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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 June 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 2,725,032 shares of the registrant's Common Stock, without par value, outstanding at July 31, 2001.

NorthWest Indiana Bancorp
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NorthWest Indiana Bancorp
Consolidated Balance Sheets

(Dollars in thousands)	June 30, 2001 (unaudited)	December 31, 2000
ASSETS		
Cash and non-interest bearing balances in financial institutions	$ 18,755	$ 14,013
Interest bearing balances in financial institutions	13,647	3,320
Federal funds sold	198	86
Total cash and cash equivalents	32,600	17,419
Securities available-for-sale	37,037	20,503
Securities held-to-maturity; fair value: June 30, 2001 - $8,540 December 31, 2000 - $15,651	8,569	15,649
Loans held for sale	85	480
Loans receivable	323,879	326,207
Less: allowance for loan losses	(2,855)	(3,322)
Net loans receivable	321,024	322,885
Federal Home Loan Bank stock	2,076	1,976
Accrued interest receivable	2,426	2,523
Premises and equipment	8,119	7,895
Foreclosed real estate	280	100
Other assets	2,802	2,883
Total assets	$415,018	$392,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 29,705	$ 28,415
Interest bearing	315,699	295,895
Total	345,404	324,310
Borrowed funds	31,436	30,599
Accrued expenses and other liabilities	3,643	3,875
Total liabilities	380,483	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: June 30, 2001 - 2,791,596, December 31, 2000 - 2,773,476, shares outstanding: June 30, 2001 - 2,723,432, December 31, 2000 - 2,705,312	349	347
Additional paid in capital	3,204	3,029
Accumulated other comprehensive income	33	1
Retained earnings	32,389	31,592
Treasury stock, common shares at cost: June 30, 2001 - 68,164, December 31, 2000 - 68,164	(1,440)	(1,440)
Total stockholders' equity	34,535	33,529
Total liabilities and stockholders' equity	$415,018	$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 June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Interest income:				
Loans receivable				
Real estate loans	$5,491	$5,308	$11,076	$10,431
Commercial loans	668	788	1,384	1,463
Consumer loans	212	239	440	463
Total loan interest	6,371	6,335	12,900	12,357
Securities	610	600	1,139	1,219
Other interest earning assets	309	7	407	19
Total interest income	7,290	6,942	14,446	13,595
Interest expense:				
Deposits	3,172	2,940	6,320	5,707
Borrowed funds	377	293	768	567
Total interest expense	3,549	3,233	7,088	6,274
Net interest income	3,741	3,709	7,358	7,321
Provision for loan losses	45	45	90	84
Net interest income after provision for loan losses	3,696	3,664	7,268	7,237
Noninterest income:				
Fees and service charges	432	382	843	756
Trust operations	115	100	205	195
Gain on securities, net	36	—	66	—
Gain/(loss) on sale of loans, net	22	2	37	(2)
Other	2	—	5	—
Total noninterest income	607	484	1,156	949
Noninterest expense:				
Compensation and benefits	1,328	1,260	2,641	2,527
Occupancy and equipment	407	381	795	775
Data processing	157	138	305	279
Marketing	39	57	73	121
Federal insurance premium	15	15	30	31
Other	487	465	997	932
Total noninterest expense	2,433	2,316	4,841	4,665
Income before income tax expenses	1,870	1,832	3,583	3,521
Income tax expenses	715	712	1,370	1,365
Net income	$1,155	$1,120	$ 2,213	$ 2,156
Earnings per common share:				
Basic	$ 0.43	$ 0.41	$ 0.82	$ 0.79
Diluted	$ 0.42	$ 0.40	$ 0.81	$ 0.78
Dividends declared per common share	$ 0.26	$ 0.24	$ 0.52	$ 0.48

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 June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Balance at beginning of period	$34,156	$32,183	$33,529	$32,471
Comprehensive income:				
Net income	1,155	1,120	2,213	2,156
Net unrealized gain/(loss) on securities available-for-sale, net of reclassification and tax effects	(89)	37	32	(86)
Comprehensive income	1,066	1,157	2,245	2,070
Issuance of shares of common stock	21	2	177	48
Cash dividends	(708)	(653)	(1,416)	(1,306)
Purchase of treasury stock	—	(329)	—	(923)
Balance at end of period	$34,535	$32,360	$34,535	$32,360

See accompanying notes to consolidated financial statements.

