

July 30, 2021

Dear Shareholder:

The second quarter of 2021's continued to be impacted by the COVID-19 pandemic, but signs of improvement are encouraging. Business customers are seeing a revival in business activity, are spending funds to fully reopen their business operations and returning staff to the workplace. The Bank originated \$46.4 million in loans to 196 borrowers in Round 2 of the government's Payroll Protection Program ("PPP"). The repayment of both Round 1 and Round 2 is in process which will cause outstanding PPP loan balances to decline rapidly during the remainder of 2021. The Bank holds \$16.3 million and \$41.2 million in Round 1 and Round 2 loans, respectively. Total Bank loans declined by \$54.7 million to \$671 million on June 30<sup>th</sup> from \$725.7 million on March 31<sup>st</sup> as PPP Round 1 loans totaling \$61.8 million were repaid.

While we hope to have our offices fully staffed again by the end of 2021, we have not yet set a date for a full return. We remain focused on providing excellent customer service as we navigate through the challenges posed by many staff still working remotely.

Financial results for the quarter showed rebounding profitability and strong capital ratios. Highlights for the six months ending June 30, 2021 are as follows:

- Total assets declined \$57.5 million, or 5.5%, to \$996.8 million, compared to \$1.05 billion one year earlier.
- Loans declined \$140.4 million, or 17.3%, to \$670.9 million compared to \$811.4 million one year ago. Core loan growth this year has been challenge as continued restrictions in some local economies, aggressive competitor pricing, and limited business expansion. However, the current loan pipeline indicates that loans will grow during the remainder of 2021.
- Total deposits declined \$59.9 million, or 6.7%, to \$832.3 million compared to \$892.2 million a year ago. This decline included a 14.6%, or \$56.4 million, decrease in money market accounts to \$330.8 million, and a 17%, or \$26.3 million, decrease in time deposits to \$128 million. During this period, customers have drawn down balances to fund business needs as the economy continues its recovery.
- Net income was \$7.6 million, or \$1.24 per share, for the six months ending June 30, 2021 compared to \$2.4 million, or \$0.40 per share, for the same period in 2020. Improving asset quality and expense controls have driven this rebound.
- Net Interest Margin (NIM) declined to 3.80% for the six months ending June 30, 2021 compared to 3.87% for the same period in 2020. The decline in NIM was driven by a decline in yield on earning assets resulting from the Fed's March 2020 decision to lower interest rates in in response to COVID-19. The yield on earning assets was 4.14% for the six months ending June 30, 2021 compared to 4.54% for the same period in 2020. A significant portion of the Bank's loans are tied to the Prime rate which decreased by 2.25% since March 2019.
- Return on Average Assets (ROAA) and Return on Average Equity (ROAE) have also improved. ROAA was 1.50% for the six months ending June 30, 2021, up from 0.50% for the same period in 2020. ROAE was 13.27% for the period ending June 30, 2021 compared to 4.67% for the same period in 2020.

- The efficiency ratio (non-interest expense as a percent of net interest income plus non-interest income) was 51% for the six months ending June 30, 2021 as compared to 55% for the same period in 2020. This improvement is the result of strong expense controls.
- Book value per share increased \$2.44 to \$19.56 on June 30, 2021 from \$17.12 on the same date in 2020.
- Tier 1 capital ratio is 10.71% as of June 30, 2021. The Tier 1 capital ratio continues to be well in excess of regulatory minimums.

Stock Buyback Plan:

The WCC Board of Directors previously approved the repurchase up to 80,000 shares through March 2022 at a price established monthly by the Board of Directors. If you are interested in selling your shares, you may contact:

Connie Yenne, Controller  
Wester Capital Corporation  
206.621.8721  
connie.yenne@northwest-bank.com

David Robinson, Corporate Secretary  
Western Capital Corporation  
503.906.3952  
david.robinson@northwest-bank.com

Although the pandemic and resulting economic challenges have impacted us all, we believe our focus and dedication has provided a positive result for both our customers and the Bank. Our team continues to work with both existing and new customers on opportunities that provide meaningful risk adjusted returns for all parties. As always, we welcome business referrals from our shareholders in 2021.

