

August 15, 2022

Dear Shareholder:

Western Capital Corporation is pleased to provide our financial performance for the six-months ended June 30, 2022. Net Income for the period was \$6.7 million and Book Value per Share increased by 38 cents to \$20.91. In addition, a dividend of 15 cents per share was paid to all shareowners of record as of May 1, 2022.

Recent economic factors that include interest rate increases, high energy costs and significant inflation have slowed economic activity in some industries in the first half of 2022. The impact of these factors along with the effects from COVID-19 related business interruptions and international events have raised concern that an economic recession is possible. Management has undertaken initiatives and balance sheet management strategies to ensure that Northwest Bank is well positioned to benefit from rising interest rates and react positively to either an improving or recessionary economy.

Select financial performance information from the first six months of 2022 includes:

- Net Income of \$6.7 million was \$0.9 million lower than the same period in 2021. This lower level of income is due to increased employee expenses and lower fee income (\$1.8 million) from Payment Protection Program loans as that program winds down. Employee expenses were higher under an initiative to proactively ensure long-term retention of high performing employees in the face of endemic wage inflation and industry-wide staffing shortages.
- Return on Average Assets (1.28%) and Return on Average Equity (10.72%) were lower than in the same period in 2021, primarily due to the lower income noted above.
- Net Interest Margin improved to 3.81% (vs. 3.51% for FYE 2021) as interest rates increased.
- Total Loans increased by \$42.2 million to \$669.2 million.
- The balance sheet contracted as Total Assets decreased by \$168.6 million to \$929.3 million and Total Deposits decreased by \$160.1 million to \$770.3 million. The reduction in Total Deposits resulted principally from deposit outflows from customers in the real estate transaction business and from exiting potentially higher cost wholesale funding arrangements. By the last week of July Total Deposits had rebounded to over \$860 million.
- Liquidity remained strong as of June 30 with a 31.1% Liquidity Ratio.
- Total Equity remained very strong with a Tier 1 Leverage Ratio of 11.81%.
- Efficiency Ratio of 57.8% reflects a strong emphasis on prudently controlling expenses.
- Asset Quality was good with a ratio of Non-performing Assets to Total Assets of 1.32% and 1.89% of Total Loans. The Allowance for Loan Losses remained strong at 1.89%.
- Book Value per Share was \$20.91, an increase of 38 cents from year-end 2021 and \$1.35 from the prior year.

Stock Buyback Plan:

The Board of Directors approved a share buyback plan that expires May 1, 2023. It may be terminated sooner at the discretion of the Board of Directors. Up to 100,000 shares, in aggregate, may be purchased at a price established monthly by the Board of Directors. If you are interested in selling your shares, you may contact the individuals below for more information:

Christine Huestis, Controller
Western Capital Corporation
206.621.8721
christine.huestis@northwest-bank.com

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

Management believes its actions to control expenses and monitor credit quality as economic circumstances have changed has positioned our company to benefit from rising interest rates and manage through an uncertain economy. 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 2022.

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.

