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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

(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, 2001, 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	35-1927981
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9204 Columbia Avenue Munster, Indiana	46321
(Address of principal executive office)	(ZIP code)

Registrant's telephone number, including area code: (219) 836-9690

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 [ ]

There were 2,725,072 shares of the registrant's Common Stock, without par value, outstanding at October 31, 2001.

NorthWest Indiana Bancorp
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NorthWest Indiana Bancorp
Consolidated Balance Sheets

(Dollars in thousands)	September 30, 2001 (unaudited)	December 31, 2000
ASSETS		
Cash and non-interest bearing balances in financial institutions	$ 13,137	$ 14,013
Interest bearing balances in financial institutions	7,684	3,320
Federal funds sold	245	86
Total cash and cash equivalents	21,066	17,419
Securities available-for-sale	50,982	20,503
Securities held-to-maturity; fair value: September 30, 2001 - $8,662, December 31, 2000 - $15,651	8,564	15,649
Loans held for sale	153	480
Loans receivable	325,991	326,207
Less: allowance for loan losses	(3,134)	(3,322)
Net loans receivable	322,857	322,885
Federal Home Loan Bank stock	2,076	1,976
Accrued interest receivable	2,538	2,523
Premises and equipment	8,051	7,895
Foreclosed real estate	467	100
Other assets	2,461	2,883
Total assets	$419,215	$392,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 31,433	$ 28,415
Interest bearing	315,617	295,895
Total	347,050	324,310
Borrowed funds	31,890	30,599
Accrued expenses and other liabilities	4,701	3,875
Total liabilities	383,641	358,784
Commitments and contingencies	—	—
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: September 30, 2001 - 2,793,236, December 31, 2000 - 2,773,476 shares outstanding: September 30, 2001 - 2,725,072, December 31, 2000 - 2,705,312	349	347
Additional paid in capital	3,215	3,029
Accumulated other comprehensive income	599	1
Retained earnings	32,851	31,592
Treasury stock, common shares at cost: September 30, 2001 - 68,164, December 31, 2000 - 68,164	(1,440)	(1,440)
Total stockholders' equity	35,574	33,529
Total liabilities and stockholders' equity	$419,215	$392,313

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Income
(unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Interest income:				
Loans receivable				
Real estate loans	$5,398	$5,537	$16,474	$15,968
Commercial loans	562	769	1,946	2,232
Consumer loans	198	241	638	704
Total loan interest	6,158	6,547	19,058	18,904
Securities	754	584	1,893	1,803
Other interest earning assets	117	5	524	41
Total interest income	7,029	7,136	21,475	20,748
Interest expense:				
Deposits	2,856	3,109	9,176	8,816
Borrowed funds	366	355	1,134	922
Total interest expense	3,222	3,464	10,310	9,738
Net interest income	3,807	3,672	11,165	11,010
Provision for loan losses	90	60	180	144
Net interest income after provision for loan losses	3,717	3,612	10,985	10,866
Noninterest income:				
Fees and service charges	435	422	1,278	1,161
Trust operations	99	107	304	302
Gain on securities, net	31	—	97	—
Gain on sale of loans, net	22	17	59	15
Gain on sale of foreclosed real estate	8	—	8	—
Other	3	—	8	—
Total noninterest income	598	546	1,754	1,478
Noninterest expense:				
Compensation and benefits	1,315	1,270	3,956	3,797
Occupancy and equipment	394	378	1,189	1,153
Data processing	157	136	462	415
Marketing	36	23	109	144
Federal insurance premium	16	16	46	47
Other	558	472	1,555	1,404
Total noninterest expense	2,476	2,295	7,317	6,960
Income before income tax expenses	1,839	1,863	5,422	5,384
Income tax expenses	669	734	2,039	2,099
Net income	$1,170	$1,129	$ 3,383	$ 3,285
Earnings per common share:				
Basic	$ 0.42	$ 0.42	$ 1.24	$ 1.21
Diluted	$ 0.42	$ 0.42	$ 1.23	$ 1.20
Dividends declared per common share	$ 0.26	$ 0.24	$ 0.78	$ 0.72

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 September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Balance at beginning of period	$34,535	$32,360	$33,529	$32,471
Comprehensive income:				
Net income	1,170	1,129	3,383	3,285
Net unrealized gain on securities available-for-sale, net of reclassification and tax effects	566	126	598	40
Comprehensive income	1,736	1,255	3,981	3,325
Issuance of shares of common stock	12	12	188	60
Cash dividends	(709)	(649)	(2,124)	(1,954)
Purchase of treasury stock	—	—	—	(924)
Balance at end of period	$35,574	$32,978	$35,574	$32,978

