TABLE OF CONTENTS

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, 2000, 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 2,708,772 shares of the registrant's Common Stock, without par value, outstanding at October 31, 2000.

Table of Contents

NorthWest Indiana Bancorp
Index

Page

Table of Contents

NorthWest Indiana Bancorp
Consolidated Balance Sheets
(unaudited)

(Dollars in thousands)	September 30, 2000	December 31, 1999
ASSETS		
Cash and cash equivalents	$ 13,241	$ 14,633
Securities available-for-sale	20,200	24,171
Securities held-to-maturity (fair value: September 30, 2000 - $15,159; December 31, 1999 - $15,718)	15,341	15,983
Loans held for sale	599	597
Loans receivable	321,708	295,813
Less: allowance for loan losses	(3,287)	(3,309)
Net loans receivable	318,421	292,504
Federal Home Loan Bank stock	1,927	1,777
Accrued interest receivable	2,385	2,408
Premises and equipment	7,326	6,522
Foreclosed real estate	100	—
Other assets	2,864	3,124
Total assets	$ 382,404	$ 361,719
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 29,108	$ 22,709
Interest bearing	285,171	283,938
Total	314,279	306,647
Borrowed funds	31,523	18,607
Accrued expenses and other liabilities	3,624	3,994
Total liabilities	349,426	329,248
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, 2000 - 2,773,436, December 31, 1999 - 2,767,503, shares outstanding: September 30, 2000 - 2,708,772, December 31, 1999 - 2,746,403	347	346
Additional paid in capital	3,029	2,970
Accumulated other comprehensive loss	(182)	(222)
Retained earnings — substantially restricted	31,155	29,824
Treasury stock, common shares at cost: September 30, 2000 - 64,664; December 31, 1999 - 21,100	(1,371)	(447)

Total stockholders' equity	32,978	32,471
Total liabilities and stockholders' equity	$ 382,404	$ 361,719

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

NorthWest Indiana Bancorp
Consolidated Statements of Income
(unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2000	1999	Nine Months Ended September 30, 2000	1999
Interest income:				
Loans receivable				
Real estate loans	$ 5,537	$ 4,953	$ 15,968	$ 14,599
Commercial loans	769	578	2,232	1,628
Consumer loans	241	223	704	638
Total loan interest	6,547	5,754	18,904	16,865
Securities	584	614	1,803	1,717
Other interest earning assets	5	86	41	410
Total interest income	7,136	6,454	20,748	18,992
Interest expense:				
Deposits	3,109	2,537	8,816	7,676
Borrowed funds	355	237	922	674
Total interest expense	3,464	2,774	9,738	8,350
Net interest income	3,672	3,680	11,010	10,642
Provision for loan losses	60	75	144	175
Net interest income after provision for loan losses	3,612	3,605	10,866	10,467
Noninterest income:				
Fees and service charges	422	355	1,161	913
Trust operations	107	91	302	269
Gain/(loss) on sale of loans, net	17	—	15	48
Gain on sale of securities, net	—	15	—	15
Other	—	1	—	4
Total noninterest income	546	462	1,478	1,249
Noninterest expense:				
Compensation and benefits	1,270	1,190	3,797	3,396
Occupancy and equipment	378	391	1,153	1,162
Data processing	136	128	415	372
Marketing	23	25	144	109
Federal insurance premium	16	42	47	126
Other	472	462	1,404	1,358
Total noninterest expense	2,295	2,238	6,960	6,523
Income before income tax expenses	1,863	1,829	5,384	5,193
Income tax expenses	734	726	2,099	2,065
Net income	$ 1,129	$ 1,103	$ 3,285	$ 3,128
Earnings per common share:				
Basic	$ 0.42	$ 0.40	$ 1.21	$ 1.13
Diluted	$ 0.42	$ 0.40	$ 1.20	$ 1.12
Dividends declared per common share	$ 0.24	$ 0.21	$ 0.72	$ 0.63

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Balance at beginning of period	$ 32,360	$ 31,981	$ 32,471	$ 31,316
Comprehensive income:				
Net income	1,129	1,103	3,285	3,128
Net unrealized gain/(loss) on securities available-for-sale, net of tax effects	126	(45)	40	(259)
Comprehensive income	1,255	1,058	3,325	2,869
Issuance of shares of common stock	12	5	60	21
Cash dividends	(649)	(580)	(1,954)	(1,742)
Purchase of treasury stock	—	(126)	(924)	(126)
Balance at end of period	$ 32,978	$ 32,338	$ 32,978	$ 32,338