Thank you for your continued support of Western Capital Corporation and Northwest Bank.

Sincerely,



Jeff Gow  
Chairman, President & Chief Executive Officer, Northwest Bank  
Chairman, Western Capital Corporation

**Enclosure**

This communication contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in forward-looking statements. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking regulation; changes in tax laws; changes in prices; levies and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in the national and local economy and other factors. Western Capital Corporation undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

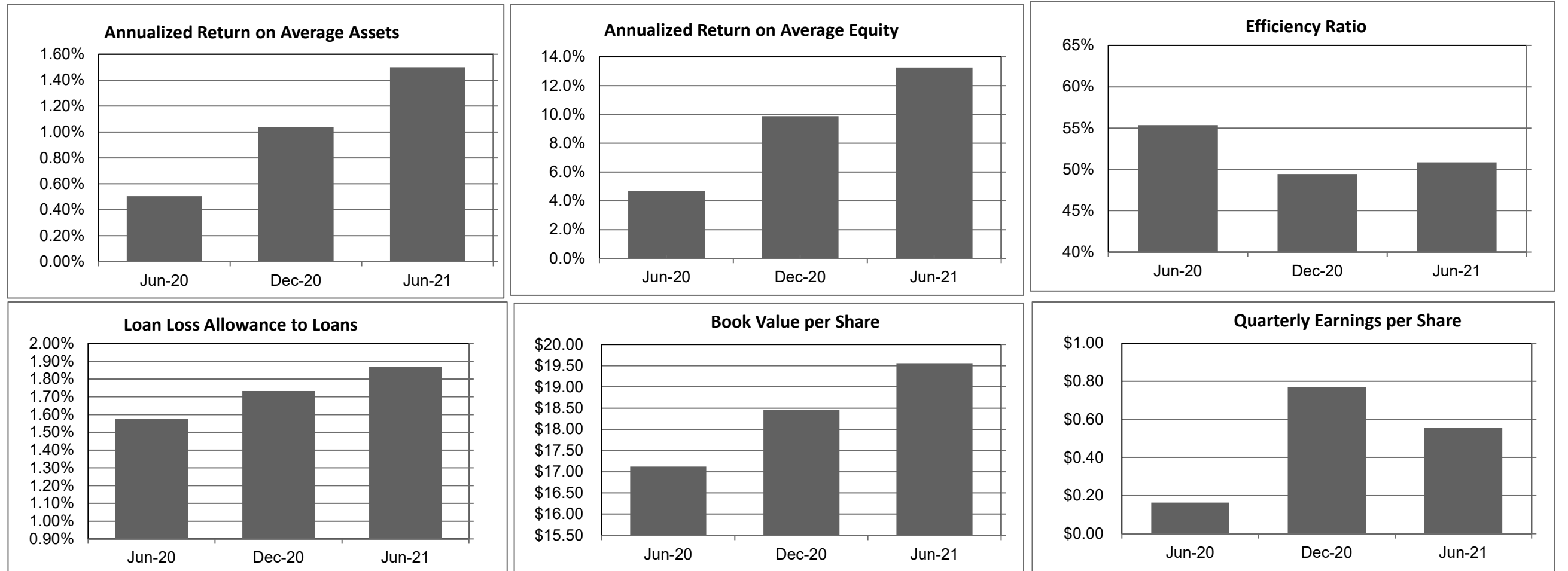
# Western Capital Corp.

