

February 18, 2022

Dear Shareholder:

Northwest Bank earned \$14.4 million, a 1.37% ROAA, and grew total assets by 11.6% to \$1.1 billion during 2021. 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, COVID-19 variants, supply chain issues, and inflation.

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 year showed strong profitability and capital ratios. Highlights for the twelve months ending December 31, 2021 are as follows:

- Total assets increased \$114.5 million, or 11.6%, to \$1.1 billion, compared to \$983.7 million one year earlier.
- Loans declined \$106.9 million, or 14.6%, to \$626.9 million compared to \$733.8 million one year ago. Payment Protection Plan (PPP) loans declined by \$100.1 million to \$19.4 million at 12/31/21. Even though non-PPP loans fell slightly over the course of the year, 2021 was a record year for commercial loan originations and the Bank had loan growth in November and December of \$53.6 million.
- Total deposits increased \$115.2 million, or 14.1%, to \$930.5 million compared to \$815.3 million a year ago. This increase included a 9.7%, or \$30.8 million, increase in noninterest-bearing demand deposit accounts to \$348.2million, and a 24.8%, or \$83.8 million, increase in money market & savings accounts to \$421.2 million.
- Net income was \$14.4 million, or \$2.38 per share, for the twelve months ending December 31, 2021 compared to \$10.4 million, or \$1.72 per share, for the same period in 2020. This was a year-over-year increase of 38%. Improving asset quality and strong expense control have driven this rebound.
- Net Interest Margin (NIM) declined to 3.51% for the twelve months ending December 31, 2021 compared to 3.87% for the same period in 2020. This reduction in NIM was primarily driven by a decline in yield on earning assets caused by a \$113.3 million increase in low yielding overnight investments and a reduction in the yield on loans due to reductions in the Prime Rate during 2020.
- Return on Average Assets (ROAA) was 1.37% for the twelve months ending December 31, 2021, up from 1.04% for the same period in 2020. Return on Average Equity (ROAE) was 12.13% for the period ending December 31, 2021 compared to 9.87% 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 twelve months ending December 31, 2021 as compared to 49% for the same period in 2020. The increase in the ratio is primarily due to lower net interest income for the twelve months ending December 31, 2021. Strong expense controls helped to mitigate the negative impact of low interest rates.

- Book value per share increased \$2.07 to \$20.53 on December 31, 2021 from \$18.46 on the same date in 2020.
- Tier 1 capital ratio is 10.81% as of December 31, 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 a share buyback program of up to 90,000 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 the individuals below for more information:

Allan Siegel, Chief Financial Officer  
Western Capital Corporation  
206.621.8720  
allan.siegel@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

