

December 11, 2024

Dear Shareholder:

Western Capital Corporation (WCC) is pleased to announce our financial performance for the quarter ending September 30, 2024.

This quarter's results emphasize our continued strategic growth, supported by a strong balance sheet, diverse income sources, proactive capital and liquidity management, and a disciplined approach to credit and interest rate risk management. For the nine months ending September 30, 2024, WCC reported earnings of \$16.5 million, achieving a return on average assets (ROAA) of 1.63%. Our strong financial performance is particularly noteworthy given our conservative liquidity and capital management, which incurs additional costs. Notwithstanding, we continue to deliver industry-leading return on equity. Overall, we are satisfied with our strong risk-adjusted returns.

The balance sheet remains highly liquid and well-capitalized, with a Tier 1 Leverage Ratio of 13.79%, significantly exceeding the regulatory requirement of 4.5% (Common equity tier 1 (CET1) capital ratio). Our liquid assets, including cash and U.S. Treasury securities maturing within 12 months, amount to \$322.0 million, representing 22.5% of total assets and 29.4% of total deposits.

As we enter the final quarter of 2024, we expect continued growth and sustainable financial performance. Year-to-date financial performance benefited from current year loan growth and securities purchased in 2023. As securities mature within the portfolio over the next four quarters, replacing securities with assets of similar volume and yield may be challenging.

We remain committed to our core fundamentals as we navigate potential market turbulence. Given the ongoing volatility in the banking sector, which is likely to persist into 2025, we anticipate heightened strain within direct competitors, creating new opportunities for selective growth in both loans and deposits.

Key performance and balance sheet highlights for the quarter ended September 30, 2024, include:

- Net Income of \$16.5 million was \$2.9 million, 21.3% higher than the comparable period in 2023. Net interest margin remained strong, increasing by 39 basis points during the prior nine months to 4.64%.
- ROAA of 1.63% increased from 1.39% at December 31, 2023, and return on average equity of 13.66% increased from 13.17% at December 31, 2023.
- Total assets grew \$112.0 million, or 8.5%, to \$1.43 billion, as compared to \$1.32 billion on December 31, 2023.

- Total loans grew \$123.2 million, or 16.8%, to \$854.7 million, as compared to \$731.5 million on December 31, 2023.
- Total deposits grew \$104.1 million, or 10.5%, to \$1.09 billion, as compared to \$987.2 million on December 31, 2023.
- Cost of interest-bearing liabilities increased to 4.23% for the nine months ended September 30, 2024, compared to 3.36% for same period in 2023, as deposit rates and market competition increased during the period.
- Efficiency ratio of 52.63% reflects a strong emphasis on prudent control of expenses.
- Asset quality improved during the quarter, however declined slightly as compared to December 31, 2023, with non-performing assets increased to \$9.6 million from \$2.9 million, primarily attributed to one commercial real estate loan. Non-performing assets as a percentage of total assets represents 0.67%, as of September 30, 2024.
- The allowance for credit losses was conservatively funded at 1.53% of total loans.

We greatly appreciate your continued support and are committed to delivering long-term value to our shareholders through stock appreciation and consistent dividends. As we adapt to the evolving financial landscape, we prioritize maintaining the strength and stability of our institution, ensuring your trust and investment are well rewarded.

We invite you to connect with our team or refer family, friends, and associates to experience the personalized service and tailored financial solutions, including liquidity structuring. Your support helps us grow our community of satisfied clients, reinforcing the strong foundation for our future success. Thank you for being a vital part of our journey, and we look forward to building lasting relationships that benefit us all.

