

January 25, 2017

Dear Shareholder:

Fiscal year 2016 was an exciting one for your company. We have reached milestones in asset size, profitability, and growth. These and other accomplishments have been made possible by a dedicated staff of bankers, with a knowledgeable board of directors to lead the way. In particular, we are proud to have accomplished the following:

- Increased our net income after-tax in 2016 by 42% over 2015.
- Hired 37 new staff members to supplement our existing staff, provide for future growth, and continue our tradition of having experienced bankers while also providing opportunities for new bankers to grow with us.
- Added critical expertise to your leadership team with the addition of a new Chief Technology Officer; Presidents for our Idaho, Oregon, Small Business Administration, and Washington divisions; a new Loan Administration Manager; and, the elevation of Oregon Division President, Jamie Shulman, to President of the bank.
- Led our peer group in return on assets; every credit quality measurement; loan growth rates; internal growth rate of equity; efficiency ratio; loans and revenue per employee; and, net income per employee.
- Performed at an overall high level that makes us a "Top Quartile" performer among our banking peers, both in the Northwest and nationwide.
- Declared our first shareholder dividend while maintaining strong capital ratios.

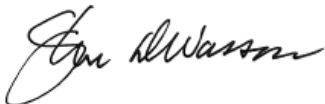
Western Capital Corporation's (WCC) financial results reflect the growth and improved efficiencies of our principal subsidiary, Northwest Bank. WCC recorded improvement in earnings primarily due to a higher level of net interest income generated by year-over-year loan growth. Highlights for 2016 compared to 2015 are:

- Net income after-tax of \$5.507 million as compared to \$3.871 million for the year earlier, a 42% increase.
- Earnings per share was \$1.06 in 2016 as compared to \$0.74 per share in 2015.
- Total assets grew \$71.2 million, or 16%, to \$521.6 million compared to \$450.4 million a year ago.
- Total loans grew \$74.4 million, or 19%, to \$456.1 million compared to \$381.8 million a year ago.
- Total deposits grew \$48.9 million, or 13%, to \$419.5 million compared to \$370.6 million a year ago. The growth included a 12% increase in non-interest bearing demand accounts to \$123.4 million.
- Borrowings increased \$16.9 million to \$29.6 million from the prior year-end. The increase was partially due to new long-term borrowings used to fund long-term loans to mitigate interest rate risk, and to partially help support fourth quarter 2016 loan growth.

- Annualized return on average assets was 1.13% for 2016 compared to 0.89% for 2015; annualized return on average equity was 8.33% for 2016 compared to 6.30% for 2015.
- Stockholders' Equity increased 9% to \$68.6 million at December 31, 2016, up from \$63.1 million a year earlier.
- Book value per share at December 31, 2016 was \$13.18, an increase from \$12.12 the prior year-end.
- Net interest income before the provision for loan losses increased 21% in 2016 to \$23.300 million and net interest margin was 4.88%, up from 4.57% one year ago.
- Non-interest income of \$1.623 million was recorded in 2016 and was \$385,000 lower than the prior year. This was primarily due to lower gains on the sale of government-guaranteed loans resulting from a lower volume of loan sales in 2016 as compared to 2015.
- The efficiency ratio (non-interest expense as a percent of net interest income before the loan loss provision plus non-interest income) improved to 60% for 2016 as compared to 65% for 2015 – an indication of improved efficiencies and expense control relative to revenue growth.
- Tier 1 leverage capital was 13.0%; and, total risk-based capital was 13.5%, both well in excess of regulatory minimums.
- Asset quality, liquidity, and capital ratios are strong and remain better than our peers in the Northwest region and nationwide.
- Northwest Bank continues to earn the highest rating (five-star "Superior") from independent bank rating agency Bauer Financial™.

