

January 29, 2021

Dear Shareholder:

As we all know, 2020 was an unprecedented year with each of the local economies in which we operate impacted by the COVID-19 pandemic. While much of our usual business lending slowed, we were able to serve our customers using Payment Protection Program (PPP) loans.

We originated \$190 million in PPP loans to over 620 customers in the second quarter. We had \$119 million in PPP loans still outstanding as of end of 2020. We anticipate that the remaining PPP loans will be forgiven in 2021.

In light of the difficult economic conditions in early 2020, we performed a thorough review of our loan portfolio. As a result, we set aside \$6.3 million for potential loan losses, compared to \$1.9 million in 2019. Our ratio of Allowance for Loan Losses to Total Loans increased to 1.73% as of December 2020 as compared to 1.36% for the same period in 2019. We consider this to be an adequate level of reserves and are actively monitoring our loan relationships.

Our branches remained open throughout 2020 with limited staff while adhering to social distancing guidelines, with the majority of our staff working from home. We plan to return to the office in 2021; however, we have not yet set a timeline as the status of staff and customer safety remains uncertain. We continue to be focused on our ability to provide excellent customer service as we navigate through these challenging times.

Financial results for the year have been impacted by the events of 2020; however, we remain profitable and continue to have strong capital ratios. Highlights for the twelve months ending December 31, 2020 compared to the same period in 2019 are as follows:

- Total assets grew \$97.3 million, or 11%, to \$983.7 million as compared to \$886.4 million one year prior.
- Loans grew \$115.7 million, or 18.7%, to \$733.8 million compared to \$618.2 million one year prior. \$119.5 million of this growth is from funding PPP loans. Portfolio loans (excluding PPP loans) declined by \$3.8 million.
- Total deposits grew \$48.5 million, or 6.3%, to \$815.3 million compared to \$766.8 million a year ago. The growth included a 29% increase in non-interest bearing demand deposit accounts to \$317.4 million, and a 10% increase in money market & savings accounts to \$337.4 million. We have seen an influx of deposits both from proceeds of PPP loan funds as well as an increase of deposits from our core customers.
- Net income was \$10.4 million, or \$1.72 per share, for the twelve months ending December 31, 2020 compared to \$10.9 million, or \$1.81 per share, for the same period in 2019. The decline in net income year-over-year was due primarily to additional provision for loan losses which was \$6.3 million for the twelve months ending December 31, 2020 as compared to \$1.9 million during the same period in 2019. Net income was also negatively impacted by the reduction in interest rates as the Federal Reserve reacted to the dramatic decline in the economy in March due to the pandemic.

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- Net Interest Margin (NIM) declined to 3.87% for the twelve months ending December 31, 2020 compared to 4.76% for the same period in 2019. The decline in NIM was driven by a significant decline in yield on earning assets resulting from the Fed's strategy of lowering interest rates. The majority of the Bank's loans are tied to the Prime rate which decreased by 0.75% in 2019 and another 1.50% in March 2020.
- Return on Average Assets (ROAA) and Return on Average Equity (ROAE) declined as compared to the same period in 2019 due to the decline in net income. ROAA was 1.04% for the twelve months ending December 31, 2020, down from 1.43% for the same period in 2019. ROAE was 9.87% for the twelve months ending December 31, 2020 as compared to 11.38% for the same period in 2019.
- The efficiency ratio (non-interest expense as a percent of net interest income before the loan loss provision plus non-interest income) was 50% for the twelve months ending December 31, 2020 as compared to 56% for the same period in 2019. This was due to a concerted effort to control expenses in light of the financial impact of the rate reductions and pandemic.
- Book value per share increased \$1.79 to \$18.46 at December 31, 2020 from \$16.67 at the same period in 2019.
- Tier 1 capital ratio is estimated at 9.81% as of December 31, 2020. This is a decline from previous periods due to the asset growth coupled with the slowdown in earnings discussed above; however, it continues to be well in excess of regulatory minimums.

Although this year has presented challenges, we believe our focus and dedication will provide 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.

We want to acknowledge the departure of Jamie Shulman at the end of 2020. We wish Jamie well in his new endeavors and thank him for his service as the Bank's President and Chief Executive Officer since 2017.

Finally, we are pleased to report that loan activity improved in the fourth quarter. We welcome any referrals from out shareholders as we expect a busy year 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 and 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.