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

NorthWest Indiana Bancorp
Consolidated Statements of Cash Flows
(unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,285	$ 3,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(320)	(2,466)
Sale of loans originated for sale	323	2,449
Depreciation and amortization, net of accretion	657	690
Amortization of mortgage servicing rights	9	8
Amortization of investment in real estate limited partnerships	34	10
Net gains on securities	—	(12)
Net (gains)/losses on sale of loans	(15)	(34)
Net gains on sale of foreclosed real estate	—	(15)
Provision for loan losses	144	175
Net change in:		
Interest receivable	23	46
Other assets	195	75
Accrued expenses and other liabilities	(370)	17
Total adjustments	680	943
Net cash from operating activities	3,965	4,071
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of securities available-for-sale	4,005	6,160
Purchase of securities available-for-sale	—	(10,969)

Proceeds from maturities of securities held-to-maturity	500	5,595
Purchase of securities held-to-maturity	—	(7,229)
Principal collected on mortgage-backed securities	149	241
Purchase of Federal Home Loan Bank Stock	(150)	(82)
Loan participations purchased	(3,839)	(300)
Net change in loans receivable	(22,316)	(15,902)
Purchase of premises and equipment, net	(1,436)	(390)
Proceeds from sale of foreclosed real estate	—	131
Net cash from investing activities	(23,087)	(22,745)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	7,632	8,590
Proceeds from FHLB advances	6,250	6,000
Repayment of FHLB advances	(11,250)	(2,000)
Change in other borrowed funds	17,916	(748)
Proceeds from issuance of common stock	60	21
Dividends paid	(1,954)	(1,742)
Treasury stock purchased	(924)	(126)
Net cash from financing activities	17,730	9,995
Net change in cash and cash equivalents	(1,392)	(8,679)
Cash and cash equivalents at beginning of period	14,633	27,340
Cash and cash equivalents at end of period	$ 13,241	$ 18,661
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 9,710	$ 8,394
Income taxes	$ 2,181	$ 2,309
SUPPLEMENTAL NONCASH INFORMATION:		
Transfers from loans to foreclosed real estate	$ 100	$ 121

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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, 2000 and December 31, 1999, and the statements of income and changes in stockholders’ equity for the three and nine months ended September 30, 2000 and 1999, and cash flows for the nine months ended September 30, 2000 and 1999. The income reported for the nine month period ended September 30, 2000 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, 1999 consolidated financial statements and the September 30, 1999 Form 10-Q have been reclassified to conform to the September 30, 2000 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, 2000 and December 31, 1999, commitments to make loans totaled $68.3 million and $61.3 million, and standby letters of credit totaled $1.5 million and $1.1 million. At September 30, 2000, $61.0 million (89%) 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.

Table of Contents

Note 6 — Earnings per Share

A reconciliation of the numerators and denominators of the basic earnings per common share and diluted earnings per common share computations is presented below:

	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Basic Earnings Per Common Share:				
Net income available to common stockholders	$1,129,000	$1,103,000	$3,285,000	$3,128,000
Weighted-average common shares outstanding	2,707,929	2,766,562	2,719,946	2,765,527
Basic earnings per common share	$ 0.42	$ 0.40	$ 1.21	$ 1.13
Diluted Earnings Per Common Share:				
Net income available to common stockholders	$1,129,000	$1,103,000	$3,285,000	$3,128,000
Weighted-average common shares outstanding	2,707,929	2,766,562	2,719,946	2,765,527
Add: dilutive effect of assumed stock option exercises	23,490	26,808	25,856	29,746
Weighted-average common and dilutive potential common shares outstanding	2,731,419	2,793,370	2,745,802	2,795,273
Diluted earnings per common share	$ 0.42	$ 0.40	$ 1.20	$ 1.12

Stock options for 25,570 common shares for the three and nine months ended September 30, 2000, were not considered in computing diluted earnings per common share because they were anti-dilutive.

Table of Contents

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, 2000, the Bancorp had total assets of $382.4 million and total deposits of $314.3 million. Stockholders' equity totaled $33.0 million or 8.6% of total assets, with book value per share at $12.17. Net income for the nine months ended September 30, 2000, was $3.3 million, or $1.21 per common share for basic and $1.20 diluted calculations. The annualized return on average assets (ROA) was 1.18%, while the annualized return on average stockholders' equity (ROE) was 13.41%, for the nine months ended September 30, 2000.