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

Sincerely,



Steven D. Wasson
President & CEO
Western Capital Corporation
503-905-3232



Jeff Gow
Chairman
Western Capital Corporation

Enclosure

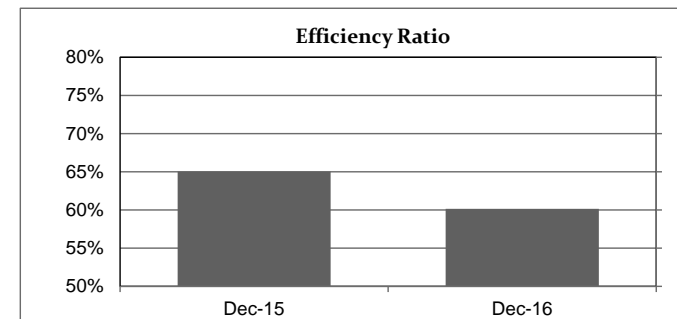
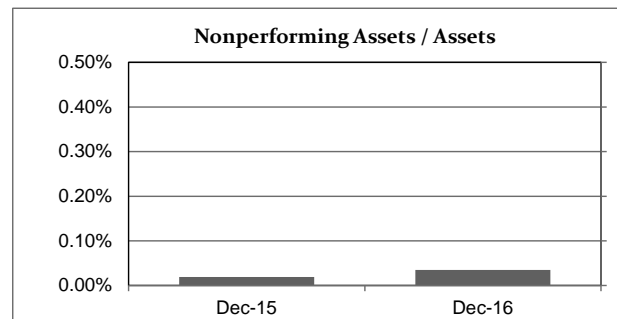
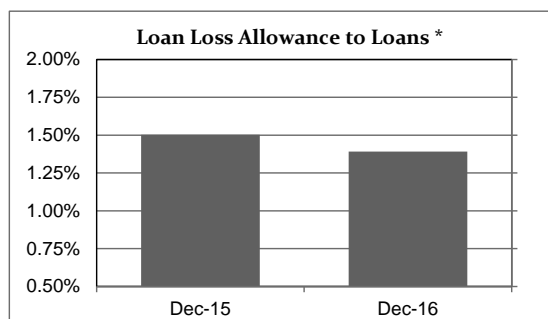
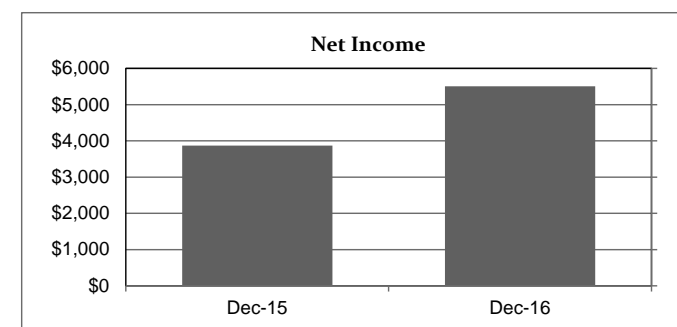
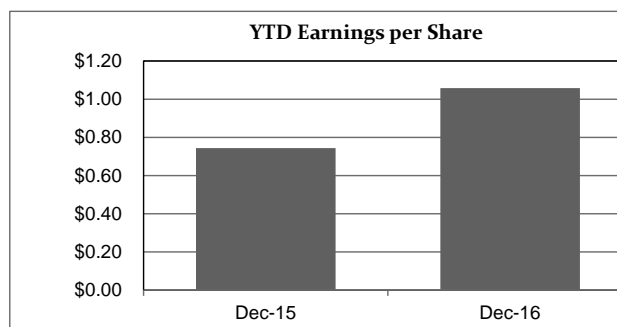
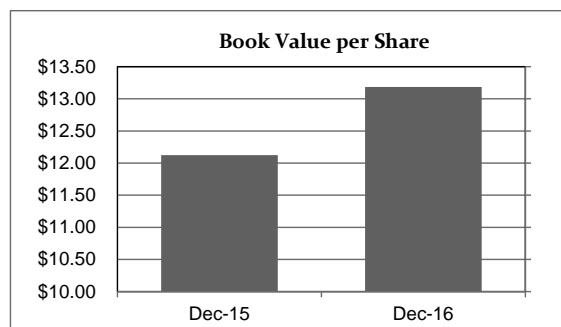
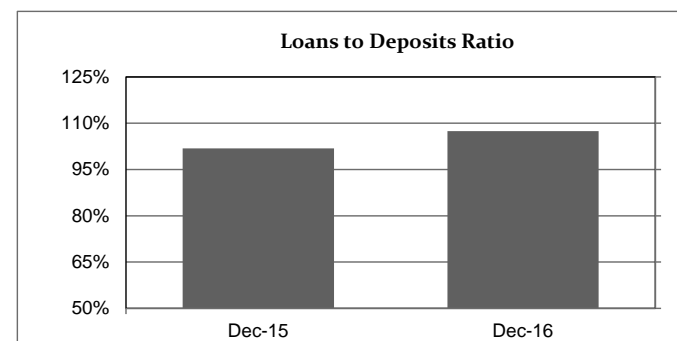
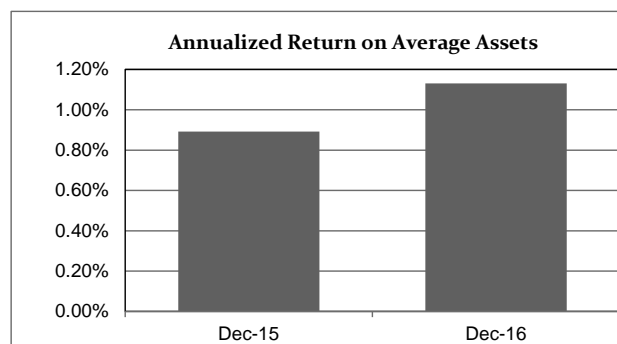
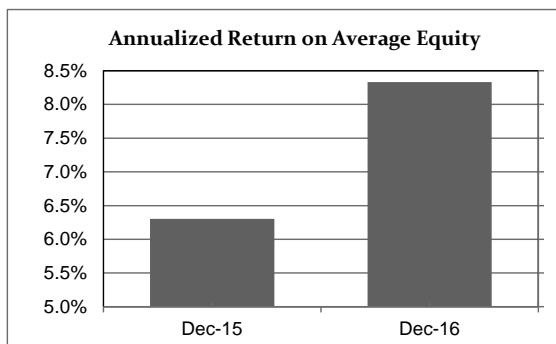
This communication contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from 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.