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Cash Flows
(unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,383	$ 3,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(3,484)	(320)
Sale of loans originated for sale	3,841	323
Depreciation and amortization, net of accretion	674	657
Amortization of mortgage servicing rights	7	9
Amortization of investment in real estate limited partnerships	37	34
Net gains on securities	(97)	—
Net gains on sale of loans	(59)	(15)
Provision for loan losses	180	144
Net change in:		
Interest receivable	(15)	23
Other assets	27	195
Accrued expenses and other liabilities	766	(370)
Total adjustments	1,877	680
Net cash from operating activities	5,260	3,965
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of securities available-for-sale	10,500	4,005
Proceeds from sales of securities available-for-sale	5,570	—
Purchase of securities available-for-sale	(34,855)	—
Proceeds from maturities of securities held-to-maturity	15,200	500
Proceeds from sales of securities held-to-maturity	337	—
Purchase of securities held-to-maturity	(8,001)	—
Principal collected on mortgage-backed securities	159	149
Purchase of cmo mortgage-backed securities	(11,270)	—
Purchase of investment in real estate limited partnerships	(17)	—
Purchase of Federal Home Loan Bank Stock	(100)	(150)
Loan participations purchased	—	(3,839)
Net change in loans receivable	(521)	(22,316)
Purchase of premises and equipment, net	(770)	(1,436)
Net cash from investing activities	(23,768)	(23,087)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	22,740	7,632
Proceeds from FHLB advances	2,500	6,250
Repayment of FHLB advances	—	(11,250)
Change in other borrowed funds	(1,209)	17,916
Proceeds from issuance of common stock	188	60
Dividends paid	(2,064)	(1,954)
Treasury stock purchased	—	(924)
Net cash from financing activities	22,155	17,730
Net change in cash and cash equivalents	3,647	(1,392)
Cash and cash equivalents at beginning of period	17,419	14,633
Cash and cash equivalents at end of period	$ 21,066	$ 13,241
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 10,328	$ 9,710
Income taxes	$ 1,729	$ 2,181
SUPPLEMENTAL NONCASH INFORMATION:		
Transfers from loans to foreclosed real estate	$ 367	$ 100

See accompanying notes to consolidated financial statements.

Northwest Indiana Bancorp
Notes to Consolidated Financial Statements

Note 1 — Basis of Presentation

The consolidated financial statements include the accounts of NorthWest Indiana Bancorp (the Bancorp), its wholly-owned subsidiary, Peoples Bank SB (the Bank), and the Bank’s wholly-owned subsidiary, Peoples Service Corporation. The Bancorp has no other business activity other than being a holding company for the Bank. The Bancorp’s earnings are dependent upon the earnings of the Bank. Peoples Service Corporation is inactive. 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 generally accepted accounting principles for complete presentation of financial statements. In the opinion of management, the consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the balance sheets of the Bancorp as of September 30, 2001 and December 31, 2000, and the statements of income and changes in stockholders’ equity for the three and nine months ended September 30, 2001 and 2000, and cash flows for the nine months ended September 30, 2001 and 2000. The income reported for the nine month period ended September 30, 2001 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 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 liabilites at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Actual results could differ from those estimates. Estimates associated with the allowance for loan losses, fair values of financial instruments and status of contingencies are particularly susceptible to material change in the near term.

Note 3 — Concentrations of Credit Risk

The Bancorp grants residential, commercial real estate, commercial business and installment loans to customers in its primary market area of Lake County, in northwest Indiana. Substantially all loans are secured by specific items of collateral including residences, business assets and consumer assets.

Note 4 — Reclassifications

Certain amounts reported in the December 31, 2000 consolidated financial statements and the September 30, 2000 Form 10-Q have been reclassified to conform to the September 30, 2001 presentation.

Note 5 — Commitments and Contingencies

The Bancorp is a party to financial instruments in the normal course of business to meet financing needs of its customers and to reduce its own exposure to fluctuating interest rates. These financial instruments include commitments to make loans and standby letters of credit.

Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Bancorp uses the same credit policy to make such commitments as it uses for on-balance-sheet items.

At September 30, 2001 and December 31, 2000, commitments to make loans totaled $66.4 million and $60.5 million, and standby letters of credit totaled $2.2 million and $2.3 million. At September 30, 2001, $55.8 million (84%) of the commitments were at variable rates.

Since commitments to make loans may expire without being used, this amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management’s credit evaluation of the borrower and may include accounts receivable, inventory, property, land and other items.