Financial Condition

During the nine months ended September 30, 2000, total assets increased by $20.7 million (5.7%), with interest-earning assets increasing by $21.4 million (6.3%). At September 30, 2000, interest-earning assets totaled $359.8 million and represented 94.1% of total assets.

Loans receivable totaled $321.7 million at September 30, 2000, compared to $295.8 million at December 31, 1999. At September 30, 2000, loans receivable represented 89.4% of interest-earning assets, 84.1% of total assets and 102.4% of total deposits. The loan portfolio includes $14.9 million (4.6%) in construction and development loans, $172.5 million (53.6%) in residential mortgage loans, $10.4 million (3.2%) in multifamily loans, $82.0 million (25.5%) in commercial real estate loans, $10.8 million (3.4%) in consumer loans, and $31.1 million (9.7%) in commercial business and other loans. Adjustable rate loans comprised 56% of total loans at September 30, 2000. During the nine months ended September 30, 2000, loans increased by $25.9 million (8.8%). Growth during the current nine months was a result of a strong local economy and aggressive marketing and call programs. Assuming the continuation of the current strength of the local economy and an aggressive marketing and call program effort, management believes that loan growth should remain strong throughout the remaining quarter of 2000. 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, 2000, the Bancorp sold $323 thousand in fixed rate mortgages. At September 30, 2000, the Bancorp had $599 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

Table of Contents

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 five years. At September 30, 2000, the investment portfolio totaled $35.5 million and was invested as follows: 91.3% in U.S. government agency debt securities, 7.0% in U.S. government debt securities, and 1.7% in U.S. government agency mortgage-backed securities. At September 30, 2000, securities available-for-sale totaled $20.2 million or 56.8% 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, 2000, investment securities decreased by $4.6 million (11.5%). At September 30, 2000, the Bancorp had $1.9 million in FHLB stock.

Management believes that the credit risk profile of the earning asset portfolio is relatively low. The table that follows sets forth information with respect to the number (#) and balances (Amount) of non-performing assets and related ratios for the periods indicated. The amounts are stated in thousands (000's).

	September 30, 2000		December 31, 1999	
	#	Amount	#	Amount
Loans accounted for on a non-accrual basis:				
Real estate loans:				
Residential	16	$ 869	13	$ 565
Commercial	1	20	0	—
Commercial business loans	5	513	0	—
Consumer loans	4	35	0	—
Total	26	$ 1,437	13	$ 565
Accruing loans that are contractually past due 90 days or more:				
Real estate loans:				
Residential	3	$ 114	6	$ 235
Commercial	1	17	1	3
Commercial business loans	1	11	—	—
Consumer loans	—	—	—	—
Total	5	$ 142	7	$ 238
Total of non-accrual and accruing loans 90 days or more past due loans	31	$ 1,579	20	$ 803
Foreclosed real estate	1	$ 100	—	$ —

Ratio of non-performing loans to total assets	0.41%	0.22%
Ratio of non-performing loans to total loans	0.49%	0.27%
Ratio of foreclosed real estate to total assets	0.03%	0.00%
Ratio of non-performing assets to total assets	0.44%	0.22%

At September 30, 2000, $2.9 million of the Bancorp's loans were internally classified as substandard. The total represents 40 loans. No loans were classified as doubtful or loss. Classified loans include nonperforming

Table of Contents

loans disclosed in the previous table. Management does not anticipate that any of the non-performing loans or classified loans will materially impact future operations, liquidity or capital resources. At September 30, 2000, 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.

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 credit losses that arise from the loan portfolio and is not segregated for, or allocated to, any particular loan or group of loans. During the nine months ended September 30, 2000, additions to the ALL account totaled $144 thousand compared to $175 thousand for the nine months ended September 30, 1999. Charge-offs, net of recoveries, totaled $166 thousand during the nine months ended September 30, 2000. The amount provided during the current nine months was based on loan activity, changes within the loan portfolio mix, and resulting changes in management's assessment of portfolio risk. The balance in the ALL account totaled $3.3 million at both September 30, 2000 and December 31, 1999. The balance in the ALL is considered adequate by management after evaluation of the loan portfolio, past experience and current economic and market conditions.