Unaudited  
\$ in Thousands

<u>Statement of Condition</u>	<u>30-Jun-20</u>	<u>31-Dec-20</u>	<u>30-Jun-21</u>
<b>Assets</b>			
Cash and Due from Banks	144,907	120,028	220,447
Investment Securities	93,305	122,774	99,412
Loans	811,364	733,836	670,978
Allowance for Loan Losses	(12,778)	(12,712)	(12,545)
Loans, net of Allowance for Loan Losses	798,586	721,124	658,433
Deferred Tax Asset, net	5,494	5,249	5,257
Accrued Interest & Other Assets	12,018	14,530	13,300
<b>Total Assets</b>	<b>1,054,310</b>	<b>983,705</b>	<b>996,849</b>
<b>Liabilities</b>			
Deposits			
Noninterest-Bearing Demand Deposits	329,072	317,398	338,431
Interest-Bearing Checking	21,627	27,849	34,996
Money Market & Savings Accounts	387,217	337,377	330,814
Certificates of Deposit	154,297	132,698	128,021
Total Deposits	892,213	815,322	832,262
Borrowings	52,953	50,842	40,119
Other Liabilities	5,494	5,535	4,982
<b>Total Liabilities</b>	<b>950,660</b>	<b>871,699</b>	<b>877,363</b>
<b>Stockholders' Equity</b>			
Common Stock, \$1 par value	6,053	6,068	6,109
Surplus & Retained Earnings	95,200	95,515	105,797
Net Income YTD	2,397	10,423	7,580
<b>Total Stockholders' Equity</b>	<b>103,650</b>	<b>112,006</b>	<b>119,486</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>1,054,310</b>	<b>983,705</b>	<b>996,849</b>

<u>Statement of Income</u>	<u>For the six months ending</u>	
	<u>30-Jun-20</u>	<u>30-Jun-21</u>
<b>Interest Income</b>		
Loans	19,765	19,948
Investments	1,534	568
<b>Total Interest Income</b>	<b>21,299</b>	<b>20,516</b>
<b>Interest Expense</b>		
Deposits	2,918	1,461
Borrowings	228	255
<b>Total Interest Expense</b>	<b>3,146</b>	<b>1,716</b>
<b>Net Interest Income before Provision for Loan Losses</b>	<b>18,153</b>	<b>18,800</b>
Provision for Loan Losses	5,563	-
<b>Net Interest Income after Provision for Loan Losses</b>	<b>12,590</b>	<b>18,800</b>
<b>Noninterest Income</b>		
Gain on Sale of Government Guaranteed Loans	848	1,169
Other Noninterest Income	728	834
<b>Total Noninterest Income</b>	<b>1,576</b>	<b>2,003</b>
<b>Noninterest Expense</b>		
Salaries & Employee Benefits	7,397	6,803
Occupancy & Equipment	1,063	1,344
Data Processing & Telecom	834	896
Professional Fees	436	537
Other	1,192	1,000
<b>Total Noninterest Expense</b>	<b>10,922</b>	<b>10,580</b>
<b>Net Income Before Tax</b>	<b>3,244</b>	<b>10,223</b>
Income Tax Expense	847	2,643
<b>Net Income</b>	<b>2,397</b>	<b>7,580</b>

