



**Northwest Bank**

We bring the bank to you.

## Report to Shareholders

### Condensed Balance Sheet

(unaudited, in thousands) As of:

	<u>June 30, 2010</u>	<u>Mar 31, 2010</u>	<u>Dec 31, 2009</u>	<u>June 30, 2009</u>
<b>Assets:</b>				
Cash	\$ 2,448	\$ 3,152	\$ 2,183	\$ 2,156
Investments (a)	38,102	18,271	17,176	21,470
<b>Loans:</b>				
Commercial	44,273	48,957	57,228	65,124
Real Estate	45,154	49,818	42,993	37,173
Other	<u>866</u>	<u>914</u>	<u>885</u>	<u>1,572</u>
Total Loans Gross	90,293	99,689	101,106	103,869
Loan Loss Reserve	<u>( 3,159)</u>	<u>( 2,866)</u>	<u>( 2,929)</u>	<u>( 2,461)</u>
Total Loans, Net of Loan Loss Reserve	87,134	96,823	98,177	101,408
Other Real Estate Owned	2,060	2,098	2,657	2,509
Deferred Tax Asset (b)	-	-	-	3,762
Other Assets	<u>1,704</u>	<u>1,607</u>	<u>1,903</u>	<u>1,009</u>
Total Assets	\$ <u>131,448</u>	\$ <u>121,951</u>	\$ <u>122,096</u>	\$ <u>132,314</u>
<b>Liabilities:</b>				
<b>Deposits:</b>				
Non-interest Bearing Deposits	\$ 22,779	\$ 24,018	\$ 25,326	\$ 15,367
Interest Bearing Demand Deposits	46,384	48,556	45,794	46,825
Certificates of Deposit – Local (c)	29,492	28,650	32,773	42,672
Certificates of Deposit - Brokered	942	2,955	5,098	7,096
Certificates of Deposit - National	<u>21,140</u>	<u>6,284</u>	<u>1,782</u>	<u>2,672</u>
Total Deposits	120,737	110,463	110,773	114,632
Short-Term Borrowings	-	-	-	-
Other Liabilities	<u>473</u>	<u>522</u>	<u>535</u>	<u>1,015</u>
Total Liabilities	121,210	110,985	111,308	115,647
Shareholders' Equity	<u>10,238</u>	<u>10,966</u>	<u>10,788</u>	<u>16,667</u>
Total Liabilities & Shareholders' Equity	\$ <u>131,448</u>	\$ <u>121,951</u>	\$ <u>122,096</u>	\$ <u>132,314</u>
Leverage Capital Ratio	7.97%	9.04%	8.31%	10.13%
(Required for "well-capitalized")	5%	5%	5%	5%

(a) Fed Funds Sold, Money Market & Time CD Investments, Available for Sale Investment Securities

(b) Full valuation reserve of \$5,347,000 established December 31, 2009

(c) Includes reciprocal CDARs CDs of our local customers



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Condensed Statement of Operations (unaudited, in thousands except share data)	Year-to-Date		Quarter Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Interest Income	\$ 2,997	\$ 3,205	\$ 1,495	\$ 1,572
Interest Expense	<u>550</u>	<u>954</u>	<u>287</u>	<u>433</u>
Net Interest Income	2,447	2,251	1,208	1,139
Provision for Loan Losses	<u>(789)</u>	<u>(1,829)</u>	<u>(789)</u>	<u>(1,727)</u>
Net Interest Income, Net of Provision for Loan Losses	1,658	422	419	(588)
Non-interest Revenue	137	161	55	90
Non-interest Expense:				
Salaries & Benefits	1,453	1,535	684	767
Occupancy & Equipment	317	316	156	152
Professional Services	228	144	86	78
FDIC Insurance	188	199	108	116
Other Real Estate Owned Expense	12	1,077	5	1,074
Other Non-interest Expense	<u>456</u>	<u>447</u>	<u>239</u>	<u>281</u>
Total Non-interest Expense	<u>2,654</u>	<u>3,718</u>	<u>1,278</u>	<u>2,468</u>
Pre-Tax Income/(Loss)	(859)	(3,135)	(804)	(2,966)
Tax Provision/(Benefit) *	<u>-</u>	<u>(1,192)</u>	<u>-</u>	<u>(1,131)</u>
Net Income/(Loss)	\$ <u>(859)</u>	\$ <u>(1,943)</u>	\$ <u>(804)</u>	\$ <u>(1,835)</u>
Net Interest Margin	4.12%	3.62%	3.92%	3.62%
Allowance for Loan Losses				
Beginning of the Period	\$ 2,929	\$ 1,595	\$ 2,866	\$ 1,697
Provision for Loan Losses	789	1,829	789	1,727
Recoveries	243	1	239	1
Charge-offs	<u>(802)</u>	<u>(964)</u>	<u>(735)</u>	<u>(964)</u>
Balance End of the Period	\$ <u>3,159</u>	\$ <u>2,461</u>	\$ <u>3,159</u>	\$ <u>2,461</u>
% of Loans Outstanding	3.50%	2.37%	3.50%	2.37%
Loans Past Due 30-89 Days	\$ 597	\$ 7,373	\$ 597	\$ 7,373
Past Due Loans to Total Loans	.66%	7.10%	.66%	7.10%
Loans Past Due 90+ Days	\$ 0	\$ 0	\$ 0	\$ 0
Nonaccrual Loans	<u>8,394</u>	<u>3,024</u>	<u>8,394</u>	<u>3,024</u>
Nonperforming Loans	8,394	3,024	8,394	3,024
OREO	<u>2,060</u>	<u>2,509</u>	<u>2,060</u>	<u>2,509</u>
Nonperforming Assets	\$ <u>10,454</u>	\$ <u>5,533</u>	\$ <u>10,454</u>	\$ <u>5,533</u>
Nonperforming Loans/Total Loans	9.30%	2.91%	9.30%	2.91%
Nonperforming Assets/ Total Assets	7.95%	4.18%	7.95%	4.18%
Texas Ratio	78.03%	28.93%	78.03%	28.93%
Book Value per Share	\$ 4.16	\$ 7.55	\$ 4.16	\$ 7.55
Period End Shares Outstanding	2,463,497	2,209,000	2,463,497	2,209,000

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