

May 2, 2022

Dear Shareholder:

Northwest Bank earned \$2.8 million, a 1.05% ROAA, during the first quarter of 2022. Total assets grew by 0.2% over the prior period end to \$1.1 billion. While we operate in markets that are among the most vibrant in the nation, we remain keenly aware of areas of concerns that could impact economic activity that include, among other things, Federal Reserve actions, COVID-19 variants, supply chain issues, inflation, and the Ukraine War.

While we remain focused on excellent service to our customers, the safety and well-being of our customers and employees comes first. As a result, we have not established a date by which 100% of our employees will return to our local offices.

Financial results for the quarter showed strong profitability and capital ratios. Highlights for the three months ending March 31, 2022 are as follows:

- Total assets increased \$64.1 million, or 6.2%, to \$1.1 billion, compared to \$1.04 billion one year earlier.
- Loans declined \$103.6 million, or 14.3%, to \$722.1 million compared to \$725.7 million one year ago. Payment Protection Plan (PPP) loans declined by \$112.1 million to \$7 million at 3/31/22. Even though non-PPP loans only increased slightly over the course of the past year, the current loan pipeline activity is very robust and at levels not seen before which bodes well for future loan growth.
- Total deposits increased \$67.3 million, or 7.8%, to \$931.6 million compared to \$864.3 million a year ago. This increase included a 24.7%, or \$86.9 million, increase in money market & savings accounts to \$438.8 million.
- Net income was \$2.8 million, or \$0.47 per share, for the three months ending March 31, 2022 compared to \$4.2 million, or \$0.69 per share, for the same period in 2021. This was a year-over-year decline of 33%. The decline is largely due to a reduction in recognized PPP loan fees to \$304 thousand during the three months ending March 31, 2022, compared to \$1.2 million for the same period in 2021. In addition, there was a reduction in the gain from selling SBA loans to \$346 thousand during the three months ending March 31, 2022, compared to \$1.1 million for the same period in 2021. Lastly, noninterest expenses increased to \$6.2 million during the three months ending March 31, 2022, compared to \$5.4 million for the same period in 2021; which was mainly driven by increases in salary & employee benefits.
- Net Interest Margin (NIM) declined to 3.46% for the three months ending March 31, 2022 compared to 3.86% for the same period in 2021. This reduction in NIM was primarily driven by a decline in yield on earning assets caused by a \$148.4 million increase in low yielding cash during the past year (the percentage of cash to total assets increased to 31% at March 31, 2022, compared to 18% at March 31, 2021).
- Return on Average Assets (ROAA) was 1.05% for the three months ending March 31, 2022, down from 1.66% for the same period in 2021. Return on Average Equity (ROAE) was 9.09% for the period ending March 31, 2022 compared to 14.85% for the same period in 2021.

- The efficiency ratio (non-interest expense as a percent of net interest income plus non-interest income) was 63% for the three months ending March 31, 2022 as compared to 49% for the same period in 2021. The increase in the ratio is a result of lower net interest income along with higher noninterest expense for the three months ending March 31, 2022. Strong expense controls helped to mitigate the negative impact of low interest rates.
- Book value per share increased \$1.61 to \$20.67 on March 31, 2022 from \$19.06 on the same date in 2021.
- Tier 1 capital ratio is 10.58% as of March 31, 2022. The Tier 1 capital ratio continues to be well in excess of regulatory minimums.

Cash Dividend:

The WCC Board of Directors has declared a dividend of \$.15 per share. The dividend, approved at WCC's board meeting on April 20th, will be paid on May 15, 2022 to shareholders of record as of May 1, 2022. The dividend allows WCC to continue to reward shareholders while retaining sufficient earnings for investment in the continued growth of Northwest Bank.

Stock Buyback Plan:

The WCC Board of Directors recently approved resumption of the share buyback plan and extended to May 1, 2023. Up to 100,000 shares were authorized to 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

Although the pandemic and resulting economic challenges have impacted us all, we believe our actions to control expenses and credit quality have 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 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.