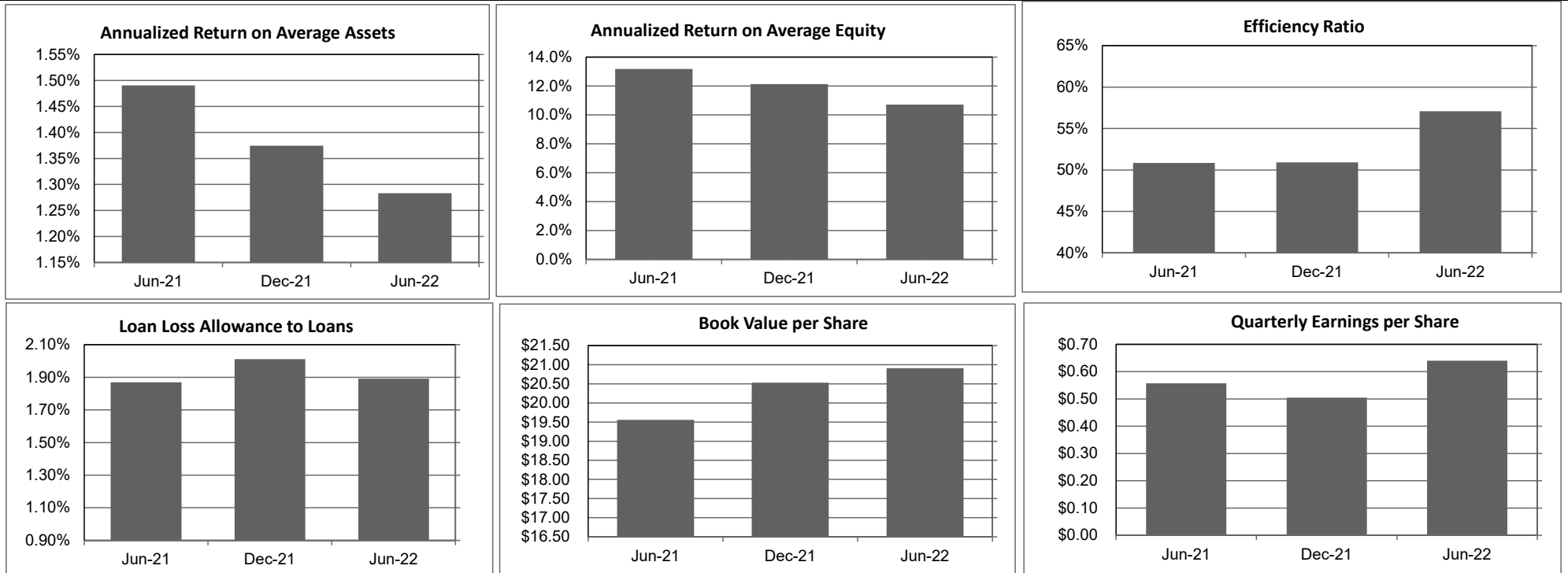
Western Capital Corp.

Unaudited
\$ in Thousands

<u>Statement of Condition</u>	<u>30-Jun-21</u>	<u>31-Dec-21</u>	<u>30-Jun-22</u>
Assets			
Cash and Due from Banks	220,447	357,232	113,020
Investment Securities	99,412	104,045	135,825
Loans	670,978	626,988	669,160
Allowance for Loan Losses	(12,545)	(12,608)	(12,654)
Loans, net of Allowance for Loan Losses	658,433	614,380	656,506
Deferred Tax Asset, net	5,257	5,319	6,210
Accrued Interest & Other Assets	13,300	16,969	17,766
Total Assets	996,849	1,097,945	929,327
Liabilities			
Deposits			
Noninterest-Bearing Demand Deposits	338,431	348,155	344,822
Interest-Bearing Checking	34,996	47,578	29,866
Money Market & Savings Accounts	330,814	421,175	287,427
Certificates of Deposit	128,021	113,574	108,219
Total Deposits	832,262	930,482	770,334
Borrowings	40,119	39,386	28,630
Other Liabilities	4,982	3,508	4,339
Total Liabilities	877,363	973,376	803,303
Stockholders' Equity			
Common Stock, \$1 par value	6,109	6,068	6,027
Surplus & Retained Earnings	105,797	104,057	113,324
Net Income YTD	7,580	14,444	6,673
Total Stockholders' Equity	119,486	124,569	126,024
Total Liabilities and Stockholders' Equity	996,849	1,097,945	929,327