NorthWest Indiana Bancorp
Consolidated Statements of Cash Flows
(unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,213	$ 2,156
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(2,917)	(120)
Sale of loans originated for sale	3,336	—
Depreciation and amortization, net of accretion	444	445
Amortization of mortgage servicing rights	5	6
Amortization of investment in real estate limited partnerships	25	23
Net gains on securities	(66)	—
Net (gains)/losses on sale of loans	(37)	2
Provision for loan losses	90	84
Net change in:		
Interest receivable	97	(19)
Other assets	61	157
Accrued expenses and other liabilities	(291)	(658)
Total adjustments	747	(80)
Net cash from operating activities	2,960	2,076
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of securities available-for-sale	7,000	3,005
Proceeds from sales of securities available-for-sale	2,543	—
Purchase of securities available-for-sale	(25,999)	—
Proceeds from maturities of securities held-to-maturity	13,250	—
Purchase of securities held-to-maturity	(6,001)	—
Principal collected on mortgage-backed securities	74	109
Purchase of mortgage-backed securities	(230)	—
Purchase of investment in real estate limited partnerships	(15)	—
Purchase of Federal Home Loan Bank Stock	(100)	(150)
Loan participations purchased	—	(4,060)
Net change in loans receivable	1,588	(18,067)
Purchase of premises and equipment, net	(640)	(548)
Net cash from investing activities	(8,530)	(19,711)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	21,094	8,749
Proceeds from FHLB advances	2,500	6,250
Repayment of FHLB advances	—	(9,250)
Change in other borrowed funds	(1,663)	15,784
Proceeds from issuance of common stock	177	48
Dividends paid	(1,357)	(1,306)
Treasury stock purchased	—	(923)
Net cash from financing activities	20,751	19,352
Net change in cash and cash equivalents	15,181	1,717
Cash and cash equivalents at beginning of period	17,419	14,633
Cash and cash equivalents at end of period	$ 32,600	$ 16,350
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 7,137	$ 6,277
Income taxes	$ 1,014	$ 1,505
SUPPLEMENTAL NONCASH INFORMATION:		
Transfers from loans to foreclosed real estate	$ 180	$ 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 June 30, 2001 and December 31, 2000, and the statements of income and changes in stockholders' equity for the three and six months ended June 30, 2001 and 2000, and cash flows for the six months ended June 30, 2001 and 2000. The income reported for the six month period ended June 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 liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Actual results could differ from those estimates. Estimates associated with the allowance for loan losses, fair values of 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 June 30, 2000 Form 10-Q have been reclassified to conform to the June 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 June 30, 2001 and December 31, 2000, commitments to make loans totaled $60.5 million for both periods, and standby letters of credit totaled $2.5 million and $2.3 million. At June 30, 2001, $50.6 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.

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 June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Basic Earnings Per Common Share:				
Net income available to common stockholders	$1,155,000	$1,120,000	$2,213,000	$2,156,000
Weighted-average common shares outstanding	2,721,899	2,719,362	2,714,744	2,726,020
Basic earnings per common share	$ 0.43	$ 0.41	$ 0.82	$ 0.79
Diluted Earnings Per Common Share:				
Net income available to common stockholders	$1,155,000	$1,120,000	$2,213,000	$2,156,000
Weighted-average common shares outstanding	2,721,899	2,719,362	2,714,744	2,726,020
Add: dilutive effect of assumed stock option exercises	21,056	23,366	20,797	26,027
Weighted-average common and dilutive potential common shares outstanding	2,742,955	2,742,728	2,735,541	2,752,047
Diluted earnings per common share	$ 0.42	$ 0.40	$ 0.81	$ 0.78

Stock options for 13,475 common shares for the three and six months ended June 30, 2001, were considered in computing diluted earnings per common share because they were dilutive. Stock options for 25,570 common shares for the three and six months ended June 30, 2000, were not considered in computing diluted earnings per common share because they were anti-dilutive.

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 June 30, 2001, the Bancorp had total assets of $415.0 million and total deposits of $345.4 million. Stockholders' equity totaled $34.5 million or 8.3% of total assets, with book value per share at $12.68. Net income for the six months ended June 30, 2001, was $2.2 million, or $.82 per common share for basic and $.81 diluted calculations. The annualized return on average assets (ROA) was 1.10%, while the annualized return on average stockholders' equity (ROE) was 12.92%, for the six months ended June 30, 2001.