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

Summary

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

At September 30, 2001, the Bancorp had total assets of $419.2 million and total deposits of $347.1 million. Stockholders' equity totaled $35.6 million or 8.5% of total assets, with book value per share at $13.05. Net income for the nine months ended September 30, 2001, was $3.4 million, or $1.24 per common share for basic and $1.23 diluted calculations. The annualized return on average assets (ROA) was 1.11%, while the annualized return on average stockholders' equity (ROE) was 13.06%, for the nine months ended September 30, 2001.

Financial Condition

During the nine months ended September 30, 2001, total assets increased by $26.9 million (6.9%), with interest-earning assets increasing by $27.5 million (7.5%). At September 30, 2001, interest-earning assets totaled $395.7 million and represented 94.4% of total assets.

Loans receivable totaled $326.0 million at September 30, 2001, compared to $326.2 million at December 31, 2000. At September 30, 2001, loans receivable represented 82.4% of interest-earning assets, 77.8% of total assets and 93.9% of total deposits. The loan portfolio, which is the Bancorp's largest asset, is a significant source of both interest and fee income. The Bancorp's lending strategy stresses quality growth, product diversification, and competitive and profitable pricing. The loan portfolio includes $16.8 million (5.2%) in construction and development loans, $178.1 million (54.6%) in residential mortgage loans, $10.1 million (3.1%) in multifamily loans, $80.2 million (24.6%) in commercial real estate loans, $10.4 million (3.2%) in consumer loans, and $30.4 million (9.3%) in commercial business and other loans. Adjustable rate loans comprised 51% of total loans at September 30, 2001. While loans have decreased by $216 thousand (0.1%) during the nine months ended September 30, 2001, growth during the current quarter totaled $2.1 million. The decrease during the nine months was a result of expected pay-offs in the commercial loan portfolio, an increase in refinance activity due to declining interest rates, and the sale of fixed rate mortgage loans from current production. Management believes that despite concerns about the pace of economic activity, loan growth will continue to improve during the remaining months of 2001 because of a lower interest rate environment and an aggressive marketing and call program effort. Management expects to fund loan growth with a mix of deposits and borrowed funds.

The Bancorp is primarily a portfolio lender. Mortgage banking activities are limited to the sale of fixed rate mortgage loans with contractual maturities of twenty-five years or longer. These loans are sold, on a case-by-case basis, in the secondary market as part of the Bancorp's efforts to manage interest rate risk. The Bancorp retains the servicing on all loans sold in the secondary market. During the nine months ended September 30, 2001, the Bancorp sold $3.8 million in fixed rate mortgages compared to $323 thousand during the nine months ended September 30, 2000. Net gains realized from current year sales totaled $59 thousand compared to $15 thousand for the nine months ended September 30, 2000. At September 30, 2001, the Bancorp had $153 thousand classified as loans held for sale.

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 financial institutions, U.S. government securities and federal agency obligations. Interest-bearing balances in financial institutions include overnight deposits at the Federal Home Loan Bank of Indianapolis (FHLB). Investments are generally for terms ranging from one day to seven years. At September 30, 2001, the investment portfolio totaled $59.5 million and was invested as follows: 1.7% in U.S. government debt securities, 78.5% in U.S. government agency debt securities, and 19.8% in U.S. government agency mortgage-backed securities and collateralized mortgage obligations. At September 30, 2001, securities available-for-sale totaled $51.0 million or 85.6% of total securities. The available-for-sale portfolio permits the active management of the Bancorp's liquidity position. During the nine months ended September 30, 2001, securities increased by $23.4 million (64.7%), as deposit growth was used to purchase investments of relatively short duration. In addition, at September 30, 2001, the Bancorp had $7.7 million in interest bearing balances in financial institutions, $245 thousand in federal funds sold, and $2.1 million in FHLB stock.

