

July 26 2017

Dear Shareholder:

We are pleased to report the Western Capital Corporation (WCC) financial results for the first half of 2017. WCC recorded net income after-tax of \$3.072 million, or \$0.59 per share, as compared to \$2.494 million or \$0.48 per share for the same period in 2016. The improvement in earnings is mostly the result of improved net interest income before the provision for loan losses related to strong year-over-year loan growth.

Highlights from the first half of 2017 compared to the same period in 2016 are as follows:

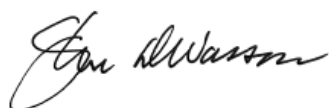
- Total assets grew \$102.3 million, or 21%, to \$598.3 million compared to \$495.9 million a year ago, largely centered in cash and loans.
- Loans grew \$43.8 million, or 10%, to \$475.5 million compared to \$431.6 million a year ago.
- Total deposits grew \$117.6 million, or 30%, to \$505.3 million compared to \$387.7 million a year ago. The growth included a 12% increase in non-interest bearing demand accounts to \$134.8 million.
- Borrowings decreased \$21.7 million to \$18.2 million from the quarter-end a year ago.
- Annualized return on average assets was 1.14% for first half of 2017 as compared to 1.07% for the same period in 2016; annualized return on average equity was 8.76% and 7.76% for the first half of 2017 and 2016, respectively.
- Stockholders' Equity increased 9.5% to \$71.7 million at June 30, 2017, up from \$65.5 million a year earlier.
- Book value per share at June 30, 2017 was \$13.73, an increase from \$12.58 for the same quarter-end a year ago.
- Net interest income before the provision for loan losses was \$12.6 million, an increase of \$1.408 million, or 12.5%, from the first half of 2016 and net interest margin was 4.79% for the first half, down 13 basis points from 4.92% for the first half one year ago. The decline was primarily due to a 4 basis point decrease in the yield on earning assets related to higher cash balances combined with an 11 basis point increase in the cost of interest-bearing liabilities due to change in the deposit mix toward a higher level of CDs. This is related to an increase in longer term CDs to match fund term loans to mitigate interest rate risk.
- A provision for loan losses of \$700,000 was recorded in the first half of 2017 as compared to \$710,000 for the same period a year earlier. The 2017 provision expense is the result of loan growth in the first half as well as a slight increase in nonperforming assets.
- Non-interest income of \$1.306 million was recorded in the first half 2017 and was \$198,000 higher than the prior year first half. The increase was primarily due to higher gains on the sale of government-guaranteed loans resulting from increased volume of loan sales in the first half of 2017 as compared to the same period a year-earlier.

- The efficiency ratio (non-interest expense as a percent of net interest income before the loan loss provision plus non-interest income) improved slightly to 60% for the first half as compared to 61% for the year-earlier first half – an indication of improved efficiencies and expense control relative to revenue growth.
- Tier 1 leverage capital was 12.4%; and, total risk-based capital was 13.0%, 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™, S&P Global Intelligence rated Northwest Bank in the top 2% of all banks nationwide with assets under \$1 Billion.

We remain committed to our mission of exceptional service, exceptional bankers and customized solutions for our customers’ financial needs. To that end, we hired several bankers during the first half of 2017 in Idaho, Oregon and Washington to expand our presence in each of our markets to service the needs of our customers.

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

Sincerely,



Steven D. Wasson
Chief Executive Officer
Western Capital Corporation
503-905-3232



