

March 13, 2024

Dear Shareholder

Western Capital Corporation (WCC) is pleased to provide our financial performance for the twelve-month period ended December 31, 2023.

Our annual results demonstrate strong and sustained growth momentum attributed to the strength and resiliency of our balance sheet, capital and liquidity management, disciplined credit risk administration, and diversified revenue streams. WCC earned \$19.4 million, a 1.41% return on average assets (ROAA), which was achieved through growth in loans and investments in the current elevated interest rate environment. Total assets grew by 15.3% over the past twelve months to \$1.3 billion.

We continue to manage the balance sheet of WCC conservatively, specifically in asset growth, focusing on higher quality risk adjusted returns within the loan and securities portfolios, and limiting enterprise-level interest rate risk.

The Bank's balance sheet remains highly liquid and well capitalized with a Tier 1 Leverage Ratio of 12.23%, that is well above regulatory guidelines. In recent years the bank has experienced exceptional deposit growth. Since 2018 deposits increased by 76%, ending 2023 at \$987 million in Total Deposits. Current liquidity including cash and US Treasury securities maturing within 20 months were \$255.7 million (19.4%) of Total Assets of \$1.3 billion.

Key performance and balance sheet highlights for the year ended December 31, 2023, include:

- Net Income of \$19.4 million was \$3.8 million higher than in 2022. Net interest margin remained strong despite declining by five basis points to 4.24%.
- ROAA of 1.41% decreased from 1.47% for 2022 and return on average equity of 12.79% increased from 12.20% for 2022.
- Total assets grew \$175 million, or 15.3%, to \$1.3 billion, as compared to \$1.1 billion on December 31, 2022.
- Total deposits grew \$34.1 million, or 3.6%, to \$987.2 million, as compared to \$953.1 million on December 31, 2022.
- Cash and US Treasury securities holdings maturing within 20 months represented 19.4% of total assets.
- Cost of interest-bearing liabilities increased to 3.37%, compared to 1.42% for 2022, as deposit rates and market competition increased during the period.

- Total equity remained very strong with a tier 1 leverage ratio of 12.23%.
- Efficiency ratio of 52.06% reflects a strong emphasis on prudent control of expenses.
- Asset quality has improved significantly compared to December 31, 2022, and remains stable with non-performing assets reduced from \$4.0 million to \$2.9 million. Non-performing assets as a percentage of total assets represents 0.22%, as of December 31, 2023.
- The allowance for credit losses was adequately funded at 1.41% of total loans.

As we look forward to 2024, we foresee continued growth and sustainable financial performance as we remain disciplined and focused on our fundamentals to navigate expected market turbulence. Given the volatility experienced in the banking industry in 2023, we expect that these conditions will continue in 2024 and as a result we foresee a significant increase in lending apprehension that will create opportunity for us.

Due to our strong capital position, we remain a “safe harbor” for customers to utilize our very attractively priced deposit products that can be customized for individual customer’s need. Please reach out personally or refer your family, friends, and business associates to any of our team members, who can explain the benefits of being a Northwest Bank customer. We value and appreciate your support, which is why we are committed to continuing shareholder reward in the form of long-term stock value appreciation and dividend return.

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.