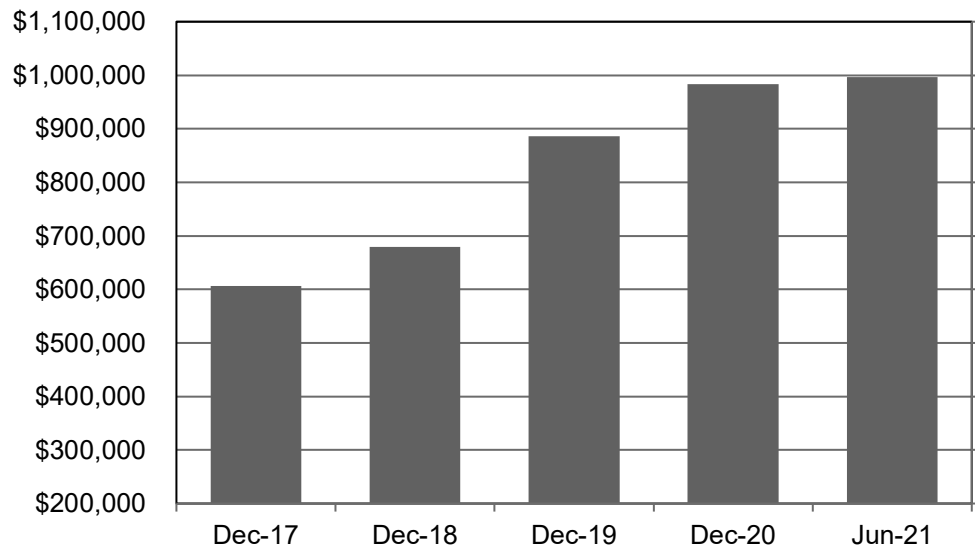
## Western Capital Corporation - Current Financial Performance



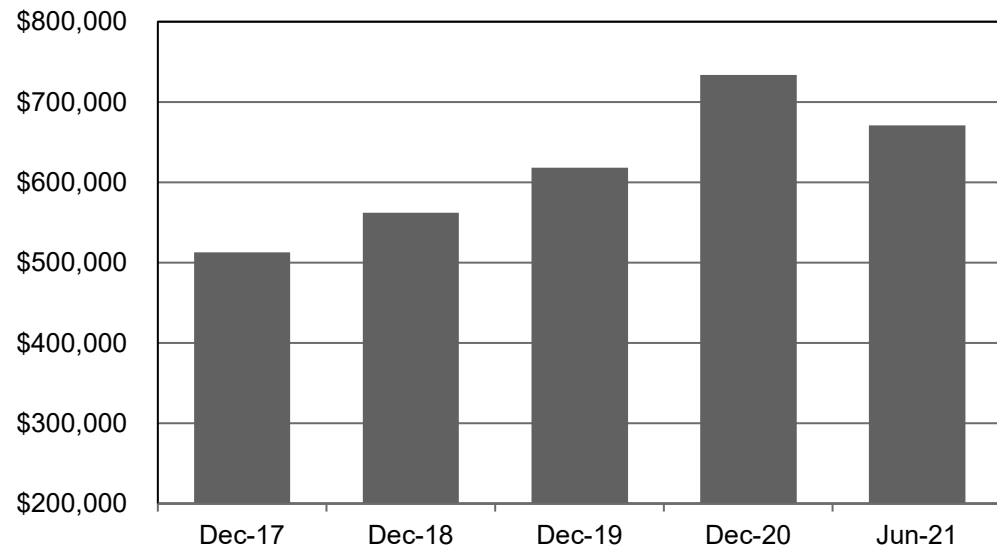
	Jun-20	Dec-20	Jun-21		Jun-20	Dec-20	Jun-21
<b>Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED</b>				<b>Key Ratios @ Quarter-End</b>			
Return on Avg Equity	4.67%	9.87%	13.27%	Loans (Net of Allowance) to Deposits	89.51%	88.45%	79.11%
Return on Avg Assets	0.50%	1.04%	1.50%	Loan Loss Allowance to Loans	1.57%	1.73%	1.87%
Net Income (\$000's)	\$ 2,397	\$ 10,423	\$ 7,580	Nonperforming Assets/Assets	0.88%	1.90%	1.60%
Efficiency Ratio	55%	49%	51%	Net Chg Offs/(Recoveries) to Loans	0.15%	0.28%	0.02%
Book Value per Share	\$ 17.12	\$ 18.46	\$ 19.56	<b>Quarterly Capital Ratio - Northwest Bank (estimate for most current quarter-end)</b>			
Quarterly Earnings per Share	\$ 0.16	\$ 0.77	\$ 0.56	Tier 1 Capital Ratio	9.14%	9.83%	10.71%
Net Interest Margin	3.87%	3.87%	3.80%				
Yield on Earning Assets	4.54%	4.40%	4.14%				
Cost of Int-Bearing Liabilities	1.09%	0.89%	0.61%				