<u>Statement of Income</u>	<u>For the six months ending</u>	
	<u>30-Jun-21</u>	<u>30-Jun-22</u>
Interest Income		
Loans	19,948	18,981
Investments	568	1,881
Total Interest Income	20,516	20,862
Interest Expense		
Deposits	1,461	1,400
Borrowings	255	199
Total Interest Expense	1,716	1,599
Net Interest Income before Provision for Loan Losses	18,800	19,263
Provision for Loan Losses	-	-
Net Interest Income after Provision for Loan Losses	18,800	19,263
Noninterest Income		
Gain on Sale of Government Guaranteed Loans	1,169	529
Other Noninterest Income	834	1,196
Total Noninterest Income	2,003	1,725
Noninterest Expense		
Salaries & Employee Benefits	6,803	8,478
Occupancy & Equipment	1,344	990
Data Processing & Telecom	896	890
Professional Fees	537	543
Other	1,000	1,081
Total Noninterest Expense	10,580	11,982
Net Income Before Tax	10,223	9,006
Income Tax Expense	2,643	2,332
Net Income	7,580	6,674

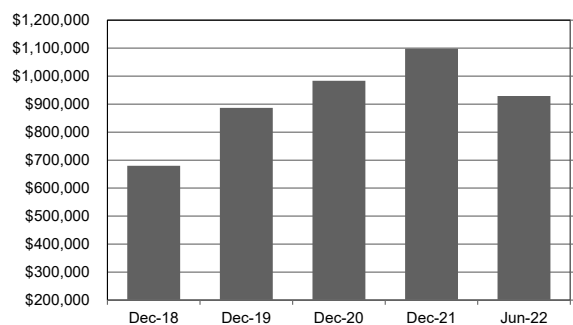
Western Capital Corporation - Current Financial Performance



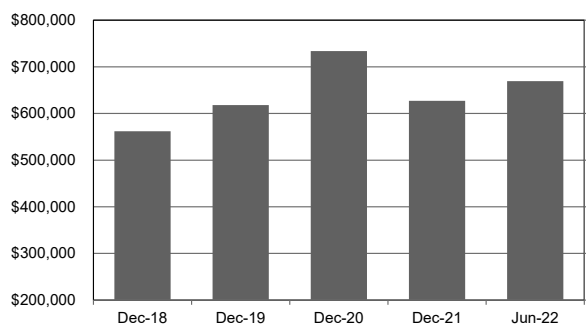
	Jun-21	Dec-21	Jun-22		Jun-21	Dec-21	Jun-22
Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED				Key Ratios @ Quarter-End			
Return on Avg Equity	13.18%	12.13%	10.72%	Loans (Net of Allowance) to Deposits	79.11%	66.03%	85.22%
Return on Avg Assets	1.49%	1.37%	1.28%	Loan Loss Allowance to Loans	1.87%	2.01%	1.89%
Quarterly Net Income (\$'000's)	\$ 3,406	\$ 3,063	\$ 3,858	Nonperforming Assets/Assets	1.60%	1.33%	1.32%
Efficiency Ratio	51%	51%	57%	Net Chg Offs/(Recoveries) to Loans	0.02%	0.02%	-0.01%
Book Value per Share	\$ 19.56	\$ 20.53	\$ 20.91	Quarterly Capital Ratio - Northwest Bank (estimate for most current quarter-end)			
Quarterly Earnings per Share	\$ 0.56	\$ 0.50	\$ 0.64	Tier 1 Leverage Ratio	10.71%	10.81%	11.81%
Net Interest Margin	3.78%	3.51%	3.81%				
Yield on Earning Assets	4.13%	3.83%	4.13%				
Cost of Int-Bearing Liabilities	0.61%	0.58%	0.57%				