At September 30, 2001, non-performing loans, which include those loans that are 90 days or more past due and those loans that have been placed on non-accrual status, totaled $2.7 million, an increase of $911 thousand from December 31, 2000. The ratio of non-performing loans to total loans was 0.83% at September 30, 2001, compared to 0.55% at December 31, 2000. The September 30, 2001 balance includes $2.2 million in loans accounted for on a non-accrual basis and $512 thousand in accruing loans which were contractually past due 90 days or more. At September 30, 2001, $2.5 million of the Bancorp's loans were internally classified as substandard compared to $2.9 million at December 31, 2000. There were no loans classified as doubtful or loss. Substandard loans include non-performing loans and potential problem loans, where information about possible credit problems causes management to question the ability of such borrowers to comply with loan repayment terms. The balances for non-performing and substandard loans includes three loans totaling $1.6 million to a company, and its guarantors, that specializes in heavy hauling, trucking and excavating. Two of the loans, totaling $1.5 million, have been classified as impaired. Impaired loans are loans where full payment under the loan terms is not expected. During July management became concerned with the quality of some of the collateral securing the indebtedness of the company. Because of financial reporting discrepancies by the borrower and their failure to cooperate, the Bancorp has demanded that payment be made in full. The borrower has filed a petition for a Chapter 11 bankruptcy. An agreement is currently under negotiation with the borrower that, among other things, would provide for cooperation between the Bancorp, the borrower, and guarantor as to the valuation, collection and sale of assets securing the impaired loans. The final agreement would be sent to the bankruptcy court for approval. Two loans totaling $630 thousand have sufficient market value to cover the outstanding loan balances. Management has begun an analysis of all relevant facts in order to determine what charge against the ALL, if any, is probable. At September 30, 2001, except as described above, there were no material credits that would cause management to have serious doubts as to the ability of such borrowers to comply with loan repayment terms. Management has allocated reserves to these non-performing loans based on current information available. At September 30, 2001, the balance in the ALL account totaled $3.1 million, which is considered adequate by management after evaluation of the loan portfolio, past experience and current economic and market conditions.

Because some loans may not be repaid in accordance with contractual agreements an allowance for loan losses (ALL) has been maintained. While management may periodically allocate portions of the allowance for specific problem loans, the entire allowance is available to absorb all probable incurred credit losses that arise from the loan portfolio. During the three months ended September 30, 2001, additions to the ALL account totaled $90 thousand compared to $60 thousand for the three months ended September 30, 2000. During the nine months ended September 30, 2001, additions to the ALL account totaled $180 thousand compared to $144 thousand for the nine months ended September 30, 2000. The provision is based on management's current judgments about the credit quality of the loan portfolio, loan portfolio growth, changes in the portfolio mix and local economic conditions. The appropriateness of the current year provision and the overall adequacy of the ALL were determined through a disciplined and consistently applied quarterly process that combines a review of current activity with a risk assessment worksheet. While the quality of the loan portfolio remains sound, provisions during the current year were warranted because of increased average daily loan balances, the inherent risk associated with growth in commercial real estate and commercial business loans, and an increase in the level of charge-offs. During the current quarter net recoveries totaled $224 thousand, compared to net charge-offs of $1 thousand during the three months ended September 30, 2000. Charge-offs, net of recoveries, totaled $368 thousand during the current nine months, compared to $166 thousand during the nine months ended September 30, 2000. Included in the current years charge-offs were impaired loan balances of $233 thousand that had specific ALL reserves at December 31, 2000. At September 30, 2001, the ALL to total loans was .96% compared to 1.02% at December 31, 2000, while the ALL to nonperforming loans (coverage ratio) was 115.2% compared to 183.5% for the same periods. Except as otherwise discussed, management does not anticipate that any of the non-performing loans or substandard loans will materially impact future operations, liquidity or capital resources.

Deposits are a fundamental and cost-effective source of funds for lending and other investment purposes. The Bancorp offers a variety of products designed to attract and retain customers, with the primary focus on building and expanding relationships. At September 30, 2001, deposits totaled $347.1 million. During the nine months ended September 30, 2001, deposit growth totaled $22.7 million (7.0%). Checking accounts increased $3.3 million (4.8%), money market deposit accounts (MMDA’s) increased $2.0 million (4.5%), savings accounts increased $2.6 million (5.8%), and certificates of deposit increased $14.8 million (8.9%). At September 30, 2001, the deposit base was comprised of 20.4% checking accounts, 13.6% MMDA’s, 13.9% savings accounts and 52.1% certificates of deposit. Borrowings are primarily used to fund asset growth not supported by deposit generation. At September 30, 2001, borrowed funds totaled $31.9 million compared to $30.6 million at December 31, 2000, an increase of $1.3 million (4.2%). Repurchase agreements totaled $15.9 million, FHLB borrowings totaled $14.0 million, and other short-term borrowings totaled $2.0 million.

Quantitative and Qualitative Disclosures About Market Risk

The Bancorp’s primary market risk exposure is interest rate risk. Interest rate risk is the risk that the Bancorp’s earnings and capital will be adversely affected by changes in interest rates. The primary approach to interest rate risk management is one that focuses on adjustments to the Bancorp’s asset/liability mix in order to limit the magnitude of interest rate risk. The Board of Directors has delegated the responsibility for measuring, monitoring and controlling interest rate risk to the Bancorp’s asset/liability management committee (ALCO). The ALCO is responsible for developing and implementing interest rate risk management strategies, establishing and maintaining a system of limits and controls, and establishing and utilizing an interest rate risk measurement system. The ALCO, which is made up of members of senior management, generally meets monthly with board presentations occurring quarterly.