Jeff Gow
Chairman
Western Capital Corporation

Enclosure

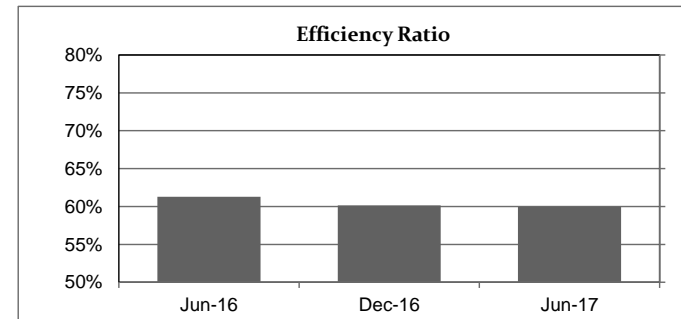
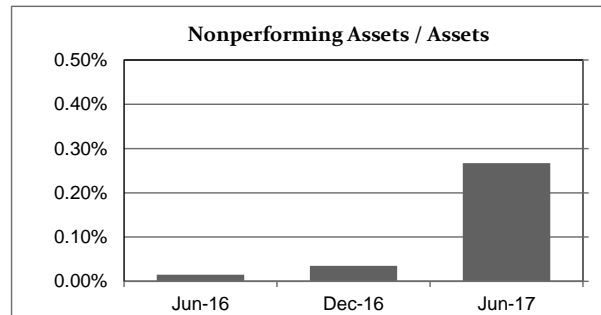
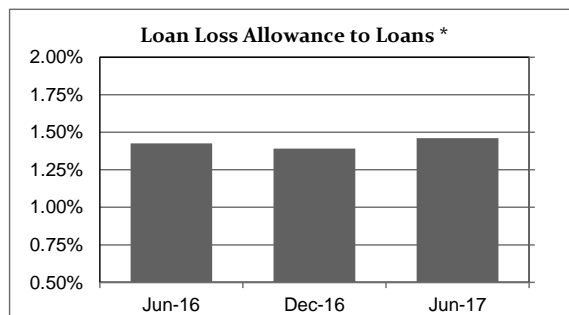
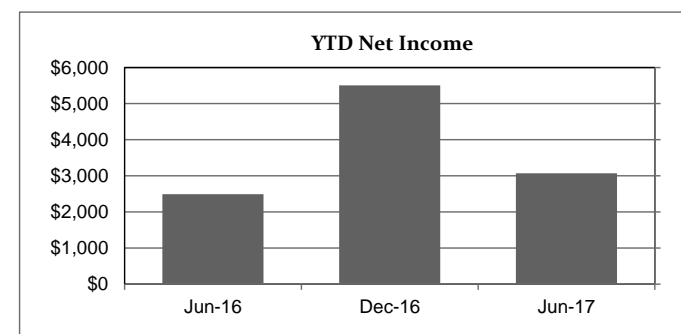
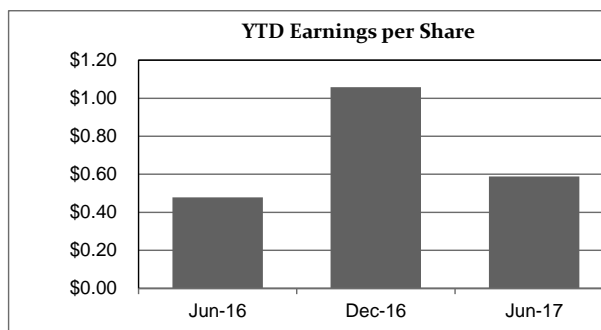
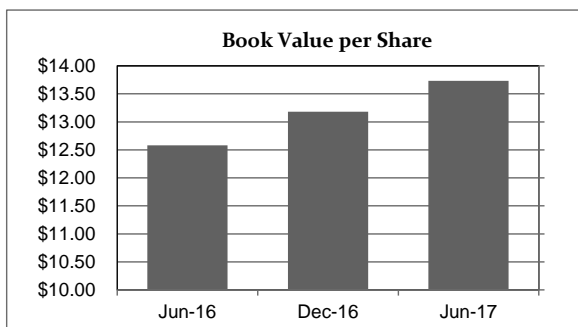
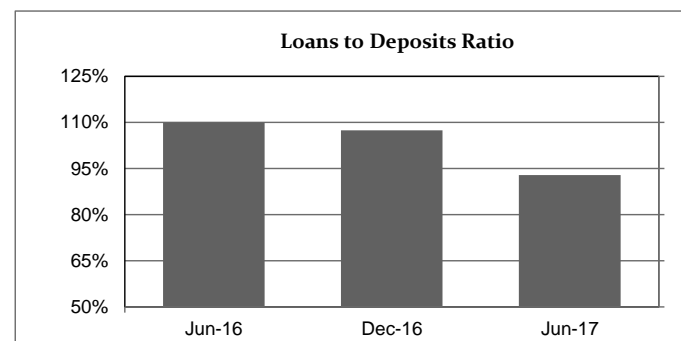
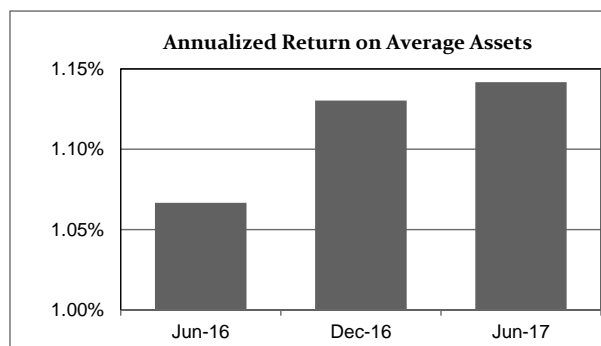
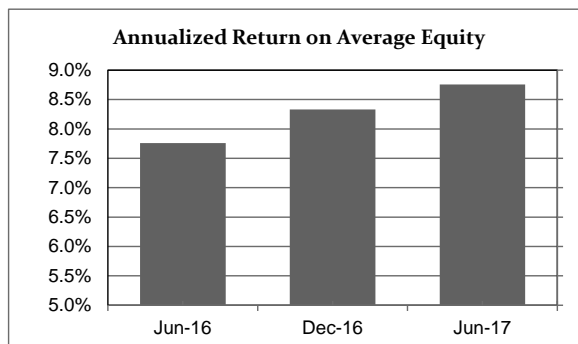
This communication contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from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