Western Capital Corporation - Historical Financial Performance

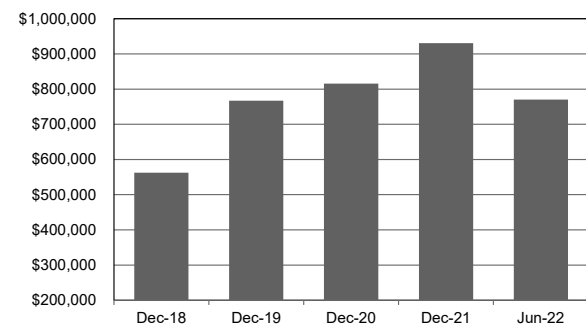
Assets



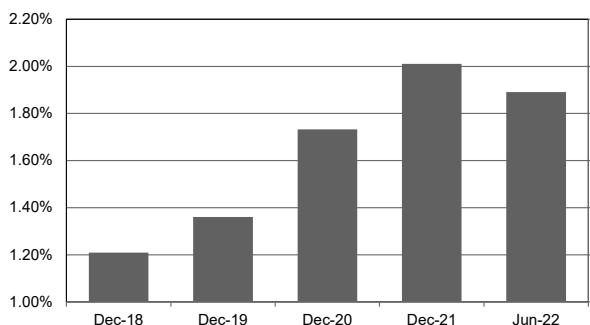
Loans (Gross)



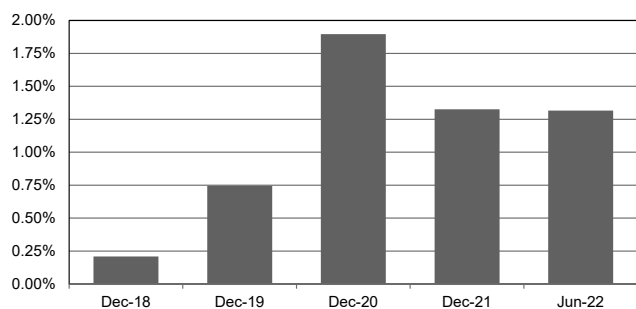
Deposits



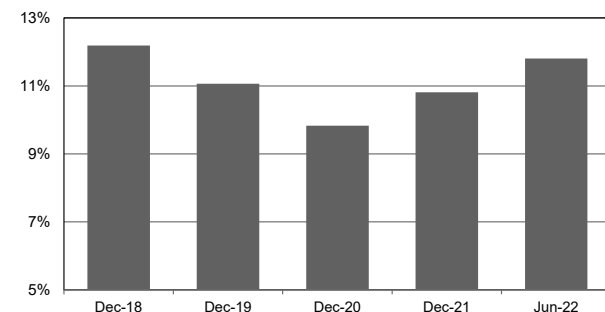
Loan Loss Allowance / Loans



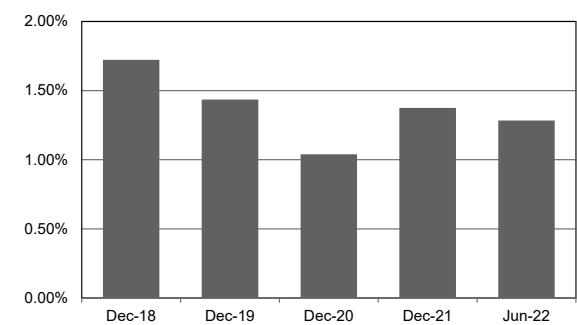
Nonperforming Assets / Assets



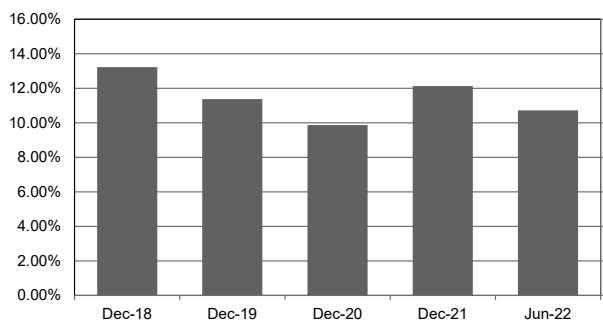
Tier 1 Leverage Capital Ratio (NB)



Return on Average Assets (YTD)



Return on Average Equity (YTD)



Book Value per Share