Sincerely,



Jeff Gow
Chairman, Chief Executive Officer, Northwest Bank
Chairman, Western Capital Corporation



Kyle Leyendecker
President and Chief Operating Officer, Northwest Bank
Director, Northwest Bank | Western Capital Corporation

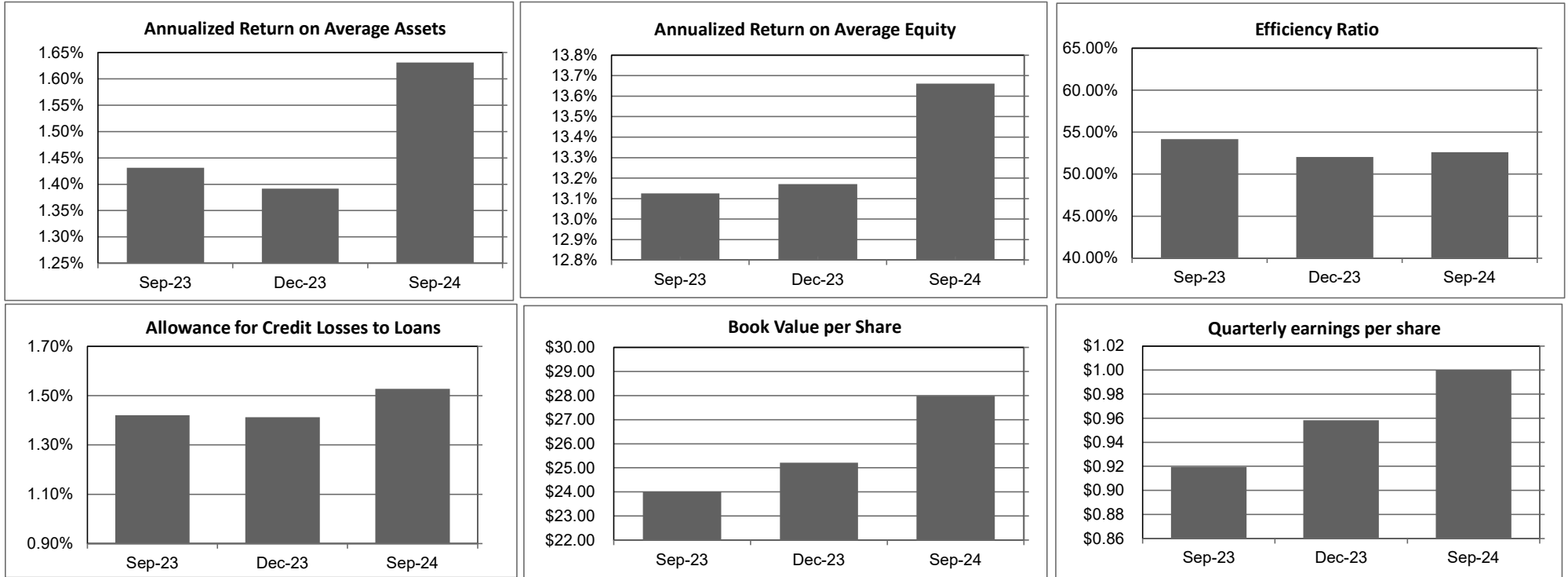
This communication contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from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

Western Capital Corp.