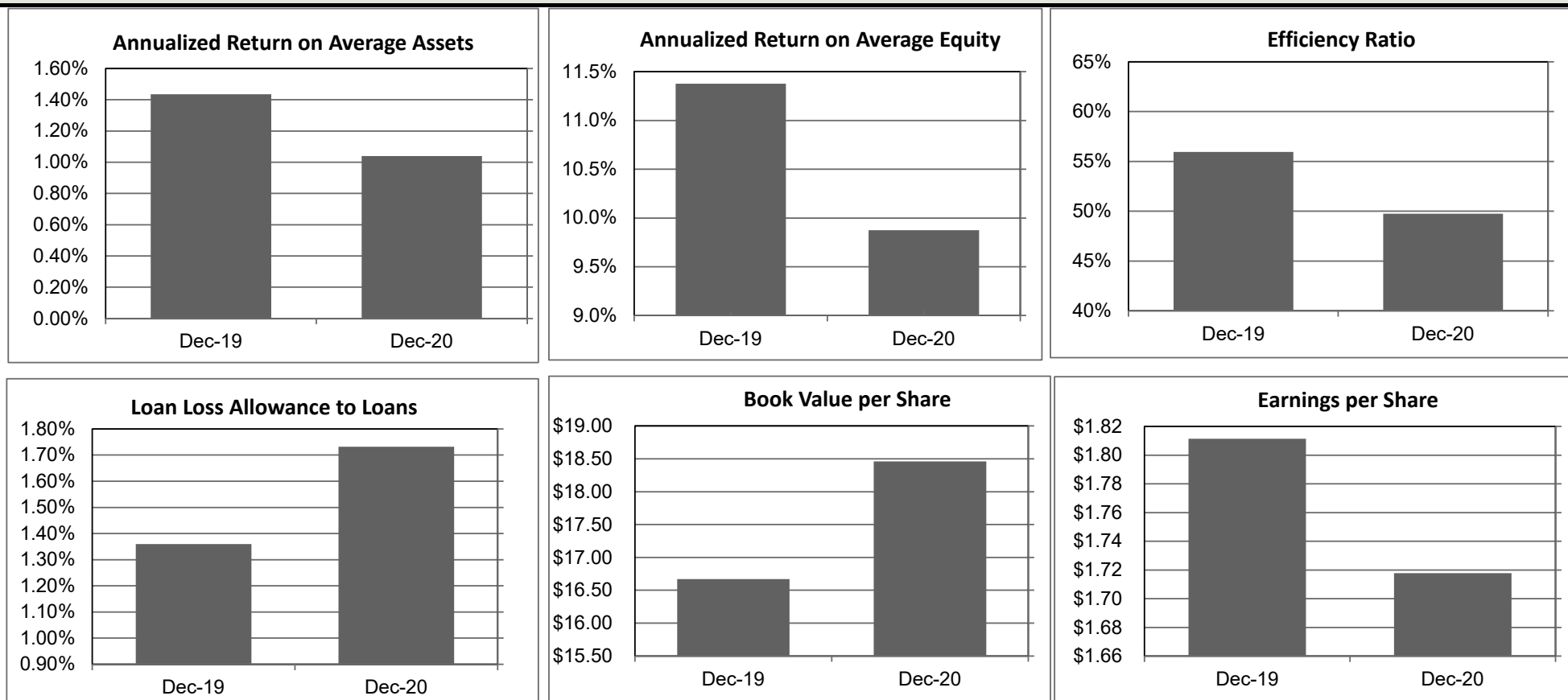


Unaudited  
\$ in Thousands

<b>Statement of Condition</b>	<b>31-Dec-19</b>	<b>31-Dec-20</b>
<b>Assets</b>		
Cash and Due from Banks	215,510	120,028
Investment Securities	47,545	122,774
Loans	618,180	733,835
Allowance for Loan Losses	(8,408)	(12,712)
Loans, net of Allowance for Loan Losses	609,772	721,123
Deferred Tax Asset, net	4,463	5,430
Accrued Interest & Other Assets	9,105	14,350
<b>Total Assets</b>	<b>886,396</b>	<b>983,705</b>
<b>Liabilities</b>		
Deposits		
Noninterest-Bearing Demand Deposits	245,917	317,398
Interest-Bearing Checking	22,930	27,849
Money Market & Savings Accounts	307,641	337,377
Certificates of Deposit	190,353	132,698
Total Deposits	766,840	815,322
Borrowings	14,505	50,842
Other Liabilities	4,654	5,535
<b>Total Liabilities</b>	<b>785,998</b>	<b>871,699</b>
<b>Stockholders' Equity</b>		
Common Stock, \$1 par value	6,023	6,068
Surplus & Retained Earnings	83,464	95,515
Net Income YTD	10,911	10,423
<b>Total Stockholders' Equity</b>	<b>100,398</b>	<b>112,006</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>886,396</b>	<b>983,705</b>