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, as well as, loans which have been evaluated on a pooled basis. During the nine months ended September 30, 2000, additions to the ALL were allocated to the commercial real estate loans and commercial business loans due to the growth in these portfolios and the additional risk related to these products. At September 30, 2000, no portion of the ALL was allocated to impaired loan balances.

Deposits are the major source of funds for lending and other investment purposes. At September 30, 2000, deposits totaled $314.3 million. During the nine months ended September 30, 2000, deposit growth totaled $7.6 million (2.5%). Checking accounts increased $9.7 million (18.6%), money market deposit accounts (MMDA's) decreased $2.0 million (4.7%), savings accounts decreased $1.3 million (2.8%), and certificates of deposit increased $1.2 million (0.7%). The growth in checking accounts was a result of competitive product offerings and an aggressive marketing program. At September 30, 2000, the deposit base was comprised of 19.7% checking accounts, 12.8% MMDA's, 14.4% savings accounts and 53.1% certificates of deposit. Deposit growth has not kept pace with asset growth principally due to a low rate of personal savings by households and competition for depositor funds from higher-yielding investment alternatives. The Bancorp has used borrowings to help fund loan growth. At September 30, 2000, borrowed funds totaled $31.5 million. During the nine months ended September 30, 2000, borrowings increased $12.9 million (69.4%). Repurchase agreements totaled $12.4 million, increasing $9.4 million due to the implementation of the Bank's new sweep repurchase program. FHLB borrowings totaled $17.6 million, increasing $3.6 million to meet short-term funding requirements. Other short-term borrowings totaled $1.5 million.

Table of Contents

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, 2000. The table incorporates 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.

Table of Contents

Interest Rate Risk at September 30, 2000

	Net Interest Income			Net Economic Value of Equity		
Change in rates	**Amount**	**% Chg.**	**Policy Limit %**	**Amount**	**% Chg.**	**Policy Limit %**
2%	$ 12,826	-8.8	-20	$ 42,263	-15.5	-30
1%	$ 13,531	-3.8	-10	$ 46,172	-7.7	-15
0%	$ 14,065	0.0		$ 50,032	0.0	
-1%	$ 14,323	1.8	-10	$ 52,475	4.9	-15
-2%	$ 14,179	0.8	-20	$ 52,828	5.6	-30

The table shows that the Bancorp has managed interest rate risk within the policy limits set by the Board of Directors. At September 30, 2000, an increase in interest rates of 2% would have resulted in an 8.8% decrease in net interest income and a 15.5% decrease in the net economic value of equity.

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 Bank is subject to legal reserve requirements under Federal Reserve Regulation D, liquidity is managed to ensure that the Bank 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 primarily 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, 2000, cash and cash equivalents decreased $1.4 million compared to a $8.7 million decrease for the nine months ended September 30, 1999. The primary sources of cash were deposit growth, borrowed funds, proceeds from maturities of securities and cash provided by operating activities. The primary uses of cash were the loan originations, the payment of common stock dividends and the purchase of treasury stock. During the current nine months cash provided by operating activities totaled $4.0 million compared to $4.1 million for the nine months ended September 30, 1999, reflecting a decrease in loan sales during the current period. Cash outflows from investing activities reflect strong loan demand during the nine months ended September 30, 2000 and 1999. The increase in loans receivable and loan participations purchased totaled $26.2 million during the current period compared to $16.2 million for the nine months ended September 30, 1999. Cash flows from financing activities totaled $17.7

Table of Contents

million during the current period compared to $10.0 million for the nine months ended September 30, 1999. The increase reflects additional borrowings during the current period. The funds were used for loan originations. Deposit growth totaled $7.6 million compared to $8.6 million for the nine months ended September 30, 1999, while borrowed funds and proceeds from FHLB advances increased by $12.9 million compared to $3.3 million for the nine months ended September 30, 1999. The Bancorp paid dividends on common stock of $2.0 million during the current nine months compared to $1.7 million for the nine months ended September 30, 1999. On April 18, 2000, the Bancorp announced that it had completed the repurchase of 50,000 shares or 1.8% of the Bancorp's outstanding common stock at an average price of $21.40 per share. The repurchase program was begun in August 1999. The Bancorp also announced that the Board of Directors had authorized the repurchase of an additional 50,000 shares of Common Stock or 1.8% of the outstanding shares. During the nine months ended September 30, 2000, the Bancorp purchased 43,564 shares of treasury stock at $20.50 - - $21.75 per share for $924 thousand.