Unaudited
\$ in Thousands

<u>Statement of Condition</u>	<u>30-Sep-23</u>	<u>31-Dec-23</u>	<u>30-Sep-24</u>	<u>Statement of income</u>	<u>For the nine months ending</u>	<u>30-Sep-23</u>	<u>30-Sep-24</u>
Assets				Interest income			
Cash and due from banks	121,025	136,017	222,107	Loans	43,858	51,502	
Investment securities	535,634	427,083	332,727	Investments	20,820	24,165	
Loans	753,947	731,546	854,772	Total interest income	64,678	75,667	
Allowance for credit losses	(10,717)	(10,333)	(13,055)	Interest expense			
Loans, net of Allowance for credit losses	743,230	721,213	841,717	Deposits	20,394	25,292	
Deferred tax asset, net	7,348	7,210	6,720	Borrowings	2,241	4,443	
Accrued interest & other assets	28,235	29,276	29,498	Total interest expense	22,635	29,735	
Total assets	1,435,472	1,320,799	1,432,769	Net interest income before			
Liabilities				provision for credit losses	42,043	45,932	
Deposits				Provision for credit losses	1,741	1,669	
Noninterest-bearing demand deposits	254,704	231,497	223,588	Net interest income after			
Interest-bearing checking	66,307	80,864	85,167	provision for credit losses	40,302	44,263	
Money market & savings accounts	534,460	407,539	415,299	Noninterest income			
Certificates of deposit	286,093	267,337	367,241	Gain on sale of government			
Total deposits	1,141,564	987,237	1,091,295	guaranteed loans	1,073	1,422	
Borrowings	123,778	163,697	153,450	Other noninterest income	230	915	
Other liabilities	25,751	17,067	17,358	Total noninterest income	1,303	2,337	
Total liabilities	1,291,093	1,168,001	1,262,103	Noninterest expense			
Stockholders' equity				Salaries & employee benefits	16,891	18,031	
Common stock, \$1 par value	6,014	6,060	6,099	Occupancy & equipment	1,380	1,600	
Surplus & retained earnings	124,764	127,331	148,077	Data processing & telecom	1,594	1,741	
Net income YTD	13,601	19,407	16,490	Professional fees	1,243	688	
Total stockholders' equity	144,379	152,798	170,666	Other	2,382	3,342	
Total liabilities and stockholders' equity	1,435,472	1,320,799	1,432,769	Total noninterest expense	23,490	25,402	
				Net income before tax	18,115	21,198	
				Income tax expense	4,515	4,708	
				Net income	13,600	16,490	

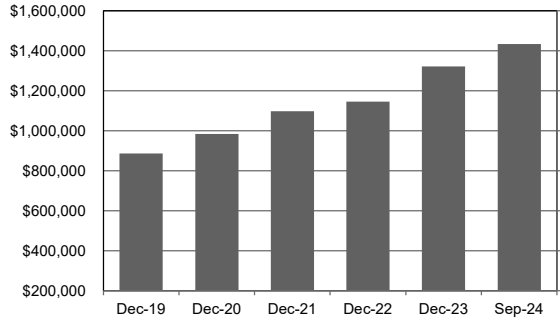
Western Capital Corporation - Current Financial Performance



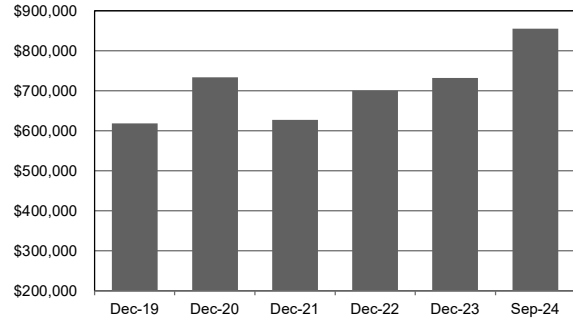
	Sep-23	Dec-23	Sep-24	Sep-23	Dec-23	Sep-24	
Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED				Key Ratios @ Quarter-End			
Return on avg equity	13.13%	13.17%	13.66%	Loans (net of allowance) to deposits	65.11%	73.05%	77.13%
Return on avg assets	1.43%	1.39%	1.63%	Allowance for credit losses to loans	1.42%	1.41%	1.53%
Quarterly net income (\$'000's)	\$ 5,531	\$ 5,808	\$ 6,100	Nonperforming assets/assets	0.24%	0.22%	0.67%
Efficiency ratio	54.19%	52.06%	52.63%	Net chg-offs(recoveries) to loans	0.15%	0.21%	-0.08%
Book value per share	\$ 24.01	\$ 25.21	\$ 27.98	Quarterly capital ratio - Northwest Bank			
Quarterly earnings per share	\$ 0.92	\$ 0.96	\$ 1.00	Tier 1 leverage ratio	11.83%	12.23%	13.79%
Net interest margin	4.54%	4.25%	4.64%				
Yield on earning assets	6.99%	6.70%	7.64%				
Cost of int-bearing liabilities	3.63%	3.36%	4.23%				