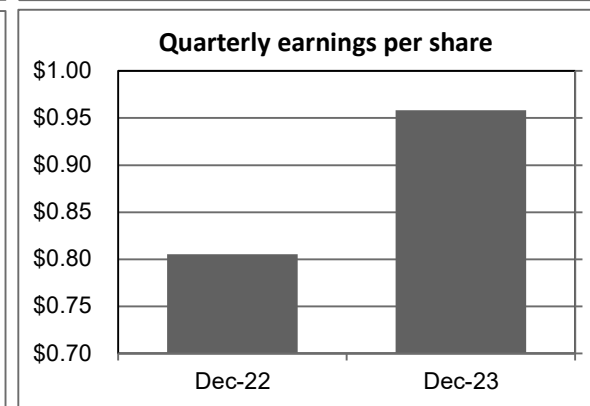
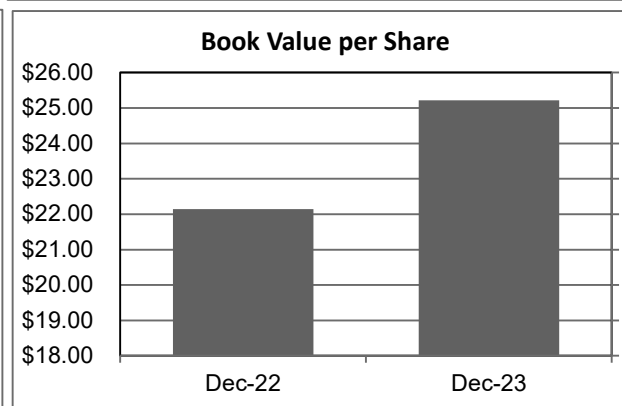
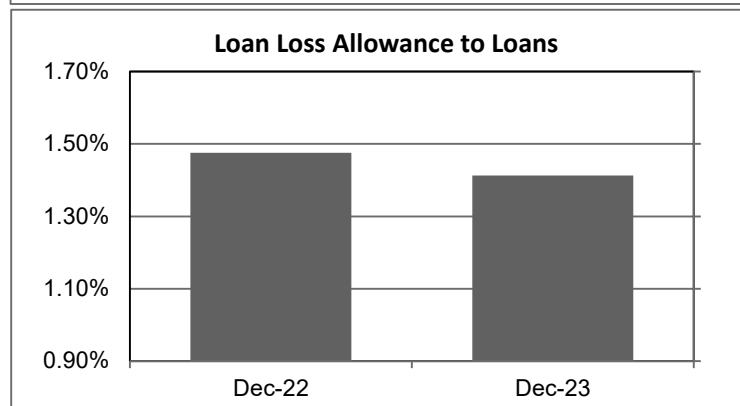
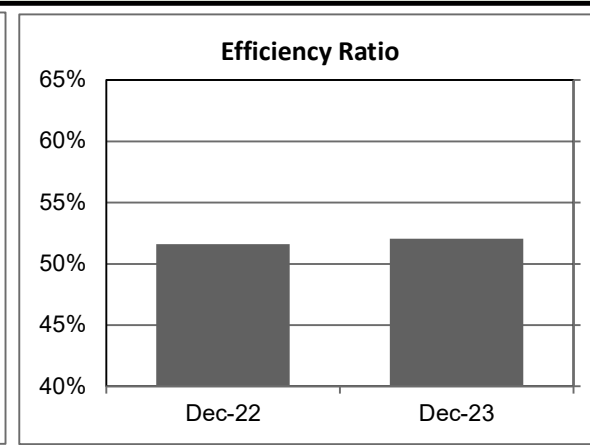
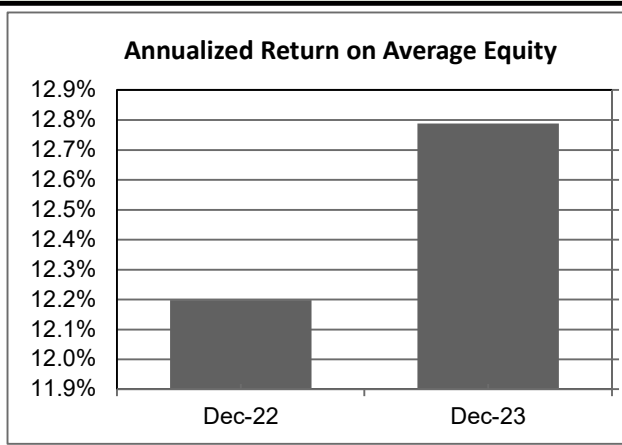
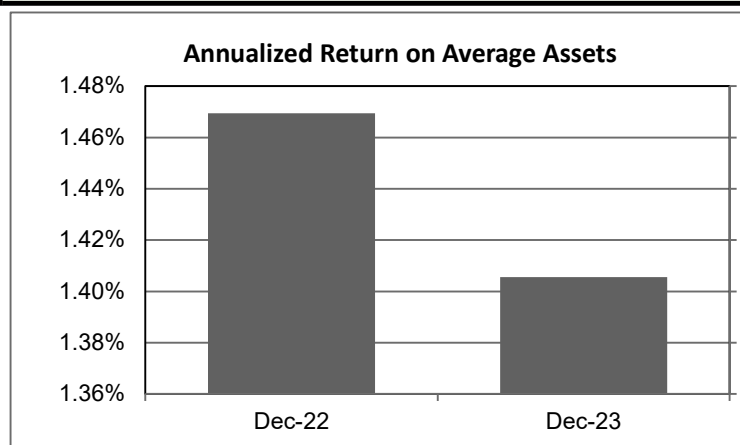
Western Capital Corp.