During the fourth quarter of 2000, the Bancorp will open a state-of-the-art branch facility in Hobart, Indiana. The facility is not anticipated to have a material impact on noninterest expense during 2000. The new facility provides opportunities to expand market share for the Bancorp's products and services in Hobart and the surrounding areas.

At September 30, 2000, outstanding commitments to fund loans totaled $68.3 million. Approximately 89% 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.

During the nine months ended September 30, 2000, stockholders' equity increased by $507 thousand (1.6%). The change in stockholders' equity reflects earnings of $3.3 million during the period. In addition, $60 thousand represents proceeds from the exercise of 5,933 stock options. The Bancorp paid $2.0 million in cash dividends and $924 thousand for the purchase of treasury stock during the nine month period. The net unrealized gain on available-for-sale securities was $40 thousand for the period. At September 30, 2000, book value per share was $12.17 compared to $11.71 at September 30, 1999.

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.

Table of Contents

The following table shows that, at September 30, 2000, and December 31, 1999, 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, 2000	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk-weighted assets	$ 36.41	3.7%	$ 21.2	8.0%	$ 26.5	10.0%
Tier I capital to risk-weighted assets	$ 33.2	12.5%	$ 10.6	4.0%	$ 15.9	6.0%
Tier I capital to adjusted average assets	$ 33.2	8.8%	$ 11.4	3.0%	$ 18.9	5.0%

	Actual		Required for adequate capital		To be well capitalized	
At December 31, 1999	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk-weighted assets	$ 35.71	4.8%	$ 19.3	8.0%	$ 24.2	10.0%
Tier I capital to risk-weighted assets	$ 32.71	3.5%	$ 9.7	4.0%	$ 14.5	6.0%
Tier I capital to adjusted average assets	$ 32.7	9.0%	$ 10.9	3.0%	$ 18.2	5.0%

Results of Operations — Comparison of the Quarter Ended September 30, 2000 to the Quarter Ended September 30, 1999

Net income for the three months ended September 30, 2000 was $1.129 million compared to $1.103 million for the quarter ended September 30, 1999, an increase of $26 thousand (2.4%). The earnings represent a ROA of 1.19% for the quarter ended September 30, 2000 compared to 1.24% for the quarter ended September 30, 1999. The ROE was 13.77% for the current quarter compared to 13.54% for the quarter ended September 30, 1999.

Net interest income for the three months ended September 30, 2000 and 1999 was $3.7 million. The weighted-average yield on interest-earning assets was 7.96% for the three months ended September 30, 2000 compared to 7.68% for the three months ended September 30, 1999. The weighted-average cost of funds for the quarter ended September 30, 2000, was 4.06% compared to 3.49% for the quarter ended September 30, 1999. The impact of the 7.96% return on interest-earning assets and the 4.06% cost of funds resulted in an interest rate spread of

3.91% for the current quarter compared to 4.19% for the quarter ended September 30, 1999. During the current quarter, total interest income increased by $682 thousand (10.6%) while total interest expense increased by $690 thousand (24.9%). The net interest margin was 3.90% for the three months ended September 30, 2000 compared to 4.18% for the quarter ended September 30, 1999.

During the three months ended September 30, 2000, interest income from loans increased by $793 thousand (13.8%) compared to the three months ended September 30, 1999. The increase was due to higher yields and higher average daily balances. The weighted-average yield on loans outstanding was 8.18% for the current quarter compared to 7.95% for the three months ended September 30, 1999. Loan balances averaged $320.1 million for the current quarter, up $30.4 million (10.5%) from $289.7 million for the three months ended September 30, 1999. During the three months ended September 30, 2000, interest income on investments and other deposits decreased by $111 thousand (15.9%) compared to the quarter ended September 30, 1999. The decrease was due to lower average daily balances. The weighted-average yield on securities and other deposits was 6.17% for the current quarter compared to 6.05% for the three months ended September 30, 1999. Securities and other deposits averaged $39.3 million for the current quarter, down $8.1 million (17.1%) from $47.4 million for the three months ended September 30, 1999.