Save the date: Our annual shareholders' meeting is Wednesday, April 19, 2017 in Boise, Idaho

\$ in Thousands

<u>Statement of Condition</u>	<u>31-Dec-16</u> <i>(Unaudited)</i>	<u>31-Dec-15</u> <i>(Audited)</i>	<u>Statement of Income</u>	<u>For the twelve months ending</u> <u>31-Dec-16</u> <i>(Unaudited)</i>	<u>31-Dec-15</u> <i>(Audited)</i>
Assets			Interest Income		
Cash and Due from Banks	\$35,216	\$37,964	Loans	\$24,760	\$20,426
Investment Securities	23,750	24,430	Investments	627	568
Loans	456,145	381,785	Total Interest Income	25,387	20,994
Allowance for Loan Losses	(5,370)	(4,281)	Interest Expense		
Loans, net of Allowance for Loan Losses	450,775	377,504	Deposits	1,579	1,423
Real Estate Owned	0	0	Borrowings	507	263
Deferred Tax Asset, net	5,632	5,967	Total Interest Expense	2,086	1,687
Accrued Interest & Other Assets	6,193	4,500	Net Interest Income before		
Total Assets	521,565	450,365	Provision for Loan Losses	23,300	19,308
			Provision for Loan Losses	1,160	1,195
Liabilities			Net Interest Income after		
Deposits			Provision for Loan Losses	22,140	18,113
Noninterest-Bearing Demand Deposits	123,375	110,329	Noninterest Income		
Interest-Bearing Checking	10,696	11,193	Gain on Sale of Government		
Money Market & Savings Accounts	184,568	174,804	Guaranteed Loans	764	1,032
Certificates of Deposit	100,898	74,255	Other Noninterest Income	859	976
Total Deposits	419,536	370,581	Total Income	23,764	20,121
Borrowings	29,579	12,651	Noninterest Expense		
Other Liabilities	3,844	4,072	Salaries & Employee Benefits	10,429	9,271
Total Liabilities	452,960	387,304	Occupancy & Equipment	1,378	1,217
			Data Processing & Telecom	1,043	1,131
Stockholders' Equity			Marketing, Business Development	358	264
Common Stock, \$1 par value	5,206	5,203	Professional Fees	355	459
Surplus & Retained Earnings	57,892	53,988	Other	1,427	1,522
Net Income YTD	5,507	3,871	Total Noninterest Expense	14,990	13,864
Total Stockholders' Equity	68,604	63,061	Net Income Before Tax	8,774	6,257
			Income Tax Expense	3,267	2,387
Total Liabilities and Stockholders' Equity	\$521,565	\$450,365	Net Income	\$5,507	\$3,871