## Western Capital Corporation - Historical Financial Performance

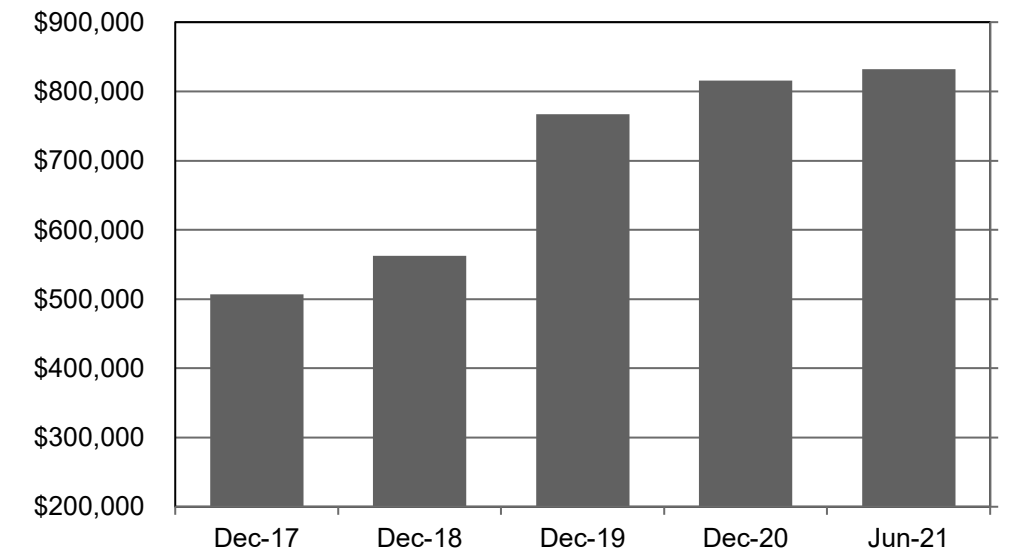
### Assets



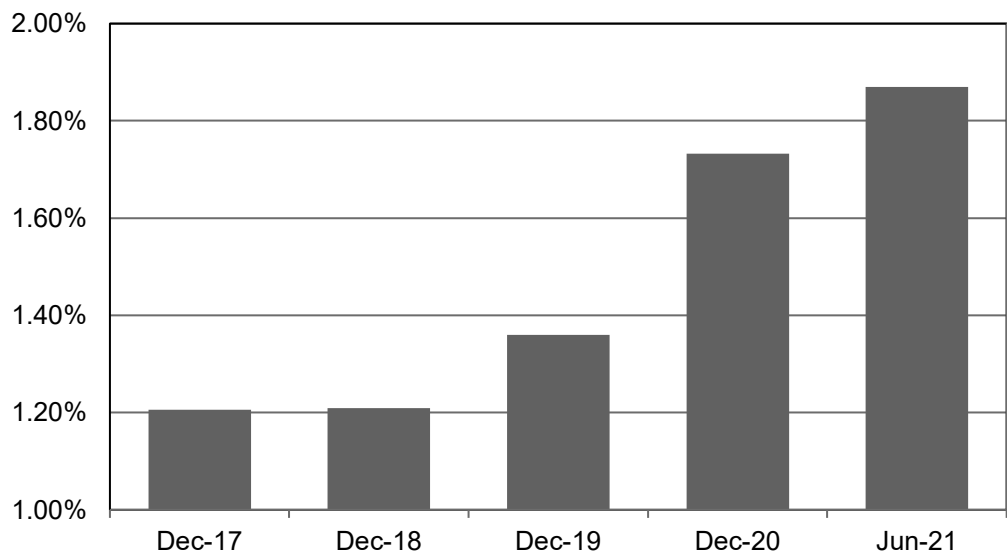
### Loans (Gross)