Performance from an interest rate risk perspective can be measured in many ways. Methodologies used by the Bancorp focus on net interest income and the net economic value of equity. Net interest income is defined as interest income less interest expense. Variability in net interest income arises because its components — interest income and interest expense — do not change equally as rates vary. This mismatch occurs because individual assets and liabilities reprice differently as rates change. Factors which affect net interest income include changes in the level of interest rates, changes in the relationship between Bancorp yield rates and interest costs, changes in the volume of assets and liabilities outstanding, and changes in the composition or mix of assets and liabilities. Management uses rate shock (i.e., instantaneous and sustained parallel shifts in the yield curve in 1% increments up and down 2%) for stress testing the net interest income under several rate change levels. In order to simulate activity, maturing balances are replaced with new balances at the new rate level and repricing balances are adjusted to the new rate shock level. The results are compared to limits set by the Board of Directors and are monitored to identify unfavorable trends. Net economic value of equity is the net present value of the Bancorp's portfolio of assets and liabilities. By marking-to-market the components of the balance sheet, management can compute the net economic value of equity. As rates change over time, the market values of Bancorp assets and liabilities will change, with longer-term products fluctuating more than short-term products. In most cases, rate-sensitive assets and liabilities will not have the same maturity characteristics. Therefore, as rates vary, the market value of the rate-sensitive assets will not change equally with the market value of rate-sensitive liabilities. This will cause the net economic value of equity to vary. The focus of the net economic value of equity is to determine the percentage decline in the net economic value of equity caused by a 2% increase or decrease in interest rates, whichever produces the larger decline. A large value indicates a large percentage decline in the net economic value of equity due to changes in interest rates and, thus, high interest rate sensitivity. A low value indicates a small percentage decline in the net economic value of equity due to changes in interest rates and, thus, low interest rate sensitivity. As with net interest income, the results are compared to limits set by the Board of Directors and are monitored to identify unfavorable trends.

Presented in the following tables is forward-looking information about the Bancorp's sensitivity to changes in interest rates as of September 30, 2001 and December 31, 2000. The tables incorporate the Bancorp's internal system generated data as related to the maturity, repricing and repayment/withdrawal of interest-earning assets and interest-bearing liabilities. Prepayment assumptions are based on published data. Present value calculations use current published market interest rates. For core deposits that have no contractual maturity, the table presents principal cash flows and, as applicable, related weighted-average interest rates based on the Bancorp's historical experience, management's judgment, and statistical analysis, as applicable, concerning their most likely withdrawal behaviors.

September, 2001	**Net Interest Income**			**Net Economic Value of Equity**		
Change in rates	Amount	% Chg	Policy Limit %	Amount	% Chg.	Policy Limit %
2%	$15,826	-3.4	-20	$48,827	-12.5	-30
1%	$16,186	-1.2	-10	$52,882	-5.3	-15
0%	$16,380	0.0		$55,828	0.0	
-1%	$16,039	-2.1	-10	$54,679	-2.1	-15
-2%	$16,053	-2.0	-20	$54,348	-2.7	-30

December 31, 2000	**Net Interest Income**			**Net Economic Value of Equity**		
Change in rates	Amount	% Chg	Policy Limit %	Amount	% Chg.	Policy Limit %
2%	$13,455	-6.5	-20	$44,879	-11.9	-30
1%	$13,978	-2.9	-10	$47,937	-5.9	-15
0%	$14,397	0.0		$50,945	0.0	
-1%	$14,478	0.6	-10	$51,918	1.9	-15
-2%	$14,369	-0.2	-20	$51,639	1.4	-30

The tables show that the Bancorp has managed interest rate risk within the policy limits set by the Board of Directors. At September 30, 2001, an increase in interest rates of 2% would have resulted in a 3.4% decrease in net interest income and a 12.5% decrease in the net economic value of equity compared to decreases of 6.5% and 11.9% at December 31, 2000. During the nine months ended September 30, 2001, the Bancorp has managed interest rate risk by increasing interest bearing balances in financial institutions, selling fixed rate loans and reducing short-term borrowings.

Liquidity and Capital Resources

For the Bancorp, liquidity management refers to the ability to generate sufficient cash to fund current loan demand, meet savings deposit withdrawals, and pay dividends and operating expenses. The Bancorp's primary goal for liquidity management is to ensure that at all times it can meet the cash demands of its depositors and its loan customers. A secondary purpose of liquidity management is profit management. Because profit and liquidity are often conflicting objectives, management attempts to maximize the Bancorp's net interest margin by making adequate, but not excessive, liquidity provisions. Finally, because the Bancorp is subject to legal reserve requirements under Federal Reserve Regulation D, liquidity is managed to ensure that the Bancorp maintains an adequate level of legal reserves.