Western Capital Corporation - Historical Financial Performance

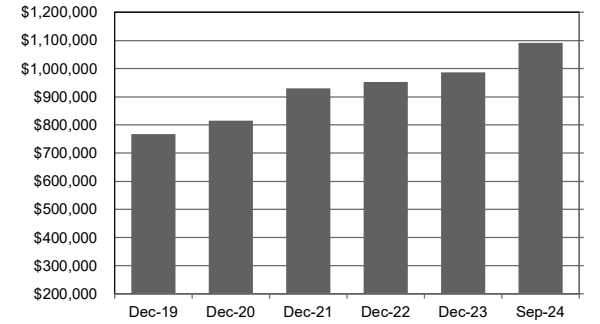
Assets



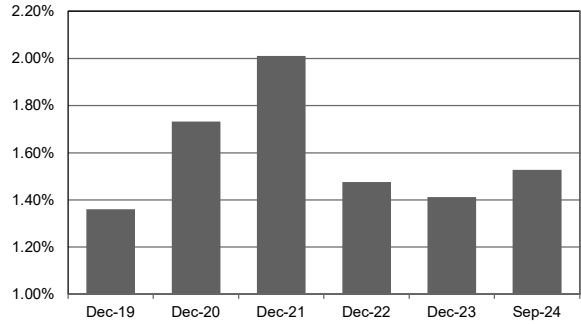
Loans (Gross)



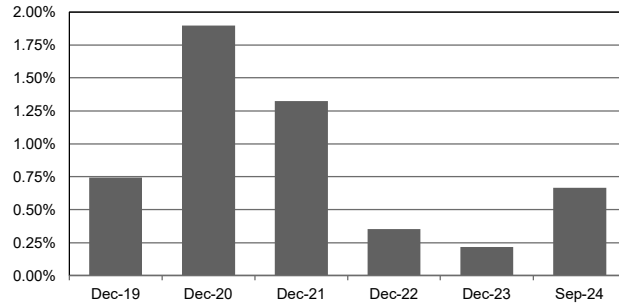
Deposits



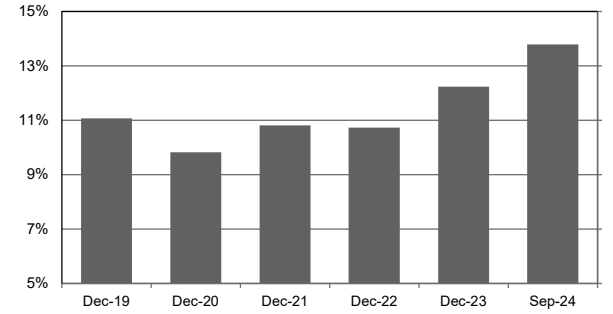
Allowance for Credit Losses / Loans



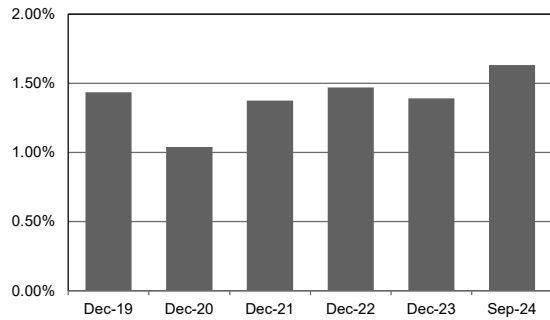
Nonperforming Assets / Assets



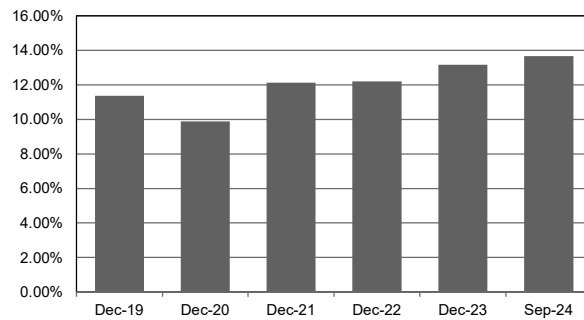
Tier 1 Leverage Capital Ratio (NB)



Return on Average Assets (YTD)



Return on Average Equity (YTD)



Book Value per Share