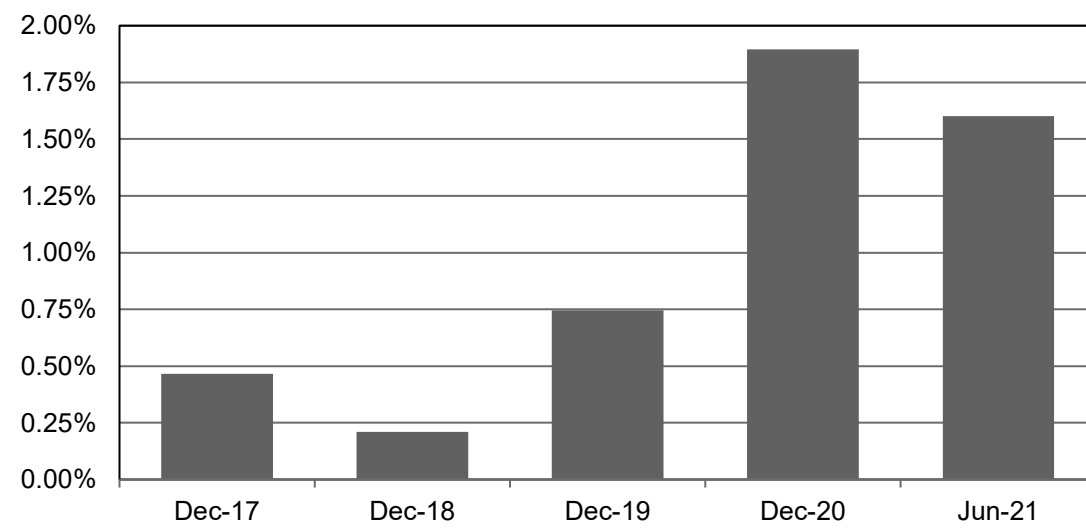
### Deposits



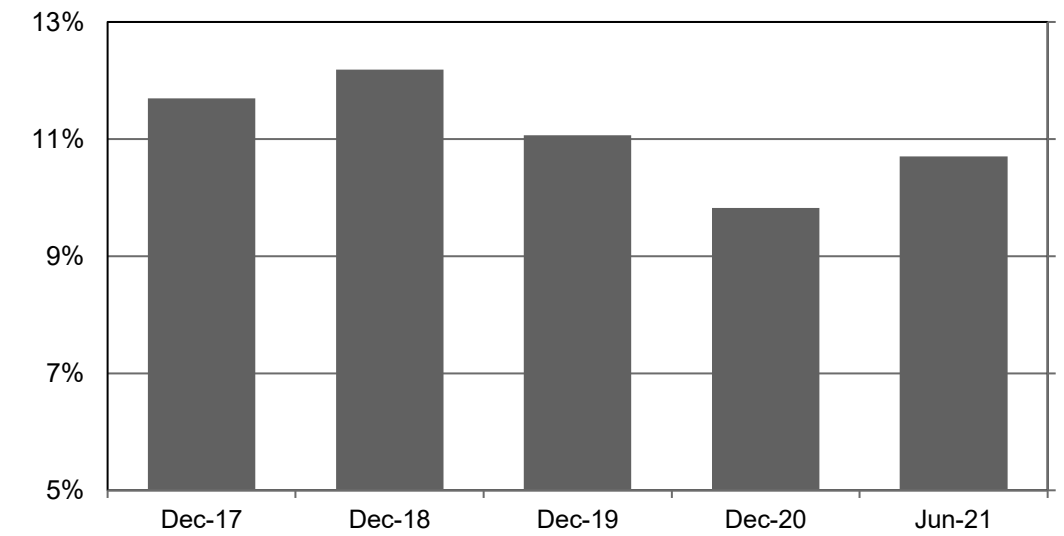
### Loan Loss Allowance / Loans



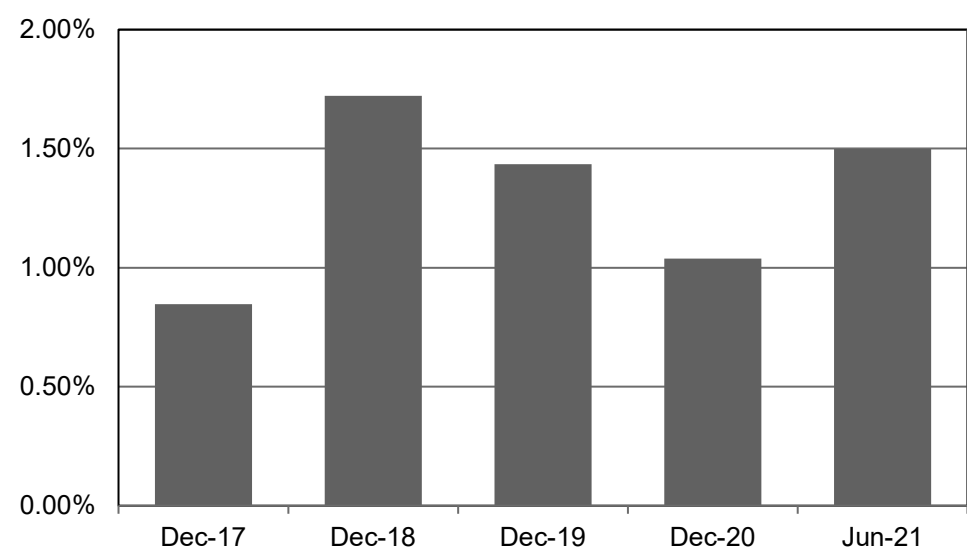