Changes in the liquidity position result from operating, investing and financing activities. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. The primary investing activities include loan originations, loan repayments, investments in interest bearing balances in financial institutions, and the purchase 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 and advances from the FHLB) as a source of funds.

During the nine months ended September 30, 2001, cash and cash equivalents increased $3.6 million compared to a $1.4 million decrease for the nine months ended September 30, 2000. The primary sources of cash were deposit growth, proceeds from maturities and sales of securities and cash provided by operating activities. The primary uses of cash were the purchase of securities, the repayment of borrowings and the payment of common stock dividends. During the current nine months cash provided by operating activities totaled $5.3 million compared to $4.0 million for the nine months ended September 30, 2000. Cash outflows from investing activities totaled $23.8 million compared to cash outflows of $23.1 million for the nine months ended September 30, 2000. The current period reflects expected loan pay-offs of commercial loans and proceeds from securities that matured, sold or called because of declining interest rates. Cash flows from financing activities totaled $22.2 million during the current period compared to $17.7 million for the nine months ended September 30, 2000. The increase reflects deposit growth during the current period. The funds were used for security purchases and repayment of borrowings. The Bancorp paid dividends on common stock of $2.1 million during the current nine months compared to $2.0 million for the nine months ended September 30, 2000.

At September 30, 2001, outstanding commitments to fund loans totaled $66.4 million. Approximately 84% of the commitments were at variable rates. Management believes that the Bancorp has sufficient cash flow and borrowing capacity to fund all outstanding commitments and to maintain 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, 2001, stockholders' equity increased by $2.0 million (6.1%). The increase resulted primarily from earnings of $3.4 million during the period. In addition, $188 thousand represents proceeds from the exercise of 19,760 stock options. The Bancorp declared $2.1 million in cash dividends. The net unrealized gain on available-for-sale securities, net of tax was $598 thousand for the period.

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 identical. The Bancorp and the Bank are required to maintain a total risk-based capital ratio of 8%, of which 4% must be Tier I capital. In addition, the FRB and FDIC regulations provide for a minimum Tier I leverage ratio (Tier I capital to adjusted average assets) of 3% for financial institutions that meet certain specified criteria, including that they have the highest regulatory rating and are not experiencing or anticipating significant growth. All other financial institutions are required to maintain a Tier I leverage ratio of 3% plus an additional cushion of at least one to two percent.

The following table shows that, at September 30, 2001, and December 31, 2000, the Bancorp's capital exceeded all regulatory capital requirements. The Bancorp's and the Bank's regulatory capital ratios were substantially the same at both dates. The dollar amounts are in millions.

	Actual		Required for adequate capital		To be well capitalized	
At September 30, 2001	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk-weighted assets	$38.1	13.8%	$22.0	8.0%	$26.0	10.0%
Tier I capital to risk-weighted assets	$34.9	12.7%	$11.0	4.0%	$15.6	6.0%
Tier I capital to adjusted average assets	$34.9	8.5%	$12.3	3.0%	$20.6	5.0%

	Actual		Required for adequate capital		To be well capitalized	
At December 31, 2000	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk-weighted assets	$36.8	13.6%	$21.7	8.0%	$27.2	10.0%
Tier I capital to risk-weighted assets	$33.5	12.3%	$10.9	4.0%	$16.3	6.0%
Tier I capital to adjusted average assets	$33.5	8.6%	$11.6	3.0%	$19.4	5.0%

Results of Operations — Comparison of the Quarter Ended September 30, 2001 to the Quarter Ended September 30, 2000

Net income for the three months ended September 30, 2001 was $1.17 million compared to $1.13 million for the quarter ended September 30, 2000, an increase of $41 thousand (3.6%). The earnings represent a ROA of 1.14% for the quarter ended September 30, 2001 compared to 1.19% for the quarter ended September 30, 2000. The ROE was 13.35% for the current quarter compared to 13.77% for the quarter ended September 30, 2000.

Net interest income for the three months ended September 30, 2001 was $3.8 million, up $135 thousand (3.7%), compared to $3.7 million for the quarter ended September 30, 2000. The weighted-average yield on interest-earning assets was 7.21% for the three months ended September 30, 2001 compared to 7.96% for the three months ended September 30, 2000. The weighted-average cost of funds for the quarter ended September 30, 2001, was 3.46% compared to 4.06% for the quarter ended September 30, 2000. The impact of the 7.21% return on interest-earning assets and the 3.46% cost of funds resulted in an interest rate spread of 3.75% for the current quarter compared to 3.90% for the quarter ended September 30, 2000. During the current quarter, total interest income decreased by $107 thousand (1.5%) while total interest expense decreased by $242 thousand (7.0%). The net interest margin was 3.70% for the three months ended September 30, 2001 compared to 3.90% for the quarter ended September 30, 2000, as continued reductions in interest rates during the quarter, by the Federal Reserve, has resulted in the Bancorp's interest-earning assets repricing downward faster than interest-bearing liabilities.

