



**Northwest Bank**

We bring the bank to you.

## Report to Shareholders

### Condensed Balance Sheet

(unaudited, in thousands) As of:

|                                          | <u>Mar 31, 2012</u> | <u>Dec 31, 2011</u> | <u>Mar 31, 2011</u> |
|------------------------------------------|---------------------|---------------------|---------------------|
| Assets:                                  |                     |                     |                     |
| Cash (a)                                 | \$ 20,973           | \$ 18,806           | \$ 21,643           |
| Investment Securities                    | 17,081              | 14,472              | 9,106               |
| Loans:                                   |                     |                     |                     |
| Commercial                               | 32,998              | 32,705              | 36,589              |
| Real Estate                              | 35,785              | 36,252              | 41,783              |
| Other                                    | <u>1,378</u>        | <u>1,109</u>        | <u>1,018</u>        |
| Total Loans Gross                        | 70,161              | 70,066              | 79,390              |
| Loan Loss Reserve                        | <u>( 1,544)</u>     | <u>( 1,546)</u>     | <u>( 2,072)</u>     |
| Total Loans, Net of Loan Loss Reserve    | 68,617              | 68,520              | 77,318              |
| Other Real Estate Owned                  | 1,177               | 1,345               | 2,304               |
| Deferred Tax Asset (b)                   | -                   | -                   | -                   |
| Other Assets                             | <u>962</u>          | <u>1,211</u>        | <u>1,312</u>        |
| Total Assets                             | \$ <u>108,810</u>   | \$ <u>104,354</u>   | \$ <u>111,683</u>   |
| Liabilities:                             |                     |                     |                     |
| Deposits:                                |                     |                     |                     |
| Non-interest Bearing Deposits            | \$ 36,147           | \$ 30,322           | \$ 27,162           |
| Interest Bearing Demand Deposits         | 43,277              | 42,794              | 39,099              |
| Certificates of Deposit – Local (c)      | 11,455              | 12,503              | 19,096              |
| Certificates of Deposit - Brokered       | -                   | -                   | 843                 |
| Certificates of Deposit - National       | <u>8,606</u>        | <u>9,551</u>        | <u>16,567</u>       |
| Total Deposits                           | 99,485              | 95,170              | 102,767             |
| Short-Term Borrowings                    | -                   | -                   | -                   |
| Other Liabilities                        | <u>328</u>          | <u>379</u>          | <u>358</u>          |
| Total Liabilities                        | 99,813              | 95,549              | 103,125             |
| Shareholders' Equity                     | <u>8,997</u>        | <u>8,805</u>        | <u>8,558</u>        |
| Total Liabilities & Shareholders' Equity | \$ <u>108,810</u>   | \$ <u>104,354</u>   | \$ <u>111,683</u>   |
| Leverage Capital Ratio (d) (e)           | 8.58% (d)           | 8.37%               | 7.30%               |
| (Required for "well-capitalized")        | 5%                  | 5%                  | 5%                  |

(a) Cash, Fed Funds Sold, Money Market & Time CD Investments

(b) Full valuation reserve established December 31, 2009

(c) Includes reciprocal CDARs CDs of our local customers, \$5.1 million at March 31, 2012

(d) Estimate pending finalization of quarterly Regulatory CALL Report filing

(e) Pursuant to Consent Agreement, the leverage ratio is required to be at or above 10% for "well-capitalized" status, requiring approximately \$2 million in additional capital to satisfy this requirement as of March 31, 2012

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Condensed Statement of Operations  
(unaudited, in thousands  
except per share data)

|                                                          | Quarter Ended   |                 |                  |
|----------------------------------------------------------|-----------------|-----------------|------------------|
|                                                          | Mar 31, 2012    | Dec 31, 2011    | Mar 31, 2011     |
| Interest Income                                          | \$ 1,094        | \$ 1,134        | \$ 1,201         |
| Interest Expense                                         | <u>171</u>      | <u>178</u>      | <u>242</u>       |
| Net Interest Income                                      | 923             | 956             | 959              |
| Provision for Loan Losses                                | <u>234</u>      | <u>329</u>      | <u>34</u>        |
| Net Interest Income, Net of<br>Provision for Loan Losses | 1,157           | 1,285           | 993              |
| Non-interest Revenue                                     | 59              | 62              | 49               |
| Non-interest Expense:                                    |                 |                 |                  |
| Salaries & Benefits                                      | 549             | 526             | 690              |
| Occupancy & Equipment                                    | 112             | 111             | 143              |
| Professional Services                                    | 79              | 74              | 74               |
| FDIC Insurance                                           | 56              | 49              | 97               |
| Other Real Estate Owned Expense                          | 21              | 460             | 529              |
| Other Non-interest Expense                               | <u>169</u>      | <u>188</u>      | <u>185</u>       |
| Total Non-interest Expense                               | <u>986</u>      | <u>1,408</u>    | <u>1,718</u>     |
| Pre-Tax Income/(Loss)                                    | 230             | ( 61)           | ( 676)           |
| Tax Provision/(Benefit) **                               | <u>4</u>        | <u>-</u>        | <u>-</u>         |
| Net Income/(Loss)                                        | \$ <u>226</u>   | \$ <u>( 61)</u> | \$ <u>( 676)</u> |
| Net Interest Margin                                      | 3.78%           | 3.92%           | 3.60%            |
| FTE at Period-end                                        | 22              | 22              | 28               |
| Allowance for Loan Losses                                |                 |                 |                  |
| Beginning of the Period                                  | \$ 1,546        | \$ 1,908        | \$ 2,549         |
| Provision for Loan Losses                                | ( 234)          | ( 329)          | ( 34)            |
| Recoveries                                               | 233             | 62              | 28               |
| Charge-offs                                              | <u>( 1)</u>     | <u>( 95)</u>    | <u>( 471)</u>    |
| Balance End of the Period                                | \$ <u>1,544</u> | \$ <u>1,546</u> | \$ <u>2,072</u>  |
| % of Loans Outstanding                                   | 2.20%           | 2.21%           | 2.61%            |
| Loans Past Due 30-89 Days                                | \$ -            | \$ -            | \$ 36            |
| Past Due Loans to Total Loans                            | .00%            | .00%            | .05%             |
| Loans Past Due 90+ Days                                  | \$ -            | \$ -            | \$ -             |
| Nonaccrual Loans                                         | <u>2,397</u>    | <u>2,479</u>    | <u>4,501</u>     |
| Nonperforming Loans                                      | 2,397           | 2,479           | 4,501            |
| OREO                                                     | <u>1,177</u>    | <u>1,345</u>    | <u>2,304</u>     |
| Nonperforming Assets                                     | \$ <u>3,574</u> | \$ <u>3,824</u> | \$ <u>6,805</u>  |
| Nonperforming Loans/Total Loans                          | 3.42%           | 3.54%           | 5.67%            |
| Nonperforming Assets/<br>Total Assets                    | 3.28%           | 3.66%           | 6.09%            |
| Texas Ratio                                              | 33.91%          | 36.95%          | 64.03%           |
| Book Value per Share                                     | \$ 3.65         | \$ 3.57         | \$ 3.47          |
| Period End Shares Outstanding                            | 2,463,497       | 2,463,497       | 2,463,497        |

\*\* Full valuation allowance against deferred tax assets (DTA) established December, 2009