

August 28, 2024

Dear Shareholder:

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

This quarter's results highlight our ongoing strategic growth, supported by a solid balance sheet, diverse income streams, proactive capital and liquidity management, and disciplined oversight of credit and interest rate risks. WCC recognized earnings of \$10.4 million, representing a 1.56% return on average assets (ROAA), primarily driven by the expansion of our loan portfolio in the current high-interest rate environment.

WCC's balance sheet continues to be highly liquid and strongly capitalized, as demonstrated by a Tier 1 Leverage Ratio of 13.67%, well above the regulatory requirement of 5%. Our current liquid assets, including cash and U.S. Treasury securities maturing within 15 months, total \$236.7 million, accounting for 17.5% of total assets.

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

- Net Income of \$10.4 million was \$2.3 million, 28.8% higher than the first six months of 2023. Net interest margin remained strong, increasing by 36 basis points during the prior six months to 4.61%.
- ROAA of 1.56% increased from 1.39% at December 31, 2023, and return on average equity of 13.20% increased from 13.17% at December 31, 2023.
- Total assets grew \$28 million, or 2.1%, to \$1.35 billion, as compared to \$1.32 billion on December 31, 2023.
- Total loans grew \$78 million, or 10.7%, to \$809.6 million, as compared to \$731.5 million on December 31, 2023.
- Total deposits grew \$68.4 million, or 6.9%, to \$1.06 billion, as compared to \$987.2 million on December 31, 2023.
- Cost of interest-bearing liabilities increased to 4.18%, compared to 3.36% for 2023, as deposit rates and market competition increased during the period.
- Efficiency ratio of 52.62% reflects a strong emphasis on prudent control of expenses.
- Asset quality has declined slightly as compared to December 31, 2023, with non-performing assets increased to \$10.9 million from \$2.9 million, primarily attributed to one commercial real estate loan. Non-performing assets as a percentage of total assets represents 0.81%, as of June 30, 2024.
- The allowance for credit losses was adequately funded at 1.50% of total loans.

As we look ahead to the second half of 2024, we anticipate continued growth and sustainable financial performance, while remaining disciplined and focused on our core fundamentals to navigate expected market turbulence. In light of the continued volatility experienced in the banking industry, we expect similar conditions to persist into 2025. As a result, we foresee a significant increase in lending apprehension from competitors, which we believe will create new opportunities for us through selective loan and securities growth.

We deeply value and appreciate your continued support, and we are steadfast in our commitment to delivering sustained value to our shareholders through both long-term stock appreciation and consistent dividends. As we navigate the evolving financial landscape, our focus remains on maintaining the strength and stability of our institution, ensuring that our shareholders are rewarded for their trust and investment in us.

We encourage you to connect personally with our team members or refer your family, friends, and business associates to explore the many advantages of banking with Northwest Bank. Our team is dedicated to providing personalized service and tailored lending and deposit solutions that meet the unique needs of each customer. By sharing the benefits of our offerings, you help us expand our community of satisfied clients, reinforcing the strong foundation upon which our future growth is built. Your support is instrumental in our success, and we look forward to fostering long-term relationships that benefit everyone involved.