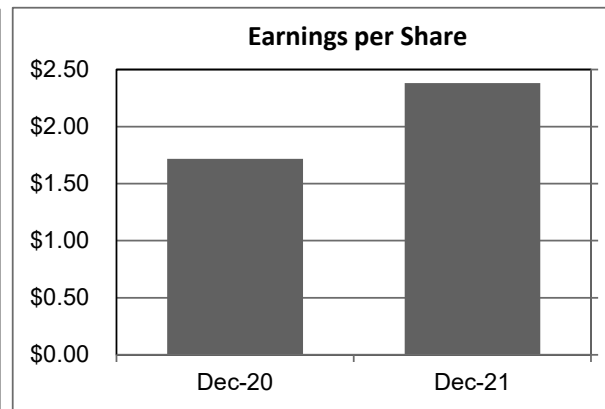
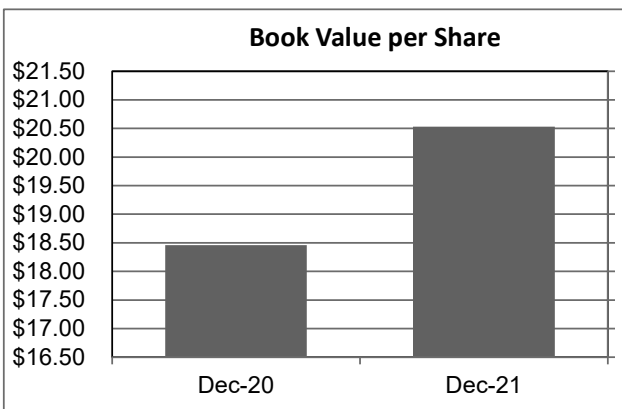
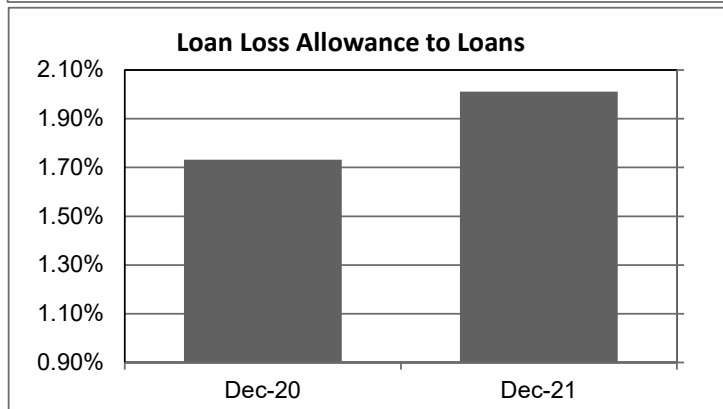
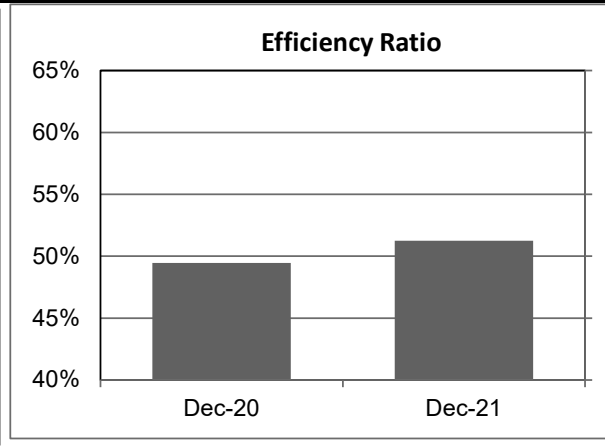
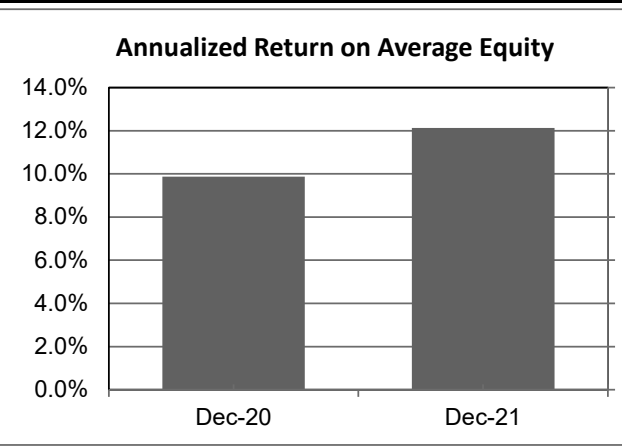
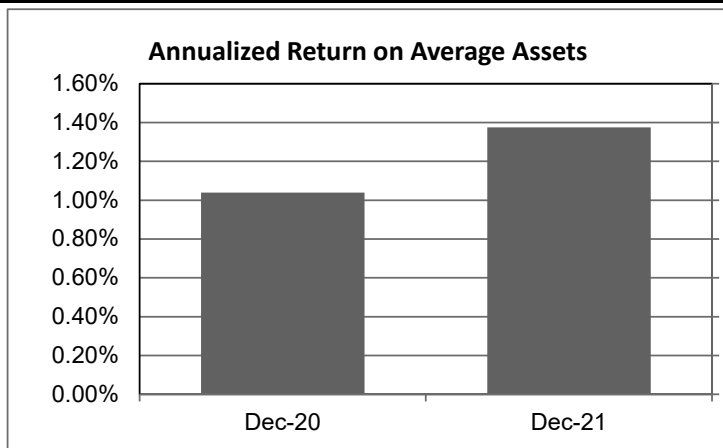
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# Western Capital Corp.