<b>Statement of Income</b>	<b>For the twelve months ending</b>	
	<b>31-Dec-19</b>	<b>31-Dec-20</b>
<b>Interest Income</b>		
Loans	40,024	41,211
Investments	3,799	2,325
<b>Total Interest Income</b>	<b>43,823</b>	<b>43,536</b>
<b>Interest Expense</b>		
Deposits	7,506	4,755
Borrowings	457	517
<b>Total Interest Expense</b>	<b>7,963</b>	<b>5,272</b>
<b>Net Interest Income before Provision for Loan Losses</b>	<b>35,860</b>	<b>38,264</b>
Provision for Loan Losses	1,915	6,338
<b>Net Interest Income after Provision for Loan Losses</b>	<b>33,945</b>	<b>31,926</b>
<b>Noninterest Income</b>		
Gain on Sale of Government Guaranteed Loans	940	848
Other Noninterest Income	870	1,435
<b>Total Noninterest Income</b>	<b>1,810</b>	<b>2,283</b>
<b>Noninterest Expense</b>		
Salaries & Employee Benefits	14,720	13,250
Occupancy & Equipment	2,063	2,164
Data Processing & Telecom	1,714	1,711
Professional Fees	597	884
Other	1,978	2,164
<b>Total Noninterest Expense</b>	<b>21,072</b>	<b>20,173</b>
<b>Net Income Before Tax</b>	<b>14,683</b>	<b>14,036</b>
Income Tax Expense	3,772	3,613
<b>Net Income</b>	<b>10,911</b>	<b>10,423</b>

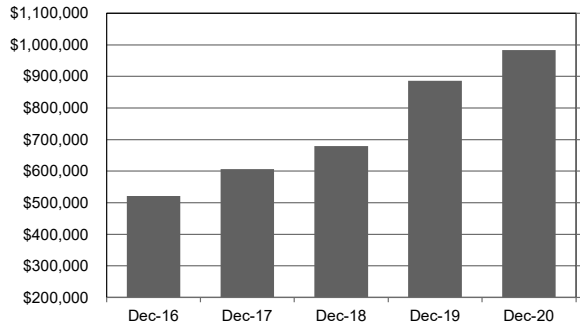
## Western Capital Corporation - Current Financial Performance



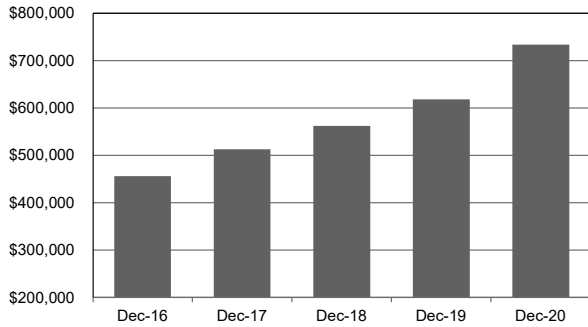
	Dec-19	Dec-20		Dec-19	Dec-20		
<b>Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED</b>			<b>Key Ratios @ Quarter-End</b>				
Return on Avg Equity		11.38%	9.87%	Loans (Net of Allowance) to Deposits	79.52%	88.45%	
Return on Avg Assets		1.43%	1.04%	Loan Loss Allowance to Loans	1.36%	1.73%	
Net Income (\$000's)	\$	10,911	\$	10,423	Nonperforming Assets/Assets	0.74%	1.90%
Efficiency Ratio		56%	50%	Net Chg Offs/(Recoveries) to Loans	0.05%	0.28%	
Book Value per Share	\$	16.67	\$	18.46	<b>Quarterly Capital Ratio - Northwest Bank (estimate for most current quarter-end)</b>		
Earnings per Share	\$	1.81	\$	1.72	Tier 1 Capital Ratio	11.06%	9.82%
Net Interest Margin		4.76%	3.87%				
Yield on Earning Assets		5.81%	4.41%				
Cost of Int-Bearing Liabilities		1.74%	0.89%				