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

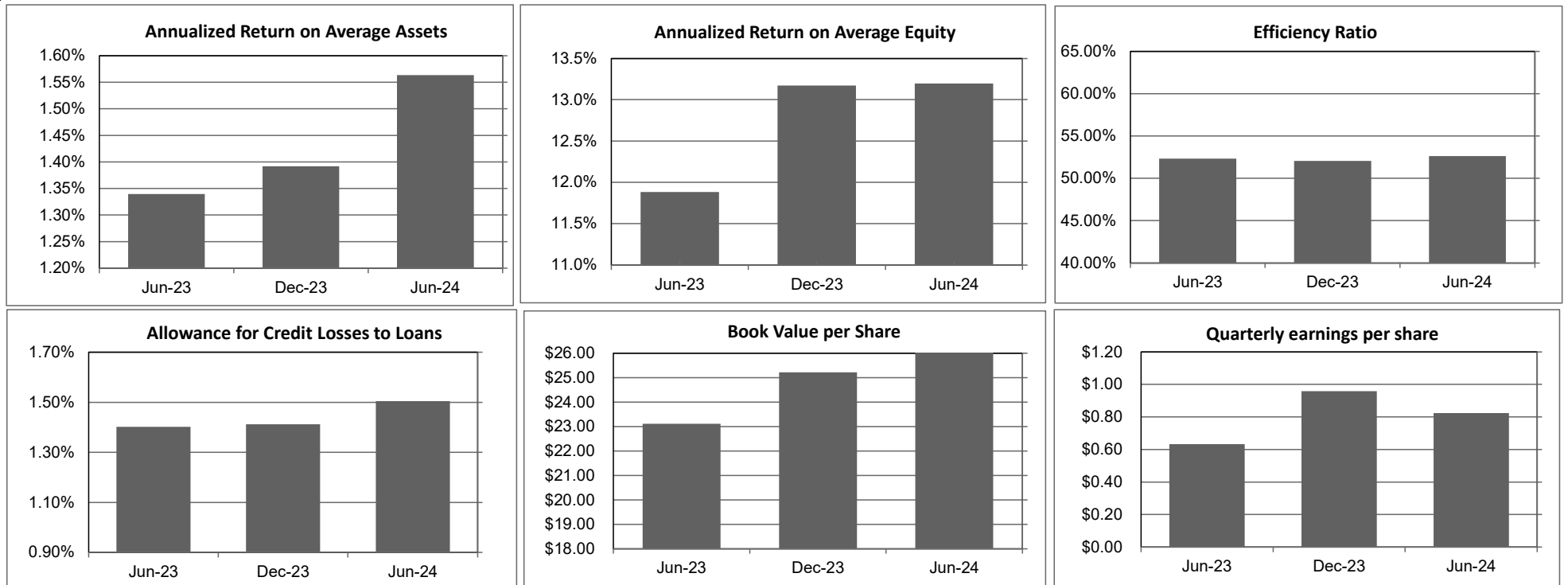
This communication contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from 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-Jun-23</u>	<u>31-Dec-23</u>	<u>30-Jun-24</u>	<u>Statement of income</u>	<u>For the six months ending</u>	<u>30-Jun-23</u>	<u>30-Jun-24</u>
Assets				Interest income			
Cash and due from banks	182,123	136,017	136,877	Loans	28,000	33,070	
Investment securities	390,363	427,083	377,797	Investments	12,456	16,168	
Loans	743,486	731,546	809,626	Total interest income	40,456	49,238	
Allowance for credit losses	(10,420)	(10,333)	(12,183)	Interest expense			
Loans, net of Allowance for credit losses	733,066	721,213	797,443	Deposits	12,139	16,262	
Deferred tax asset, net	6,491	7,210	7,434	Borrowings	820	2,942	
Accrued interest & other assets	24,074	29,276	29,411	Total interest expense	12,959	19,204	
Total assets	1,336,117	1,320,799	1,348,962	Net interest income before			
Liabilities				 provision for credit losses	27,497	30,034	
Deposits				Provision for credit losses	2,650	1,013	
Noninterest-bearing demand deposits	268,934	231,497	217,453	Net interest income after			
Interest-bearing checking	85,079	80,864	86,994	 provision for credit losses	24,847	29,021	
Money market & savings accounts	399,773	407,539	406,117	Noninterest income			
Certificates of deposit	330,215	267,337	345,122	Gain on sale of government			
Total deposits	1,084,001	987,237	1,055,686	guaranteed loans	579	981	
Borrowings	98,859	163,697	113,533	Other noninterest income	(105)	371	
Other liabilities	14,364	17,067	16,690	Total noninterest income	474	1,352	
Total liabilities	1,197,224	1,168,001	1,185,909	Noninterest expense			
Stockholders' equity				Salaries & employee benefits	11,234	11,987	
Common stock, \$1 par value	6,011	6,060	6,060	Occupancy & equipment	893	1,051	
Surplus & retained earnings	124,813	127,331	146,604	Data processing & telecom	1,076	1,142	
Net income YTD	8,069	19,407	10,389	Professional fees	720	466	
Total stockholders' equity	138,893	152,798	163,053	Other	707	1,870	
Total liabilities and stockholders' equity	1,336,117	1,320,799	1,348,962	Total noninterest expense	14,630	16,516	
				Net income before tax	10,691	13,857	
				Income tax expense	2,622	3,467	
				Net income	8,069	10,390	

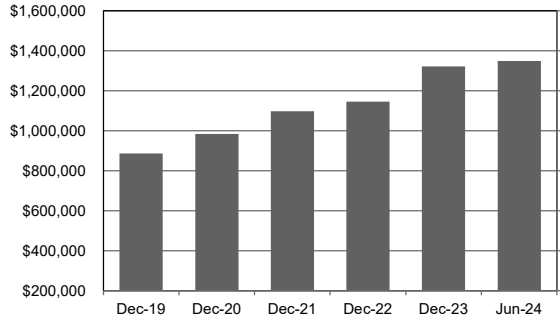
Western Capital Corporation - Current Financial Performance



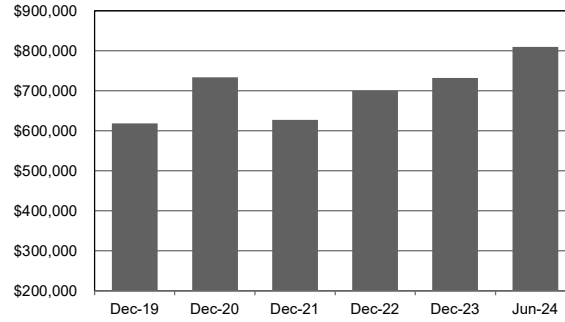
	Jun-23	Dec-23	Jun-24		Jun-23	Dec-23	Jun-24
Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED				Key Ratios @ Quarter-End			
Return on avg equity	11.88%	13.17%	13.20%	Loans (net of allowance) to deposits	67.63%	73.05%	75.54%
Return on avg assets	1.34%	1.39%	1.56%	Allowance for credit losses to loans	1.40%	1.41%	1.50%
Quarterly net income (\$'000's)	\$ 3,804	\$ 5,808	\$ 4,992	Nonperforming assets/assets	0.28%	0.22%	0.81%
Efficiency ratio	52.30%	52.06%	52.62%	Net chg-offs(recoveries) to loans	0.08%	0.21%	-0.04%
Book value per share	\$ 23.11	\$ 25.21	\$ 26.91	Quarterly capital ratio - Northwest Bank			
Quarterly earnings per share	\$ 0.63	\$ 0.96	\$ 0.82	Tier 1 leverage ratio	12.27%	12.23%	13.67%
Net interest margin	4.69%	4.25%	4.61%				
Yield on earning assets	6.89%	6.70%	7.56%				
Cost of int-bearing liabilities	3.39%	3.36%	4.18%				