Financial Highlights



Dec-15 Dec-16

Operating Results/Ratios	Dec-15	Dec-16
Return on Avg Equity	6.30%	8.33%
Return on Avg Assets	0.89%	1.13%
Net Income (\$'000's)	\$3,871	\$5,507
Efficiency Ratio	65%	60%
Book Value per Share	\$12.12	\$13.18
Earnings per Share	\$0.74	\$1.06
Net Interest Margin	4.57%	4.88%
Yield on Earning Assets	4.97%	5.32%
Cost of Int-Bearing Liabilities	0.64%	0.70%

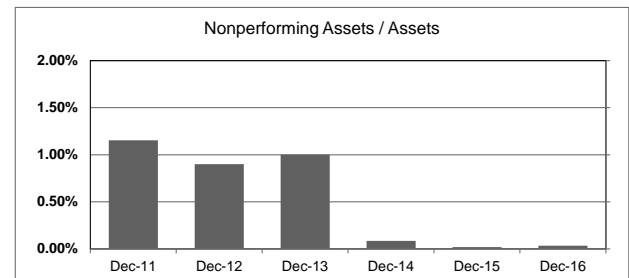
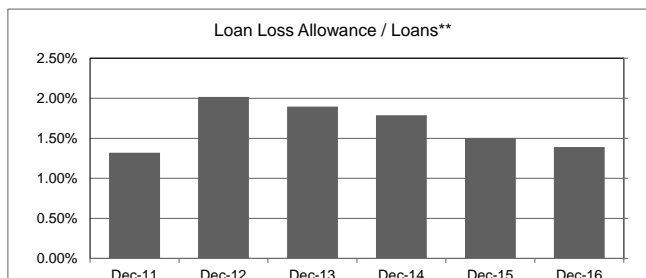
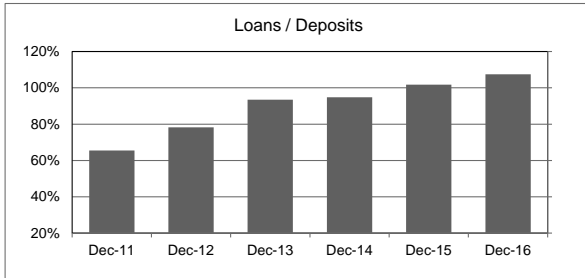
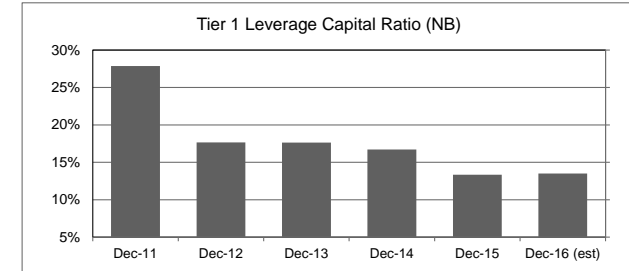
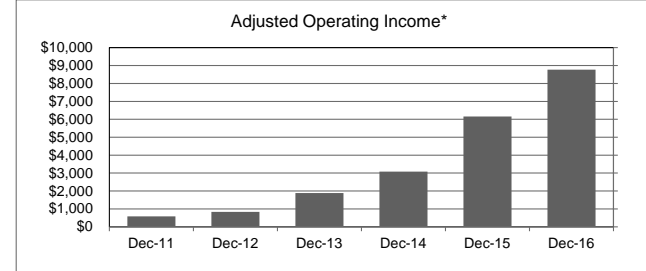
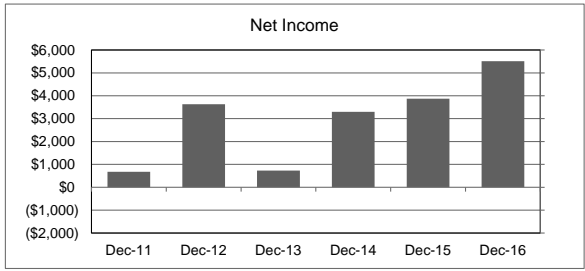
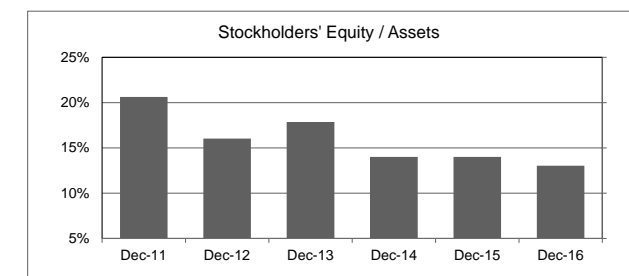
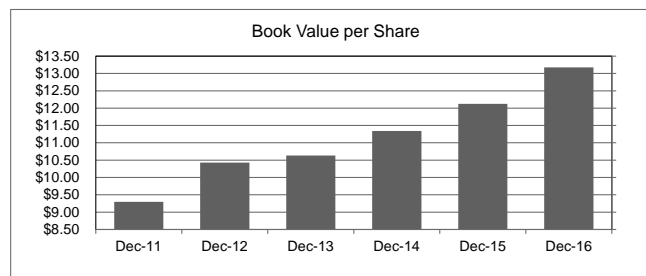
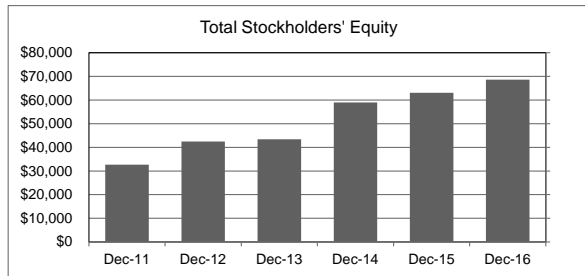
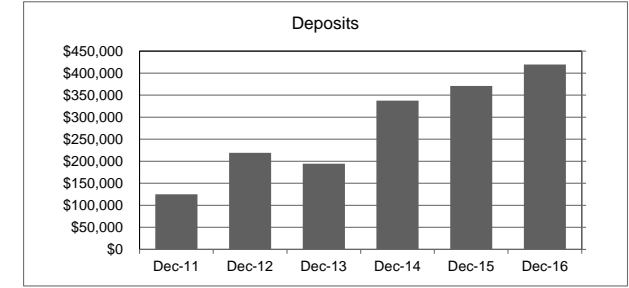
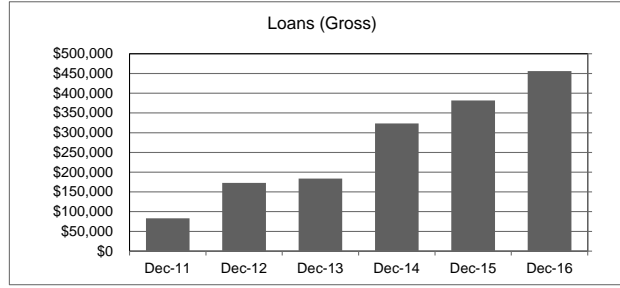
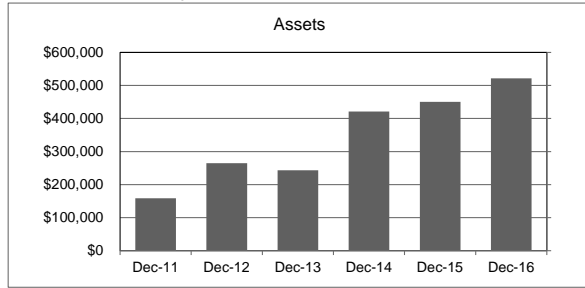
Dec-15 Dec-16

Key Ratios @ Quarter-End	Dec-15	Dec-16
Loans to Deposits	101.9%	107.4%
Loan Loss Allowance to Loans*	1.50%	1.39%
Nonperforming Assets/Assets	0.02%	0.03%
Net Chg Offs/(Recoveries) to Loans	0.01%	0.02%
Quarterly Capital Ratios - Northwest Bank (estimate for most current quarter)		
Leverage Capital Ratio	13.4%	13.0%
Total Risk Based Capital Ratio	13.9%	13.5%

* Includes loans acquired and related FV adjustments in acquisitions of former Regal Financial Bank (Dec 2014) and former Northwest Bank (Aug 2012).

Western Capital Corporation Historical Highlights

\$ in Thousands except Book Value Per Share



* Adjusted Operating Income exclude merger related income and expense, Bargain Purchase Gain and gains/losses on securities.

** Includes loans acquired and related FV adjustments in acquisitions of former Regal Financial Bank (Dec 2014) and former Northwest Bank (Aug 2012).