During the three months ended September 30, 2001, interest income from loans decreased by $389 thousand (5.9%) compared to the three months ended September 30, 2000. The decrease was due to lower yields on loans outstanding. The weighted-average yield on loans outstanding was 7.61% for the current quarter compared to 8.18% for the three months ended September 30, 2000. Loan balances averaged $323.6 million for the current quarter, up $3.5 million (1.1%) from $320.1 million for the three months ended September 30, 2000. During the three months ended September 30, 2001, interest income on investments and other deposits increased by $282 thousand (47.9%) compared to the quarter ended September 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on securities and other deposits was 5.24% for the current quarter compared to 6.17% for the three months ended September 30, 2000. Securities and other deposits averaged $66.6 million for the current quarter, up $27.3 million (69.4%) from $39.3 million for the three months ended September 30, 2000.

Interest expense for deposits decreased by $253 thousand (8.1%) during the current quarter compared to the three months ended September 30, 2000. The decrease was due to a reduction in the weighted-average rate paid on deposits. The weighted-average rate paid on deposits for the three months ended September 30, 2001 was 3.35% compared to 3.93% for the quarter ended September 30, 2000. Total deposit balances averaged $340.6 million for the current quarter, up $24.0 million (7.6%) from $316.6 million for the quarter ended September 30, 2000. Interest expense on borrowed funds increased by $11 thousand (3.1%) during the current quarter due to increases in average daily balances. The weighted-average cost of borrowed funds was 4.62% for the current quarter compared to 5.68% for the three months ended September 30, 2000. Borrowed funds averaged $31.7 million during the quarter ended September 30, 2001, up $6.7 million (26.7%) from $25.0 million for the quarter ended September 30, 2000.

Noninterest income for the quarter ended September 30, 2001 was $598 thousand, up $52 thousand (9.5%) from $546 thousand for the three months ended September 30, 2000. During the period fees and service charges increased $13 thousand (3.1%). During the current quarter the Bancorp reported $22 thousand in gains on sale of loans compared to gains of $17 thousand during the three months ended September 30, 2000. In addition, the Bancorp reported $31 thousand in gains on securities, and $8 thousand in gains on the sale of foreclosed real estate during the current quarter, while no gains were reported during the quarter ended September 30, 2000.

Noninterest expense for the quarter ended September 30, 2001 was $2.5 million, up $181 thousand (7.9%) from $2.3 million for the three months ended September 30, 2000. The increase in compensation and benefits was due to annual salary increases and additional staffing for current operations resulting from the Hobart facility that opened during the fourth quarter of 2000. Other expense changes were due to standard increases in operations and the new Hobart facility. The Bancorp’s efficiency ratio was 56.2% for the quarter ended September 30, 2001 compared to 54.4% for the three months ended September 30, 2000. The ratio is determined by dividing total noninterest expense by the sum of net interest income and total noninterest income for the period.

Income tax expenses for the three months ended September 30, 2001 totaled $669 thousand compared to $734 thousand for the three months ended September 30, 2000, a decrease of $65 thousand (8.9%). The combined effective federal and state tax rates for the Bancorp was 36.4% for the three months ended September 30, 2001 compared to 39.4% for the three months ended September 30, 2000. The reduction during the current period is a result of investments in low-income housing tax credits.

Results of Operations — Comparison of the Nine Months Ended September 30, 2001 to the Nine Months Ended September 30, 2000

Net income for the nine months ended September 30, 2001 was $3.38 million compared to $3.29 million for the nine months ended September 30, 2000, an increase of $98 thousand (3.0%). The earnings represent a ROA of 1.11% for the nine months ended September 30, 2001 compared to 1.18% for the nine months ended September 30, 2000. The ROE was 13.06% for the current nine months compared to 13.41% for the nine months ended September 30, 2000.