Financial Condition

During the six months ended June 30, 2001, total assets increased by $22.7 million (5.8%), with interest-earning assets increasing by $17.3 million (4.7%). At June 30, 2001, interest-earning assets totaled $385.5 million and represented 92.9% of total assets.

Loans receivable totaled $323.9 million at June 30, 2001, compared to $326.2 million at December 31, 2000. At June 30, 2001, loans receivable represented 84.0% of interest-earning assets, 78.0% of total assets and 93.8% of total deposits. The loan portfolio, which is the Bancorp's largest asset, is a significant source of both interest and fee income. The Bancorp's lending strategy stresses quality growth, product diversification and, competitive and profitable pricing. The loan portfolio includes $16.7 million (5.2%) in construction and development loans, $173.3 million (53.5%) in residential mortgage loans, $9.4 million (2.9%) in multifamily loans, $81.0 million (25.0%) in commercial real estate loans, $10.3 million (3.2%) in consumer loans, and $33.2 million (10.2%) in commercial business and other loans. Adjustable rate loans comprised 55% of total loans at June 30, 2001. During the six months ended June 30, 2001, loans decreased by $2.3 million (0.7%). The decrease during the current six months was a result of expected pay-offs in the commercial loan portfolio and an increase in refinance activity due to declining interest rates. Management believes that despite concerns about the pace of economic activity, loan growth will 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 six months ended June 30, 2001, the Bancorp sold $3.3 million in fixed rate mortgages compared to $50 thousand during the six months ended June 30, 2000. Net gains realized from current year sales totaled $37 thousand compared to losses of $2 thousand for the six months ended June 30, 2000. At June 30, 2001, the Bancorp had $85 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 five years. At June 30, 2001, the investment portfolio totaled $45.6 million and was invested as follows: 93.2% in U.S. government agency debt securities, 2.2% in U.S. government debt securities, and 4.6% in U.S. government agency mortgage-backed securities. At June 30, 2001, securities available-for-sale totaled $37.0 million or 81.2% of total securities. The available-for-sale portfolio permits the active management of the Bancorp's liquidity position. In addition, at June 30, 2001, the Bancorp had $13.6 million in interest bearing balances in financial institutions, $198 thousand in federal funds sold, and $2.1 million in FHLB stock. During the six months ended June 30, 2001, investment securities increased by $9.5 million (26.2%).

In general, management believes that the credit risk profile of the earning asset portfolio is relatively strong as evidenced by the ratio of non-performing loans to total loans of 0.43% at June 30, 2001 compared to 0.55% at December 31, 2000. At June 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 $1.4 million, a decrease of $411 thousand from December 31, 2000. The June 30, 2001 balance includes $712 thousand in loans accounted for on a non-accrual basis and $687 thousand in accruing loans which were contractually past due 90 days or more. At June 30, 2001, $3.2 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. At June 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.

At June 30, 2001, the Bancorp had impaired loans totaling $1.7 million, included in the substandard loans cited above, representing four loans to three borrowers. Impaired loans are loans where full payment under the loan terms is not expected. The impaired loan total includes two loans totaling $1.5 million to a company that specializes in heavy hauling, trucking and excavating. As of June 30, 2001 both of these loans were performing in accordance with the terms of their contract. 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 an action for a declaratory judgment seeking to enforce the terms of the loan. The Bancorp has answered the complaint and is in the process of estimating the value of its collateral. Management has begun an analysis of all relevant facts in order to determine what charge against the ALL, if any, is probable. At June 30, 2001, management has allocated reserves to these impaired loans based on current information available. At June 30, 2001, the balance in the ALL account totaled $2.9 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 six months ended June 30, 2001, additions to the ALL account totaled $90 thousand compared to $84 thousand for the six months ended June 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 six months ended June 30, 2001 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. Charge-offs, net of recoveries, totaled $557 thousand during the current six months, compared to $165 thousand during the six months ended June 30, 2000. Included in the charge-offs were impaired loan balances of $233 thousand that had specific ALL reserves at December 31, 2000. At June 30, 2001, the ALL to total loans was .88% compared to 1.02% at December 31, 2000, while the ALL to nonperforming loans (coverage ratio) was 204.1% 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 June 30, 2001, deposits totaled $345.4 million. During the six months ended June 30, 2001, deposit growth totaled $21.1 million (6.5%). Checking accounts increased $2.4 million (3.7%), money market deposit accounts (MMDA's) increased $7.8 million (17.2%), savings accounts increased $1.7 million (3.6%), and certificates of deposit increased $9.2 million (5.5%). At June 30, 2001, the deposit base was comprised of 20.3% checking accounts, 15.3% MMDA's, 13.7% savings accounts and 50.7% certificates of deposit. Borrowings are primarily used to fund asset growth not supported by deposit generation. At June 30, 2001, borrowed funds totaled $31.4 million compared to $30.6 million at December 31, 2000, an increase of $837 thousand (2.7%). Repurchase agreements totaled $15.5 million, FHLB borrowings totaled $14.0 million, and other short-term borrowings totaled $1.9 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 June 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.