## Western Capital Corporation - Historical Financial Performance

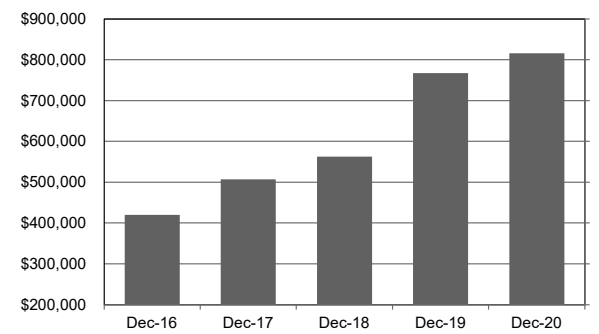
### Assets



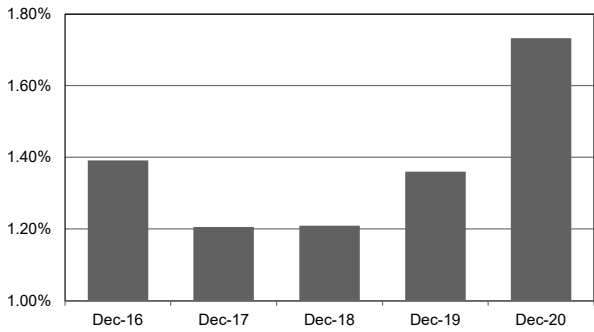
### Loans (Gross)



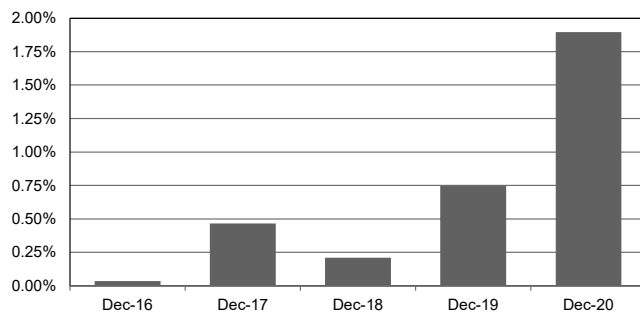
### Deposits



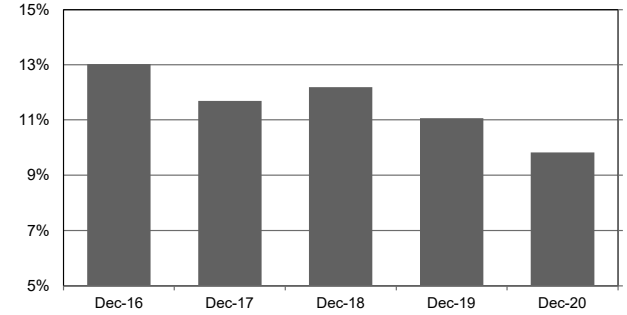
### Loan Loss Allowance / Loans



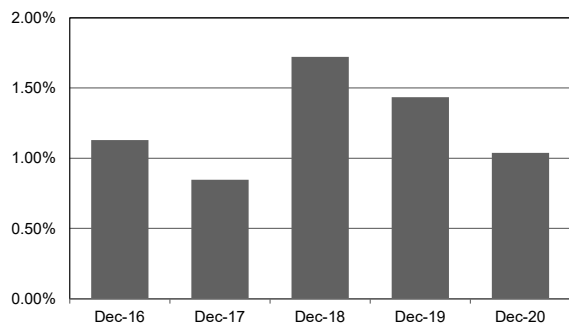
### Nonperforming Assets / Assets



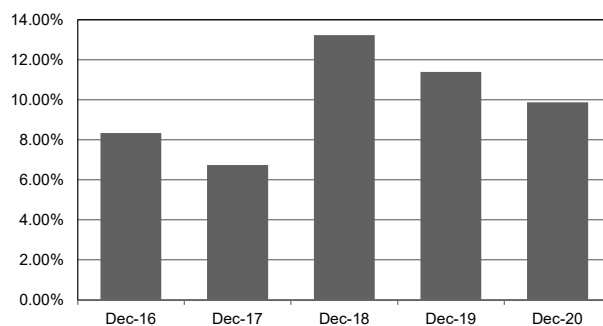
### Tier 1 Leverage Capital Ratio (NB)



### Return on Average Assets (YTD)



### Return on Average Equity (YTD)



### Book Value per Share