Net interest income for the nine months ended September 30, 2001 was $11.2 million, up $155 thousand (1.4%) from $11.0 million for the nine months ended September 30, 2000. The weighted-average yield on interest-earning assets was 7.44% for the nine months ended September 30, 2001 compared to 7.85% for the nine months ended September 30, 2000. The weighted-average cost of funds for the nine months ended September 30, 2001, was 3.74% compared to 3.88% for the nine months ended September 30, 2000. The impact of the 7.44% return on interest-earning assets and the 3.74% cost of funds resulted in an interest rate spread of 3.70% for the current nine months compared to 3.97% for the nine months ended September 30, 2000. During the current nine months, total interest income increased by $727 thousand (3.5%) while total interest expense increased by $572 thousand (5.9%). The net interest margin was 3.67% for the nine months ended September 30, 2001 compared to 3.96% for the nine months ended September 30, 2000, as the recent action of the Federal Reserve to reduce interest rates by 4.00% has resulted in the Bancorp’s interest-earning assets repricing downward faster than interest-bearing liabilities.

During the nine months ended September 30, 2001, interest income from loans increased by $154 thousand (0.8%) compared to the nine months ended September 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on loans outstanding was 7.84% for the current nine months compared to 8.08% for the nine months ended September 30, 2000. Loan balances averaged $324.0 million for the current nine months, up $11.9 million (3.8%) from $312.1 million for the nine months ended September 30, 2000. During the nine months ended September 30, 2001, interest income on investments and other deposits increased by $573 thousand (31.1%) compared to the nine months ended September 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on securities and other deposits was 5.31% for the current nine months compared to 6.10% for the nine months ended September 30,

2000. Securities and other deposits averaged $60.6 million for the current nine months, up $20.3 million (50.5%) from $40.3 million for the nine months ended September 30, 2000.

Interest expense for deposits increased by $360 thousand (4.1%) during the current nine months compared to the nine months ended September 30, 2000. The increase was due to growth in average daily balances. The weighted-average rate paid on deposits for the nine months ended September 30, 2001 was 3.63% compared to 3.77% for the nine months ended September 30, 2000. Total deposit balances averaged $336.7 million for the current nine months, up $24.8 million (7.9%) from $311.9 million for the nine months ended September 30, 2000. Interest expense on borrowed funds increased by $212 thousand (23.0%) during the current nine months due to increases in average daily balances. The weighted-average cost of borrowed funds was 4.91% for the current nine months compared to 5.43% for the nine months ended September 30, 2000. Borrowed funds averaged $30.8 million during the nine months ended September 30, 2001, up $8.2 million (35.9%) from $22.6 million for the nine months ended September 30, 2000.

Noninterest income for the nine months ended September 30, 2001 was $1.8 million, up $276 thousand (18.7%) from $1.5 million for the nine months ended September 30, 2000. During the period fees and service charges increased $117 thousand (10.1%). During the current nine months the Bancorp reported $59 thousand in gains on sale of loans compared to $15 thousand during the nine months ended September 30, 2000. In addition, the Bancorp reported $97 thousand in gains on securities, and $8 thousand in gains on sale of foreclosed real estate during the current nine months, while no gains were reported during the nine months ended September 30, 2000.

Noninterest expense for the nine months ended September 30, 2001 was $7.3 million, up $357 thousand (5.1%) from $7.0 million for the nine months ended September 30, 2000. The increase in compensation and benefits was due to annual salary increases and additional staffing for current operations resulting from the Hobart facility that opened during the fourth quarter of 2000. Other expense changes were due to standard increases in operations and the new Hobart facility. The Bancorp's efficiency ratio was 56.6% for the nine months ended September 30, 2001 compared to 55.7% for the nine months ended September 30, 2000.

Income tax expenses for the nine months ended September 30, 2001 totaled $2.0 million, down $60 thousand (2.9%) from $2.1 million for the nine months ended September 30, 2000. The combined effective federal and state tax rates for the Bancorp was 37.6% for the nine months ended September 30, 2001 compared to 39.0% for the nine months ended September 30, 2000. The reduction during the current period is a result of investments in low-income housing tax credits.

Forward-Looking Statements

When used in this report and in other filings by the Bancorp with the Securities and Exchange Commission, in the Bancorp's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, 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 intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including but not limited to changes in economic conditions in the Bancorp's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Bancorp's market area and competition, all or some of which could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

The Bancorp wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and advise readers that various factors, including regional and national economic conditions, substantial changes in levels of market interest rates, credit and other risks of lending and investment activities and competitive and regulatory factors, could affect the Bancorp’s financial performance and could cause the Bancorp’s actual results for future periods to differ materially from those anticipated or projected.

PART II — Other Information

Item 1. Legal Proceedings

The registrant is not party to any material legal proceedings. No significant changes in legal proceedings of the Bancorp occurred during the quarter.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K. None.

Signatures

Pursuant to the requirement 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: November 9, 2001

/s/ David A. Bochnowski

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

Date: November 9, 2001

/s/ Edward J. Furticella

Edward J. Furticella
Executive Vice President, Chief Financial Officer and Treasurer