\$ in Thousands

<u>Statement of Condition</u>	30-Jun-17	31-Dec-16	30-Jun-16	<u>Statement of Income</u>	For the six months ending	
					30-Jun-17	30-Jun-16
Assets				Interest Income		
Cash and Due from Banks	\$92,507	\$34,220	\$33,123	Loans	\$13,539	\$11,926
Investment Securities	24,460	24,746	24,012	Investments	469	290
Loans	475,479	456,145	431,635	Total Interest Income	14,008	12,216
Allowance for Loan Losses	(6,074)	(5,370)	(4,916)	Interest Expense		
Loans, net of Allowance for Loan Losses	469,405	450,775	426,719	Deposits	1,111	731
				Borrowings	251	248
Real Estate Owned	0	0	0	Total Interest Expense	1,363	978
Deferred Tax Asset, net	5,722	5,536	5,740	Net Interest Income before		
Accrued Interest & Other Assets	6,189	6,263	6,343	Provision for Loan Losses	12,645	11,237
				Provision for Loan Losses	700	710
Total Assets	598,283	521,540	495,936	Net Interest Income after		
				Provision for Loan Losses	11,945	10,527
Liabilities				Noninterest Income		
Deposits				Gain on Sale of Government		
Noninterest-Bearing Demand Deposits	134,786	123,116	120,401	Guaranteed Loans	837	699
Interest-Bearing Checking	10,191	10,696	10,550	Other Noninterest Income	468	408
Money Market & Savings Accounts	205,691	184,568	180,673	Total Income	13,251	11,635
Certificates of Deposit	154,622	100,898	76,104			
Total Deposits	505,290	419,278	387,727	Noninterest Expense		
Borrowings	18,234	29,579	39,918	Salaries & Employee Benefits	6,016	5,344
Other Liabilities	3,057	4,078	2,820	Occupancy & Equipment	681	694
				Data Processing & Telecom	568	544
Total Liabilities	526,581	452,935	430,465	Marketing, Business Development	138	145
				Professional Fees	151	207
Stockholders' Equity				Other	811	717
Common Stock, \$1 par value	5,222	5,206	5,204	Total Noninterest Expense	8,364	7,650
Surplus & Retained Earnings	63,409	57,892	57,774	Net Income Before Tax	4,887	3,985
Net Income YTD	3,071	5,507	2,494			
Total Stockholders' Equity	71,702	68,604	65,471	Income Tax Expense	1,815	1,491
Total Liabilities and Stockholders' Equity	\$598,283	\$521,540	\$495,936	Net Income	\$3,072	\$2,494