June 30, 2001	**Net Interest Income**			**Net Economic Value of Equity**		
Change in rates	**Amount**	**% Chg.**	**Policy Limit %**	**Amount**	**% Chg.**	**Policy Limit %**
2%	$14,822	-3.5	-20	$48,116	-12.2	-30
1%	$15,108	-1.6	-10	$51,470	-6.1	-15
0%	$15,358	0.0		$54,798	0.0	
-1%	$15,159	-1.3	-10	$54,819	0.0	-15
-2%	$14,879	-3.1	-20	$53,920	-1.6	-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 June 30, 2001, an increase in interest rates of 2% would have resulted in a 3.5% decrease in net interest income and a 12.2% decrease in the net economic value of equity compared to decreases of 6.5% and 11.9% at

December 31, 2000. The reduction in interest rate risk during the six months ended June 30, 2001 was due to an increase in interest bearing balances in financial institutions and the reduction in 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 six months ended June 30, 2001, cash and cash equivalents increased $15.2 million compared to an $1.7 million increase for the six months ended June 30, 2000. The primary sources of cash were deposit growth, proceeds from maturities 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 six months cash provided by operating activities totaled $3.0 million compared to $2.1 million for the six months ended June 30, 2000. Cash outflows from investing activities totaled $8.5 million compared to cash outflows of $19.7 million for the six months ended June 30, 2000. The current period reflects expected loan pay-offs of commercial loans and proceeds from securities that matured or were called because of declining interest rates. Cash flows from financing activities totaled $20.8 million during the current period compared to $19.4 million for the six months ended June 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 $1.4 million during the current six months compared to $1.3 million for the six months ended June 30, 2000.

At June 30, 2001, outstanding commitments to fund loans totaled $60.5 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 six months ended June 30, 2001, stockholders' equity increased by $1.0 million (3.0%). The increase resulted primarily from earnings of $2.2 million during the period. In addition, $177 thousand represents proceeds from the exercise of 18,120 stock options. The Bancorp declared $1.4 million in cash dividends. The net unrealized gain on available-for-sale securities, net of tax was $32 thousand for the period. At June 30, 2001, book value per share was $12.68 compared to $12.39 at December 31, 2000.

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 June 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 June 30, 2001	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk-weighted assets	$37.3	13.5%	$22.1	8.0%	$27.6	10.0%
Tier I capital to risk-weighted assets	$34.5	12.5%	$11.0	4.0%	$16.6	6.0%
Tier I capital to adjusted average assets	$34.5	8.3%	$12.5	3.0%	$20.9	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 June 30, 2001 to the Quarter Ended June 30, 2000

Net income for the three months ended June 30, 2001 was $1.16 million compared to $1.12 million for the quarter ended June 30, 2000, an increase of $35 thousand (3.1%). The earnings represent a ROA of 1.11% for the quarter ended June 30, 2001 compared to 1.20% for the quarter ended June 30, 2000. The ROE was 13.37% for the current quarter compared to 13.79% for the quarter ended June 30, 2000.