Unaudited  
\$ in Thousands

<u>Statement of Condition</u>	<u>31-Dec-20</u>	<u>31-Dec-21</u>	<u>Statement of Income</u>	<u>For the twelve months ending</u>	
				<u>31-Dec-20</u>	<u>31-Dec-21</u>
<b>Assets</b>					
Cash and Due from Banks	120,028	357,232	<b>Interest Income</b>		
Investment Securities	122,774	104,045	Loans	41,211	37,972
Loans	733,836	626,990	Investments	2,287	1,308
Allowance for Loan Losses	(12,712)	(12,608)	<b>Total Interest Income</b>	<b>43,498</b>	<b>39,280</b>
Loans, net of Allowance for Loan Losses	721,124	614,382	<b>Interest Expense</b>		
Deferred Tax Asset, net	5,249	5,545	Deposits	4,755	2,814
Accrued Interest & Other Assets	14,530	16,966	Borrowings	517	485
			<b>Total Interest Expense</b>	<b>5,272</b>	<b>3,299</b>
<b>Total Assets</b>	<b>983,705</b>	<b>1,098,170</b>	<b>Net Interest Income before</b>		
			<b>Provision for Loan Losses</b>	<b>38,226</b>	<b>35,981</b>
			Provision for Loan Losses	6,338	-
			<b>Net Interest Income after</b>		
			<b>Provision for Loan Losses</b>	<b>31,888</b>	<b>35,981</b>
			<b>Noninterest Income</b>		
			Gain on Sale of Government		
			Guaranteed Loans	848	2,023
			Other Noninterest Income	1,230	1,649
			<b>Total Noninterest Income</b>	<b>2,078</b>	<b>3,672</b>
			<b>Noninterest Expense</b>		
			Salaries & Employee Benefits	13,251	13,398
			Occupancy & Equipment	2,255	2,364
			Data Processing & Telecom	1,620	1,783
			Professional Fees	884	941
			Other	1,919	1,835
			<b>Total Noninterest Expense</b>	<b>19,929</b>	<b>20,321</b>
			<b>Net Income Before Tax</b>	<b>14,037</b>	<b>19,332</b>
			Income Tax Expense	3,614	4,887
			<b>Net Income</b>	<b>10,423</b>	<b>14,445</b>
<b>Liabilities</b>					
Deposits					
Noninterest-Bearing Demand Deposits	317,398	348,155			
Interest-Bearing Checking	27,849	47,578			
Money Market & Savings Accounts	337,377	421,176			
Certificates of Deposit	132,698	113,573			
Total Deposits	815,322	930,482			
Borrowings	50,842	39,386			
Other Liabilities	5,535	3,734			
<b>Total Liabilities</b>	<b>871,699</b>	<b>973,602</b>			
<b>Stockholders' Equity</b>					
Common Stock, \$1 par value	6,068	6,068			
Surplus & Retained Earnings	95,515	104,056			
Net Income YTD	10,423	14,444			
<b>Total Stockholders' Equity</b>	<b>112,006</b>	<b>124,568</b>			
<b>Total Liabilities and Stockholders' Equity</b>	<b>983,705</b>	<b>1,098,170</b>			

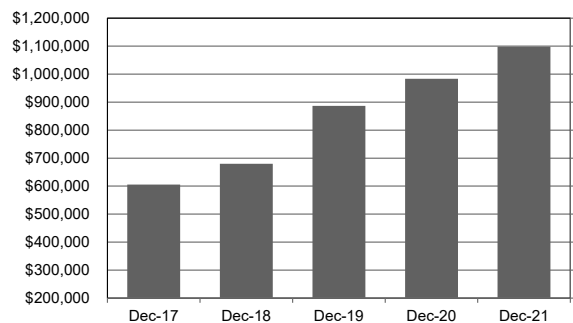
## Western Capital Corporation - Current Financial Performance



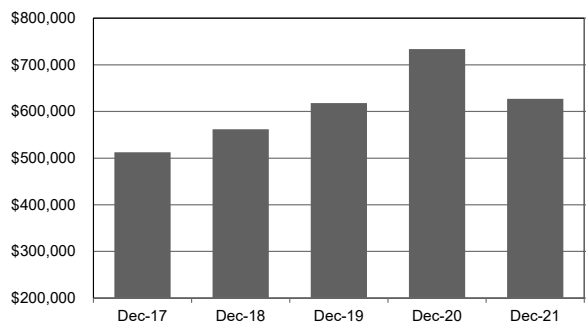
	Dec-20	Dec-21		Dec-20	Dec-21
<b>Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED</b>			<b>Key Ratios @ Quarter-End</b>		
Return on Avg Equity	9.87%	12.13%	Loans (Net of Allowance) to Deposits	88.45%	66.03%
Return on Avg Assets	1.04%	1.37%	Loan Loss Allowance to Loans	1.73%	2.01%
Net Income (\$'000's)	\$ 10,423	\$ 14,445	Nonperforming Assets/Assets	1.90%	1.32%
Efficiency Ratio	49%	51%	Net Chg Offs/(Recoveries) to Loans	0.28%	0.02%
Book Value per Share	\$ 18.46	\$ 20.53	<b>Quarterly Capital Ratio - Northwest Bank (estimate for most current quarter-end)</b>		
Earnings per Share	\$ 1.72	\$ 2.38	Tier 1 Capital Ratio	9.83%	10.81%
Net Interest Margin	3.87%	3.51%			
Yield on Earning Assets	4.40%	3.83%			
Cost of Int-Bearing Liabilities	0.89%	0.58%			