Interest expense for deposits increased by $572 thousand (22.5%) during the current quarter compared to the three months ended September 30, 1999. The increase was due to a higher cost of funds and growth in average daily balances. The weighted-average rate paid on deposits for the three months ended September 30, 2000 was 3.93% compared to 3.39% for the quarter ended September 30, 1999. The higher cost of funds reflects a rising interest rate environment. Total deposit balances averaged $316.6 million for the current quarter, up $16.9 million (5.6%) from $299.7 million for the quarter ended September 30, 1999. Interest expense on borrowed funds increased by $118 thousand (49.8%) during the current quarter due to higher rates and increases in average daily balances. The weighted-average cost of borrowed funds was 5.68% for the current quarter compared to 5.23% for the three months ended September 30, 1999. Borrowed funds averaged $25.0 million during the quarter ended September 30, 2000, up $6.8 million (37.4%) from $18.2 million for the quarter ended September 30, 1999.

Noninterest income for the quarter ended September 30, 2000 was $546 thousand, up $84 thousand (18.2%) from $462 thousand for the three months ended September 30, 1999. During the period the Bancorp continued to implement initiatives focused on improving income from Bank operations. As a result, fees and service charges increased $67 thousand (18.9%) and income from Trust operations increased $16 thousand (17.6%) compared to the three months ended September 30, 1999. During the current quarter the Bancorp reported $17 thousand in gains on loan sales, while no gains were reported during the quarter ended September 30, 1999.

Noninterest expense for the quarter ended September 30, 2000 was $2.3 million, up $57 thousand (2.5%) from $2.2 million for the three months ended September 30, 1999. The increase in compensation and benefits was due to additional staffing for current operations and in preparation for the Hobart facility that is expected to open during the fourth quarter of 2000. The Bancorp's efficiency ratio was 54.4% for the quarter ended September 30, 2000 compared to 54.2% for the three months ended September 30, 1999. 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, 2000 totaled $734 thousand compared to $726 thousand for the three months ended September 30, 1999, an increase of $8 thousand (1.1%). The increase was due to an increase in pretax earnings during the current quarter. The combined effective federal and state tax rates for the Bancorp was 39.4% for the three months ended September 30, 2000 compared to

39.7% for the three months ended September 30, 1999. 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, 2000 to the Nine months Ended September 30, 1999

Net income for the nine months ended September 30, 2000 was $3.3 million compared to $3.1 million for the nine months ended September 30, 1999, an increase of $157 thousand (5.0%). The earnings represent a ROA of 1.18% for the current nine months compared to 1.19% for the nine months ended September 30, 1999. The ROE was 13.41% for the current nine months compared to 13.03% for the nine months ended September 30, 1999.

Net interest income for the nine months ended September 30, 2000 was $11.0 million, up $368 thousand (3.5%) from $10.6 million for the nine months ended September 30, 1999. The increase in net interest income was due to higher yields on interest-earning assets and growth in average daily balances for loans. The weighted-average yield on interest-earning assets was 7.85% for the nine months ended September 30, 2000 compared to 7.60% for the nine months ended September 30, 1999. The weighted-average cost of funds for the nine months ended September 30, 2000, was 3.88% compared to 3.53% for the nine months ended September 30, 1999. The impact of the 7.85% return on interest-earning assets and the 3.88% cost of funds resulted in an interest rate spread of 3.97% for the current nine months compared to 4.07% for the nine months ended September 30, 1999. During the current nine months, total interest income increased by $1.8 million (9.2%) while total interest expense increased by $1.4 million (16.6%). The net interest margin was 3.96% for the nine months ended September 30, 2000 compared to 4.06% for the nine months ended September 30, 1999.

During the nine months ended September 30, 2000, interest income from loans increased by $2.0 million (12.1%) compared to the nine months ended September 30, 1999. The increase was due to higher yields and higher average daily balances. The weighted-average yield on loans outstanding was 8.08% for the current nine months compared to 7.91% for the nine months ended September 30, 1999. Loan balances averaged $312.1million for the current nine months, up $27.7million (9.7%) from $284.4 million for the nine months ended September 30, 1999. During the nine months ended September 30, 2000, interest income on investments and other deposits decreased by $283 thousand (13.3%) compared to the nine months ended September 30, 1999. The decrease was due to lower average daily balances. The weighted-average yield on securities and other deposits was 6.10% for the current nine months compared to 5.86% for the nine months ended September 30, 1999. Securities and other deposits averaged $40.3 million for the current nine months, down $9.3 million (18.8%) from $49.6 million for the nine months ended September 30, 1999.