Net interest income for the three months ended June 30, 2001 and 2000 was $3.7 million. The weighted-average yield on interest-earning assets was 7.38% for the three months ended June 30, 2001 compared to 7.86% for the three months ended June 30, 2000. The weighted-average cost of funds for the quarter ended June 30, 2001, was 3.75% compared to 3.85% for the quarter ended June 30, 2000. The impact of the 7.38% return on interest-earning assets and the 3.75% cost of funds resulted in an interest rate spread of 3.63% for the current quarter compared to 4.01% for the quarter ended June 30, 2000. During the current quarter, total interest income increased by $348 thousand (5.0%) while total interest expense increased by $316 thousand (9.8%). The net interest margin was 3.59% for the three months ended June 30, 2001 compared to 3.99% for the quarter ended June 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 June 30, 2001, interest income from loans increased by $36 thousand (0.6%) compared to the three months ended June 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on loans outstanding was 7.88% for the current quarter compared to 8.09% for the three months ended June 30, 2000. Loan balances averaged $323.4 million for the current quarter, up $10.1 million (3.2%) from $313.3 million for the three months ended June 30, 2000. During the three months ended June 30, 2001, interest income on investments and other deposits increased by $312 thousand (51.4%) compared to the quarter ended June 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on securities and other deposits was 5.12% for the current quarter compared to 6.06% for the three months ended June 30, 2000. Securities and other deposits averaged $71.8 million for the current quarter, up $31.8 million (79.5%) from $40.0 million for the three months ended June 30, 2000.

Interest expense for deposits increased by $232 thousand (7.9%) during the current quarter compared to the three months ended June 30, 2000. The increase was due to growth in average daily balances. The weighted-average rate paid on deposits for the three months ended June 30, 2001 was 3.65% compared to 3.75% for the quarter ended June 30, 2000. Total deposit balances averaged $348.0 million for the current quarter, up $34.0 million (10.8%) from $314.0 million for the quarter ended June 30, 2000. Interest expense on borrowed funds increased by $84 thousand (28.7%) during the current quarter due to increases in average daily balances. The weighted-average cost of borrowed funds was 4.88% for the current quarter compared to 5.35% for the three months ended June 30, 2000. Borrowed funds averaged $31.0 million during the quarter ended June 30, 2001, up $9.1 million (41.6%) from $21.9 million for the quarter ended June 30, 2000.

Noninterest income for the quarter ended June 30, 2001 was $607 thousand, up $123 thousand (25.4%) from $484 thousand for the three months ended June 30, 2000. During the period the Bancorp continued to implement initiatives focused on improving income from Bank operations. As a result, fees and service charges increased $50 thousand (13.1%) and income from Trust operations increased $15 thousand (15%) compared to the three months ended June 30, 2000. During the current quarter the Bancorp reported $22 thousand in gains on sale of loans compared to gains of $2 thousand during the three months ended June 30, 2000. In addition, the Bancorp reported $36 thousand in gains on securities during the current quarter, while no gains were reported during the quarter ended June 30, 2000.

Noninterest expense for the quarter ended June 30, 2001 was $2.4 million, up $117 thousand (5.1%) from $2.3 million for the three months ended June 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 56.0% for the quarter ended June 30, 2001 compared to 55.2% for the three months ended June 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 June 30, 2001 totaled $715 thousand compared to $712 thousand for the three months ended June 30, 2000, an increase of $3 thousand (0.4%). 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 38.2% for the three months ended June 30, 2001 compared to 38.9% for the three months ended June 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 Six months Ended June 30, 2001 to the Six months Ended June 30, 2000

Net income for the six months ended June 30, 2001 was $2.21 million compared to $2.16 million for the six months ended June 30, 2000, an increase of $57 thousand (2.6%). The earnings represent a ROA of 1.10% for the six months ended June 30, 2001 compared to 1.17% for the six months ended June 30, 2000. The ROE was 12.92% for the current six months compared to 13.25% for the six months ended June 30, 2000.

Net interest income for the six months ended June 30, 2001 was $7.4 million, up $38 thousand (0.5%) from $7.3 million for the six months ended June 30, 2000. The weighted-average yield on interest-earning assets was 7.57% for the six months ended June 30, 2001 compared to 7.79% for the six months ended June 30, 2000. The weighted-average cost of funds for the six months ended June 30, 2001, was 3.88% compared to 3.79% for the six months ended June 30, 2000. The impact of the 7.57% return on interest-earning assets and the 3.88% cost of funds resulted in an interest rate spread of 3.69% for the current six months compared to 4.00% for the six months ended June 30, 2000. During the current six months, total interest income increased by $852 thousand (6.3%) while total interest expense increased by $814 thousand (13.0%). The net interest margin was 3.65% for the six months ended June 30, 2001 compared to 3.99% for the six months ended June 30, 2000, as the recent action of the Federal Reserve to reduce interest rates by 2.75% has resulted in the Bancorp’s interest-earning assets repricing downward faster than interest-bearing liabilities.