## Western Capital Corporation - Historical Financial Performance

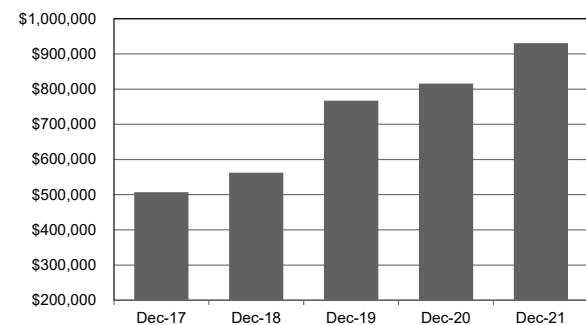
### Assets



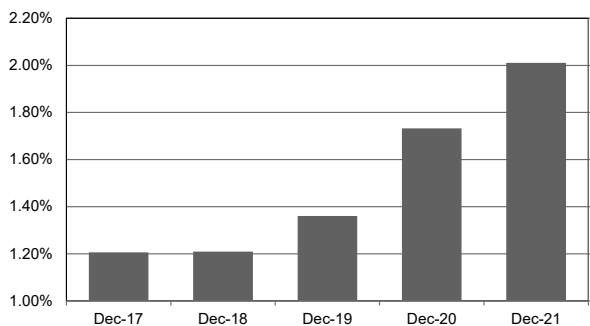
### Loans (Gross)



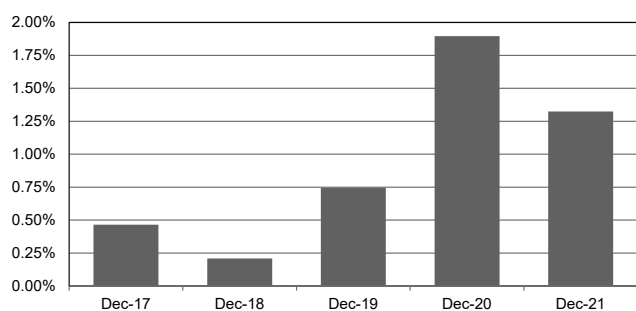
### Deposits



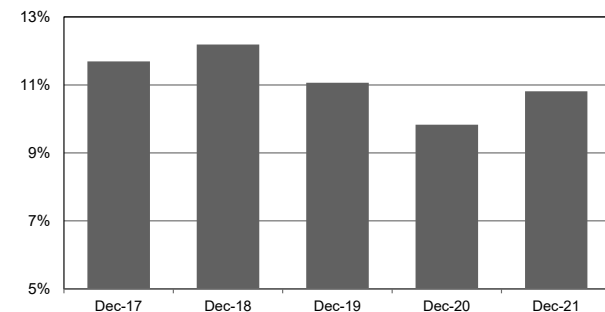
### Loan Loss Allowance / Loans



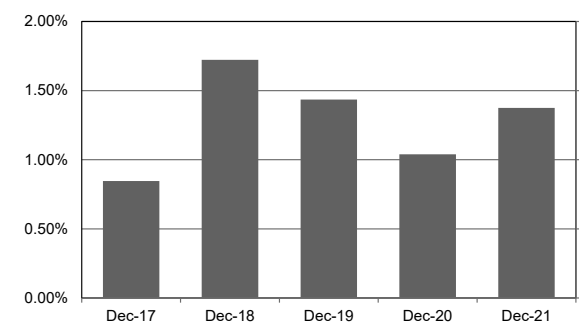
### Nonperforming Assets / Assets



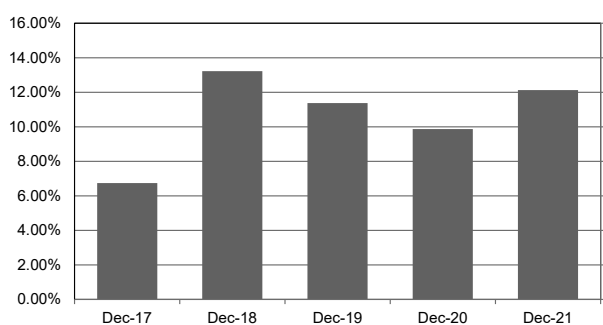
### Tier 1 Leverage Capital Ratio (NB)



### Return on Average Assets (YTD)



### Return on Average Equity (YTD)



### Book Value per Share