Unaudited
\$ in Thousands

Statement of Condition	31-Dec-22	31-Dec-23
Assets		
Cash and due from banks	202,599	136,016
Investment securities	228,295	427,082
Loans	699,980	731,546
Allowance for credit losses	(10,325)	(10,333)
Loans, net of Allowance for credit losses	689,655	721,213
Deferred tax asset, net	6,071	7,210
Accrued interest & other assets	19,283	29,278
Total assets	1,145,903	1,320,799
Liabilities		
Deposits		
Noninterest-bearing demand deposits	347,676	231,496
Interest-bearing checking	88,832	80,864
Money market & savings accounts	313,578	407,538
Certificates of deposit	203,053	267,336
Total deposits	953,139	987,234
Borrowings	49,499	163,697
Other liabilities	9,704	17,069
Total liabilities	1,012,342	1,168,000
Stockholders' equity		
Common stock, \$1 par value	6,033	6,060
Surplus & retained earnings	111,965	127,332
Net income YTD	15,563	19,407
Total stockholders' equity	133,561	152,799
Total liabilities and stockholders' equity	1,145,903	1,320,799

Statement of income	For the twelve months ending	
	31-Dec-22	31-Dec-23
Interest income		
Loans	45,056	60,019
Investments	8,962	29,769
Total interest income	54,018	89,788
Interest expense		
Deposits	7,945	29,108
Borrowings	681	3,710
Total interest expense	8,626	32,818
Net interest income before provision for credit losses	45,392	56,970
Provision for credit losses	2,750	2,628
Net interest income after provision for credit losses	42,642	54,342
Noninterest income		
Gain on sale of government guaranteed loans	1,477	1,073
Other noninterest income	1,819	516
Total noninterest income	3,296	1,589
Noninterest expense		
Salaries & employee benefits	17,278	21,244
Occupancy & equipment	1,951	1,909
Data processing & telecom	2,025	2,122
Professional fees	1,220	1,649
Other	2,652	3,559
Total noninterest expense	25,126	30,483
Net income before tax	20,812	25,448
Income tax expense	5,249	6,040
Net income	15,563	19,408

Western Capital Corporation - Current Financial Performance



	Dec-22	Dec-23		Dec-22	Dec-23
Operating Results/Ratios - YEAR-TO-DATE UNLESS OTHERWISE NOTED			Key Ratios @ Quarter-End		
Return on avg equity	12.20%	12.79%	Loans (net of allowance) to deposits	72.36%	73.05%
Return on avg assets	1.47%	1.41%	Allowance for credit losses to loans	1.48%	1.41%
Quarterly net income (\$000's)	\$ 4,858	\$ 5,808	Nonperforming assets/assets	0.35%	0.22%
Efficiency ratio	52%	52%	Net chg-offs(recoveries) to loans	0.72%	0.21%
Book value per share	\$ 22.14	\$ 25.21	Quarterly capital ratio - Northwest Bank		
Quarterly earnings per share	\$ 0.81	\$ 0.96	Tier 1 leverage ratio	10.73%	12.23%
Net interest margin	4.29%	4.24%			
Yield on earning assets	5.10%	6.68%			
Cost of int-bearing liabilities	1.42%	3.37%			

Western Capital Corporation - Historical Financial Performance