Financial Highlights



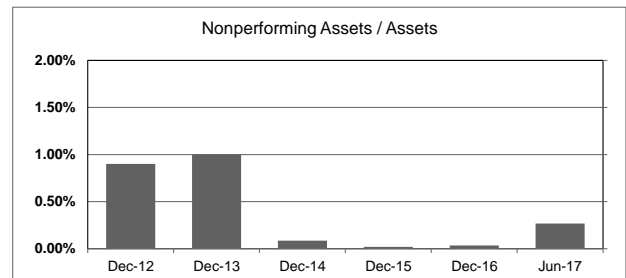
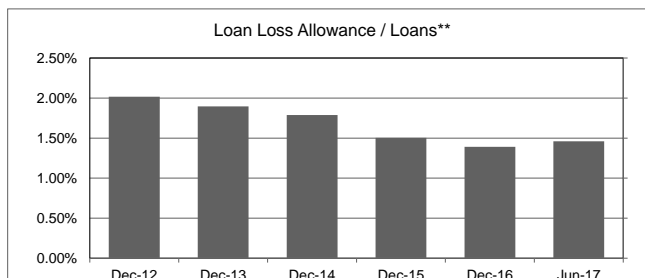
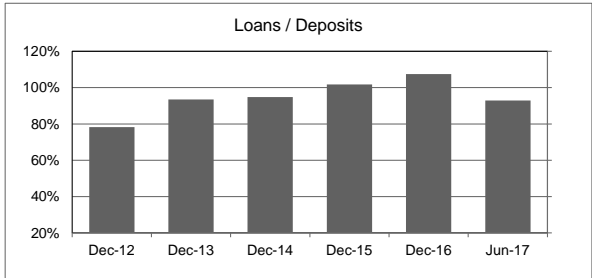
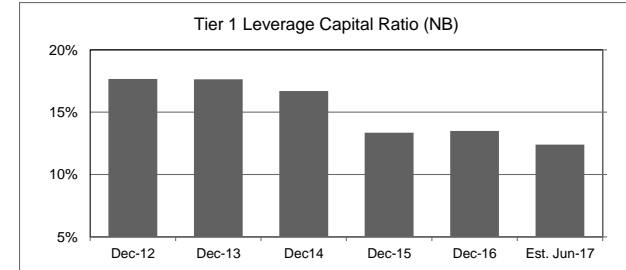
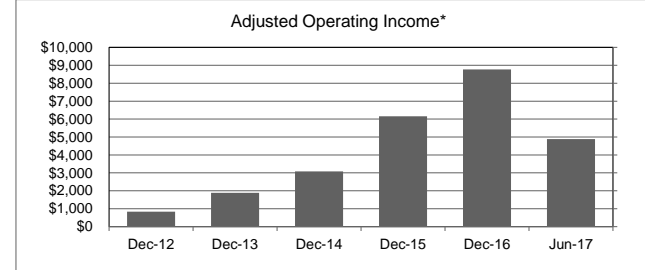
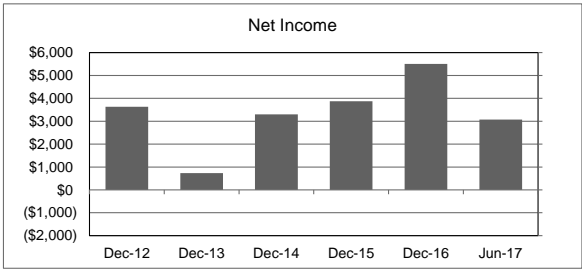
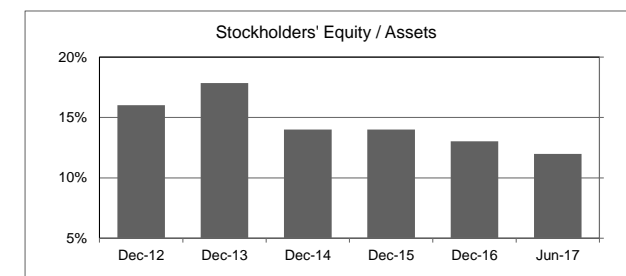
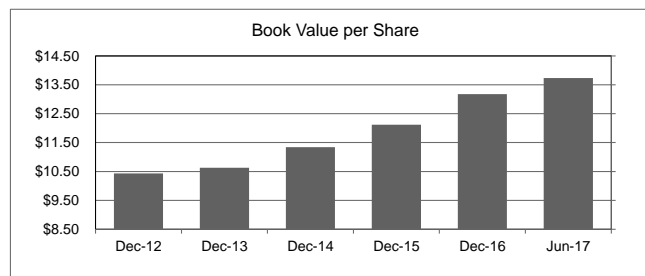
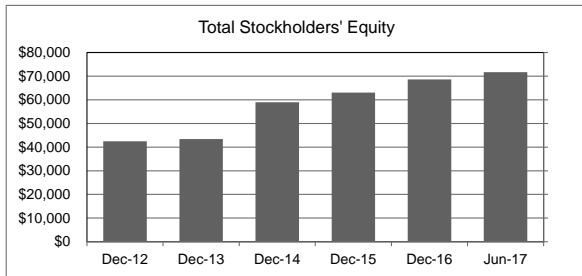
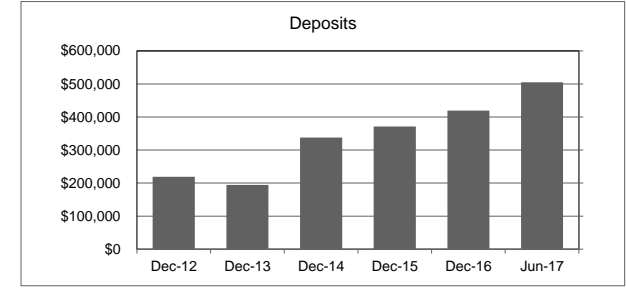
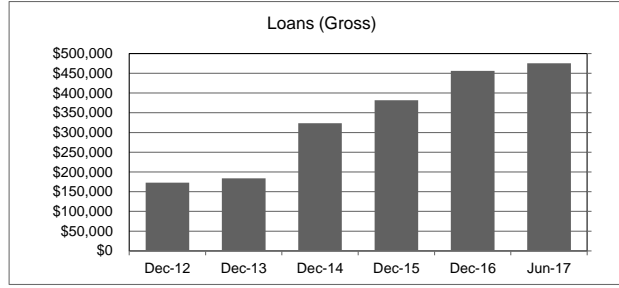
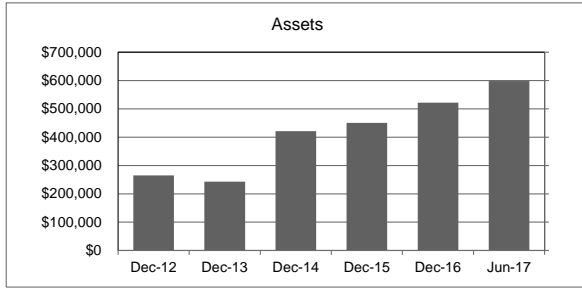
	Jun-16	Dec-16	Jun-17
Operating Results/Ratios - YEAR-TO-DATE			
Return on Avg Equity	7.76%	8.33%	8.76%
Return on Avg Assets	1.07%	1.13%	1.14%
Net Income (\$000's)	\$2,494	\$5,507	\$3,072
Efficiency Ratio	61%	60%	60%
Book Value per Share	\$12.58	\$13.18	\$13.73
Earnings per Share	\$0.48	\$1.06	\$0.59
Net Interest Margin	4.92%	4.88%	4.79%
Yield on Earning Assets	5.34%	5.32%	5.30%
Cost of Int-Bearing Liabilities	0.69%	0.70%	0.80%

	Jun-16	Dec-16	Jun-17
Key Ratios @ Quarter-End			
Loans to Deposits	110.1%	107.4%	92.9%
Loan Loss Allowance to Loans*	1.43%	1.39%	1.46%
Nonperforming Assets/Assets	0.01%	0.03%	0.27%
Net Chg Offs/(Recoveries) to Loans	0.02%	0.02%	0.00%
Quarterly Capital Ratios - Northwest Bank (estimate for most current quarter)			
Leverage Capital Ratio	13.2%	13.0%	12.4%
Total Risk Based Capital Ratio	13.3%	13.5%	13.0%

* 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).

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