.4 **Exhaustion of Administrative Remedies.** The exhaustion of these claims procedures is mandatory for resolving every claim and dispute arising under the Plan. As to such claims and disputes:

(a) no claimant shall be permitted to commence any legal action to recover benefits or to enforce or clarify rights under Sections 502 or 510 of ERISA or under any other provision of law, whether or not statutory, until these claims procedures have been exhausted in their entirety; and

(b) in any such legal action, all explicit and implicit determinations by the Administrator (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed) shall be afforded the maximum deference permitted by law.

Section 7.5 **Attorneys' Fees.** The Company and each Participant shall bear their own attorneys' fees incurred in connection with any disputes between them under this Plan; *provided that*, notwithstanding the foregoing, if, after compliance with the procedures set forth in this Article VII, it is determined that the Company or any successor of the Company has failed to pay the Participant amounts to which the Participant is entitled hereunder, and the amounts the Company or its successor has failed to pay exceeds $25,000, then the Participant shall be entitled to recover from the Company or its successor, as the case may be, all of the Participant's reasonable and documented attorneys' fees and expenses incurred in connection with the pursuit of the Participant's claim hereunder.

Article VIII
Administration, Amendment, and Termination

Section 8.1 **Administration.** The Administrator has the exclusive right, power, and authority, in its sole and absolute discretion, to administer and interpret the Plan. The Administrator has all powers reasonably necessary to carry out its responsibilities under the Plan, including but not limited to, the sole and absolute discretionary authority to: (i) administer the Plan according to its terms and to interpret Plan policies and procedures; (ii) resolve and clarify inconsistencies, ambiguities, and omissions in the Plan among and between the Plan and other related documents; (iii) take all actions and make all decisions regarding questions of eligibility and entitlement to benefits, and benefit amounts; (iv) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; (v) process and approve or deny all claims for benefits; and (vi) decide or resolve any and all questions, including benefit entitlement determinations and interpretations of the Plan, as may arise in connection with the Plan. The decision of the Administrator on any disputes arising under the Plan, including but not limited to, questions of construction, interpretation, and administration, shall be final, conclusive, and binding on all persons having an interest in or under the Plan. Any determination made by the Administrator under this Plan shall be given deference in the event the determination is subject to judicial review and shall be overturned by a court of law only if it is arbitrary and capricious.

Section 8.2 **Duration.** The Plan shall continue in existence unless and until terminated in accordance with Section 8.3.

Section 8.3 **Amendment and Termination.** The Company reserves the right to amend or terminate the Plan at any time prior to the occurrence of a Change in Control by providing at least six months advance written notice of such amendment or termination to each Participant. No amendment shall be made to the Plan following a Change in Control. Notwithstanding the foregoing, at any time prior to the occurrence of a Change in Control the Company may amend the Plan without advance written notice to the Participants if any such amendment (i) enhances the severance benefits provided hereunder; (ii) corrects inconsistencies or typographical errors herein; or (iii) makes other changes intended to protect the Participants, so long as any such amendment, in the reasonable determination of the Administrator, does not adversely affect the benefits provided to Participants under the Plan.

Article IX
General Provisions

Section 9.1 **At-Will Employment.** The Plan does not alter the status of each Participant as an at-will employee of the Company or the Bank, as applicable. Nothing contained herein shall be deemed to give any Participant the right to remain employed by the Company or the Bank, as applicable, or to interfere with the rights of the Company or the Bank, as applicable, to terminate the employment of any Participant at any time, with or without Cause.

Section 9.2 **Effect on Other Plans, Agreements and Benefits.**

(a) Any severance benefits payable to a Participant under the Plan will be (i) in lieu of and not in addition to any severance benefits to which the Participant would otherwise be entitled under any general severance policy or severance plan maintained by the Company or any agreement between the Participant and the Company or the Bank, as applicable, that provides for severance benefits (unless the policy, plan, or agreement expressly provides for severance benefits to be in addition to those provided under the Plan); and (ii) reduced by any severance benefits to which the Participant is entitled by operation of a statute or government regulations.

(b) Any severance benefits payable to a Participant under the Plan will not be counted as compensation for purposes of determining benefits under any other benefit policies or plans of the Company or the Bank, as applicable, except to the extent expressly provided therein.

Section 9.3 **Mitigation and Offset.** If a Participant obtains other employment, such other employment will not affect the Participant's rights or the Company's obligations under this Plan. The Company's obligation to make the payments and provide the benefits required under the Plan will not be affected by any circumstances, including without limitation, any set-off, counterclaim, recoupment, defense, or other rights that the Company may have against the Participant.