During the six months ended June 30, 2001, interest income from loans increased by $544 thousand (4.4%) compared to the six months ended June 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on loans outstanding was 7.96% for the current six months compared to 8.02% for the six months ended June 30, 2000. Loan balances averaged $324.2 million for the current six months, up $16.2 million (5.3%) from $308.0 million for the six months ended June 30, 2000. During the six months ended June 30, 2001, interest income on investments and other deposits increased by $308 thousand (24.9%) compared to the six months ended June 30, 2000. The increase was due to higher average daily balances. The weighted-average yield on securities and other deposits was 5.36% for the current six months compared to 6.06% for the six months ended June 30, 2000. Securities and other deposits averaged $57.6 million for the current six months, up $16.8 million (41.2%) from $40.8 million for the six months ended June 30, 2000.

Interest expense for deposits increased by $613 thousand (10.7%) during the current six months compared to the six months ended June 30, 2000. 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 six months ended June 30, 2001 was 3.78% compared to 3.69% for the six months ended June 30, 2000. Total deposit balances averaged $334.7 million for the current six months, up $25.1 million (8.1%) from $309.6 million for the six months ended June 30, 2000. Interest expense on borrowed funds increased by $201 thousand (35.4%) during the current six months due to increases in average daily balances. The weighted-average cost of borrowed funds was 5.07% for the current six months compared to 5.29% for the six months ended June 30, 2000. Borrowed funds averaged $30.3 million during the six months ended June 30, 2001, up $8.9 million (41.6%) from $21.4 million for the six months ended June 30, 2000.

Noninterest income for the six months ended June 30, 2001 was $1.2 million, up $206 thousand (21.7%) from $949 thousand for the six months ended June 30, 2000. During the period fees and service charges increased $86 thousand (11.4%), while income from Trust operations increased $10 thousand (5.1%) compared to the six months ended June 30, 2000. During the current six months the Bancorp reported $37 thousand in gains on sale of loans compared to losses of $2 thousand during the six months ended June 30, 2000. In addition, the Bancorp reported $66 thousand in gains on securities during the current six months, while no gains were reported during the six months ended June 30, 2000.

Noninterest expense for the six months ended June 30, 2001 was $4.8 million, up $176 thousand (3.8%) from $4.7 million for the six months ended June 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 six months of 2000. Other expense changes were due to standard increases in operations and the new Hobart facility. The Bancorp's efficiency ratio was 56.9% for the six months ended June 30, 2001 compared to 56.4% for the six months ended June 30, 2000.

Income tax expenses for the six months ended June 30, 2001 and 2000 totaled $1.4 million with the current year reporting an increase of $5 thousand (0.4%). The increase was due to an increase in pretax earnings during the current six months. The combined effective federal and state tax rates for the Bancorp was 38.2% for the six months ended June 30, 2001 compared to 38.8% for the six months ended June 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**

NorthWest Indiana Bancorp held its annual meeting of shareholders on April 25, 2001. At this meeting the security holders:

1. Elected the following directors for the registrant, whose term of office continued after the meeting:

	Number of Votes	
	For	**Withheld**
Leroy F. Cataldi	1,932,357	—
Edward J. Furticella	1,932,117	240
Stanley E. Mize	1,930,757	1,600

Other directors whose term of office as a director continued after the meeting include:

David A. Bochnowski	Frank J. Bochnowski	Lourdes M. Dennison
Joel Gorelick	Gloria C. Gray	Jerome F. Vrabel
James L. Wieser		

2. Ratified the appointment of Crowe, Chizek and Company LLP as the auditors for the registrant for the year ending December 31, 2001.

	For	**Against**	**Abstain**
Number of Votes	1,929,896	1,831	630

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:August 14, 2001	/s/ David A. Bochnowski
	David A. Bochnowski Chairman of the Board and Chief Executive Officer
Date:August 14, 2001	/s/ Edward J. Furticella
	Edward J. Furticella Executive Vice President, Chief Financial Officer and Treasurer