Interest expense for deposits increased by $1.1 million (14.9%) during the current nine months compared to the nine months ended September 30, 1999. The increase was due to a higher cost of funds and growth in average daily balances. The weighted-average rate paid on deposits for the nine months ended September 30, 2000 was 3.77% compared to 3.44% for the nine months ended September 30, 1999. The higher cost of funds reflects a rising interest rate environment. Total deposit balances averaged $311.9 million for the current nine months, up $14.1 million (4.7%) from $297.8 for the nine months ended September 30, 1999. Interest expense on borrowed funds increased by $248 thousand (36.8%) during the current nine months due to higher rates and increases in average daily balances. The weighted-average cost of borrowed funds was 5.43% for the

Table of Contents

current nine months compared to 5.10% for the nine months ended September 30, 1999. Borrowed funds averaged $22.6 million during the nine months ended September 30, 2000, up $5.0 million (28.4%) from $17.6 million for the nine months ended September 30, 1999.

Noninterest income for the nine months ended September 30, 2000 was $1.5 million, up $229 thousand (18.3%) from $1.2 million for the nine months ended September 30, 1999. During the period the Bancorp continued to implement initiatives focused on improving income from Bank operations. As a result, fees and service charges increased $248 thousand (27.2%) and income from Trust operations increased $33 thousand (12.3%) compared to the nine months ended September 30, 1999.

Noninterest expense for the nine months ended September 30, 2000 was $7.0 million, up $437 thousand (6.7%) from $6.5 million for the nine months ended September 30, 1999. The increase in compensation and benefits was due to additional staffing for current operations and in preparation for the Hobart facility that is expected to open during the fourth quarter of 2000. The increase in data processing reflects investments in technology and new products and services. The increase in marketing was due to an aggressive program focused on both loan and deposit products. Other expense changes were due to standard increases in operations. The Bancorp’s efficiency ratio was 55.7% for the nine months ended September 30, 2000 compared to 54.9% for the nine months ended September 30, 1999.

Income tax expenses for the nine months ended September 30, 2000 and 1999 totaled $2.1 million. The modest increase ($34 thousand or 1.6%) during the current year was due to an increase in pretax earnings. The combined effective federal and state tax rates for the Bancorp was 39.0% for the nine months ended September 30, 2000 compared to 39.8% for the nine months ended September 30, 1999. 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 future 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.

Table of Contents

The Bancorp does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

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) Exhibits. (27) Financial Data Schedule (b) Reports on Form 8-K. None.

Table of Contents

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 10, 2000

/s/ David A. Bochnowski

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

Date: November 10, 2000

/s/ Edward J. Furticella

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

<TABLE> <S> <C>

<ARTICLE> 9
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-2000
<PERIOD-START>	JAN-01-2000
<PERIOD-END>	SEP-30-2000
<CASH>	13,241
<INT-BEARING-DEPOSITS>	0
<FED-FUNDS-SOLD>	0
<TRADING-ASSETS>	0
<INVESTMENTS-HELD-FOR-SALE>	20,200
<INVESTMENTS-CARRYING>	15,341
<INVESTMENTS-MARKET>	15,159
<LOANS>	321,708
<ALLOWANCE>	3,287
<TOTAL-ASSETS>	382,404
<DEPOSITS>	314,279
<SHORT-TERM>	31,523
<LIABILITIES-OTHER>	3,624
<LONG-TERM>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	347
<OTHER-SE>	32,631
<TOTAL-LIABILITIES-AND-EQUITY>	382,404
<INTEREST-LOAN>	18,904
<INTEREST-INVEST>	1,803
<INTEREST-OTHER>	41
<INTEREST-TOTAL>	20,748
<INTEREST-DEPOSIT>	8,816
<INTEREST-EXPENSE>	9,738
<INTEREST-INCOME-NET>	11,010
<LOAN-LOSSES>	144
<SECURITIES-GAINS>	0
<EXPENSE-OTHER>	6,960
<INCOME-PRETAX>	5,384
<INCOME-PRE-EXTRAORDINARY>	3,285
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	3,285
<EPS-BASIC>	1.21
<EPS-DILUTED>	1.20
<YIELD-ACTUAL>	4.17
<LOANS-NON>	1,437
<LOANS-PAST>	142
<LOANS-TROUBLED>	0
<LOANS-PROBLEM>	0
<ALLOWANCE-OPEN>	3,309
<CHARGE-OFFS>	170
<RECOVERIES>	4
<ALLOWANCE-CLOSE>	3,287
<ALLOWANCE-DOMESTIC>	3,287
<ALLOWANCE-FOREIGN>	0
<ALLOWANCE-UNALLOCATED>	0

</TABLE>