### Nonperforming Assets / Assets



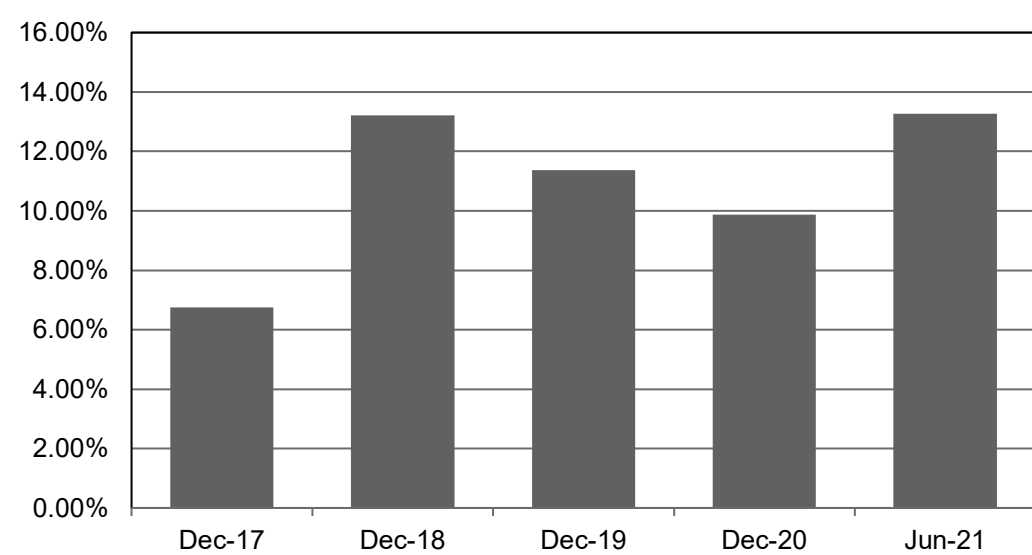
### Tier 1 Leverage Capital Ratio (NB)



### Return on Average Assets (YTD)



### Return on Average Equity (YTD)



### Book Value per Share