Section 9.4 **Severability.** The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan. If any provision of the Plan is held by a court of competent jurisdiction to be illegal, invalid, void, or unenforceable, such provision shall be deemed modified, amended, and narrowed to the extent necessary to render such provision legal, valid, and enforceable, and the other remaining provisions of the Plan shall not be affected but shall remain in full force and effect.

Section 9.5 **Headings and Subheadings.** Headings and subheadings contained in the Plan are intended solely for convenience, and no provision of the Plan is to be construed by reference to the heading or subheading of any section or paragraph.

Section 9.6 **Unfunded Obligations.** The amounts to be paid to Participants under the Plan are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. Participants shall not have any preference or security interest in any assets of the Company other than as a general unsecured creditor.

Section 9.7 **Successors.** The Plan will be binding upon any successor to the Company, in the same manner and to the same extent that the Company would be obligated under the Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by the Plan, the Company shall require any successor to the Company to expressly and unconditionally assume the Plan in writing and honor the obligations of the Company hereunder, in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. All payments and benefits that become due to a Participant under the Plan will inure to the benefit of his or her heirs, assigns, designees, or legal representatives.

Section 9.8 **Transfer and Assignment.** Neither a Participant nor his or her permitted successors shall have any right to sell, assign, transfer, pledge, anticipate, or otherwise encumber, transfer, hypothecate, or convey any amounts payable under the Plan prior to the date that such amounts are paid.

Section 9.9 **Waiver.** Any party's failure to enforce any provision or provisions of the Plan will not in any way be construed as a waiver of any such provision or provisions, nor prevent any party from thereafter enforcing each and every other provision of the Plan.

Section 9.10 **Governing Law.** The Plan shall be construed in accordance with and governed by the laws of the State of Indiana without regard to conflicts of law principles. Any action or proceeding to enforce the provisions of the Plan will be brought only in a state or federal court located in the State of Indiana, County of Lake, and each party consents to the venue and jurisdiction of such court. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

Section 9.11 **Clawback.** Any amounts payable under the Plan are subject to any policy (whether in existence as of the Effective Date or later adopted) established by the Company prior to the occurrence of a Change in Control providing for clawback or recovery of amounts that were paid to the Participant. The Company will make any determination for clawback or recovery in accordance with the policy and with any applicable law or regulation.

Section 9.12 **Withholding.** The Company shall have the right to withhold from any amount payable hereunder any federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

Section 9.13 **Section 409A.**

(a) The Plan is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A of the Code. Notwithstanding any other provision of the Plan, payments provided under the Plan may only be made upon an event and in a manner that complies with Section 409A of the Code or an applicable exemption. Any payments under the Plan that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. For purposes of Section 409A of the Code, each installment payment provided under the Plan shall be treated as a separate payment. Any payments to be made under the Plan upon a termination of employment shall only be made upon a "separation from service" under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under the Plan comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by a Participant on account of non-compliance with Section 409A of the Code.

(b) Notwithstanding any other provision of the Plan, if any payment or benefit provided to a Participant in connection with his or her Qualifying Termination is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the Participant is determined to be a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Qualifying Termination or, if earlier, on the Participant's death (the " Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Participant in a lump sum on the Specified Employee Payment Date, and thereafter any remaining payments shall be paid without delay in accordance with their original schedule. Notwithstanding any other provision of the Plan, if any payment or benefit is conditioned on the Participant's execution of a Release, the first payment shall include all amounts that would otherwise have been paid to the Participant during the period beginning on the date of the Qualifying Termination and ending on the payment date if no delay had been imposed.

(c) To the extent required by Section 409A of the Code, each reimbursement or in-kind benefit provided under the Plan shall be provided in accordance with the following: (i) reimbursement of any expense shall be made promptly after the expense is incurred, but in no event later than December 31 of the year after the year in which the expense was incurred; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; and (iii) any right to reimbursements or in-kind benefits under the Plan shall not be subject to liquidation or exchange for another benefit.

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 quarterly report on Form 10-Q 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: October 29, 2019

/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 quarterly report on Form 10-Q 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: October 29, 2019

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

Exhibit 32.1

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 Quarterly Report on Form 10-Q of NorthWest Indiana Bancorp (the "Company") for the quarterly period ended September 30, 2019, 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.

Date: October 29, 2019

/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, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NorthWest Indiana Bancorp and will be retained by NorthWest Indiana Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.