Western Capital Corporation - Historical Financial Performance

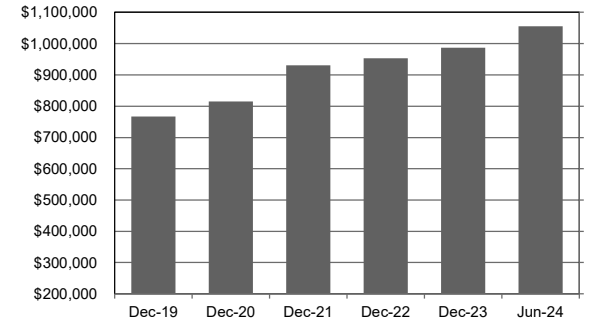
Assets



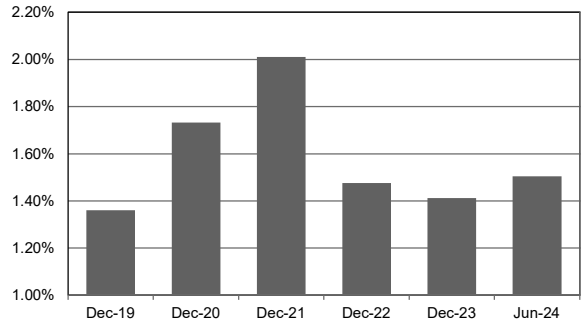
Loans (Gross)



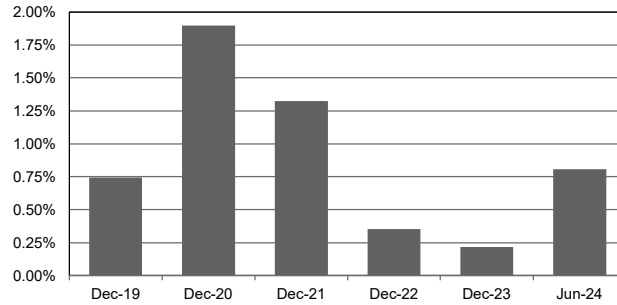
Deposits



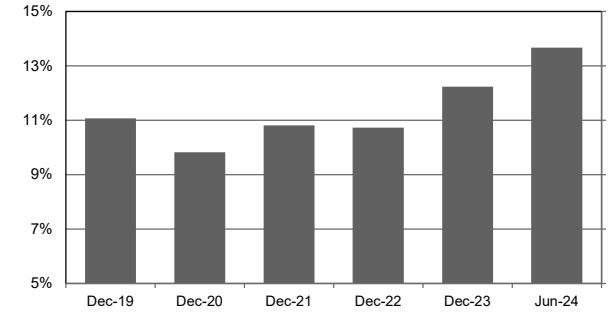
Allowance for Credit Losses / Loans



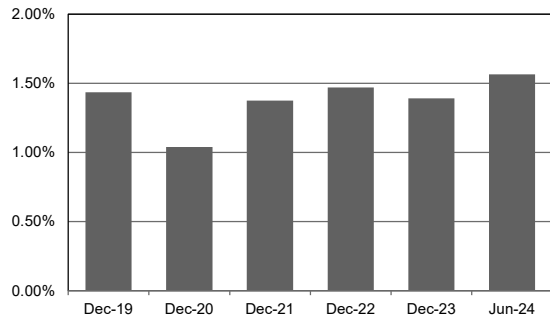
Nonperforming Assets / Assets



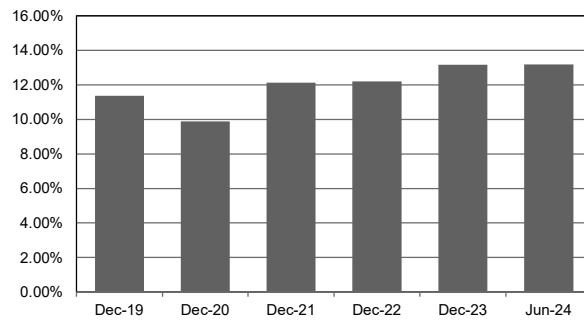
Tier 1 Leverage Capital Ratio (NB)



Return on Average Assets (YTD)



Return on Average Equity (YTD)



Book Value per Share

