Liberty Bay Bank

19917 Seventh Avenue NE, Suite 101
Poulsbo, Washington 98370

May 24, 2018

ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

This Proxy Statement is furnished by the Board of Directors of Liberty Bay Bank (the "Bank") to the holders of common stock of the Bank ("Common Stock") in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareholders to be held on Thursday, May 24, 2018 at Liberty Bay Bank, 19917 Seventh Avenue NE, Suite 101, Poulsbo, Washington, and any adjournment thereof. A social hour begins at 5:00 p.m., followed by the business meeting at 6:00 p.m. The shares represented by the proxy will be voted in accordance with the shareholder's directions, if the proxy is duly executed, including online voting, and returned prior to the Annual Meeting. If no directions are specified on the proxy, it will be voted at the discretion of the proxy holder in accordance with the recommendations of the Board of Directors on all matters as may properly come before the meeting or any adjournment thereof. A proxy delivered pursuant to this solicitation is revocable at the option of the person giving the proxy at any time before it is exercised. A proxy may be revoked, prior to its exercise, by executing and delivering a later-dated proxy to the Secretary of the Bank prior to the Annual Meeting, delivering

written notice of revocation of the proxy to the Secretary of the Bank prior to the Annual Meeting, or attending and voting at the Annual Meeting. Attendance at the Annual Meeting, in and of itself, will not constitute revocation of a proxy.

All costs of the solicitation of the proxies will be borne by the Bank. Notice of availability of proxy materials is being mailed to shareholders on or about April 25, 2018.

PURPOSE OF THE MEETING

At the Annual Meeting, shareholders will be asked:

1. To elect eight (8) members to the Board of Directors; and
2. To act on such other matters as may properly come before the meeting.

OUTSTANDING VOTING SECURITIES AND VOTING RIGHTS

The date of record set by the Board of Directors for determination of shareholders entitled to receive notice and to vote at the Annual Meeting of Shareholders is April 20, 2018. At April 20, 2018, there were 1,435,582 shares of Common Stock outstanding. The presence at the meeting, in person or by proxy, of a majority of the outstanding shares, 717,792 shares, is necessary to constitute a quorum for the meeting. Each outstanding share is entitled to one vote on all matters. For purposes of the quorum and the discussion below regarding the vote necessary to take shareholder action, shareholders of record who are present at the meeting in person or by proxy and who abstain, including brokers holding customers' shares of record who cause abstentions to be recorded at the meeting, are considered shareholders who are present and entitled to vote, and they count toward the quorum. Brokers holding shares of record for customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. As used herein, "uninstructed shares" means shares held by a broker who has not received instructions from its customers on such matters, and the broker has so notified the Bank on a proxy form in accordance with

industry practice or has otherwise advised the Bank that it lacks voting authority. As used herein, "broker non-votes" means the votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if the brokers had received their customers' instructions.

Election of Directors

Directors are elected by a plurality, and the eight (8) nominees who receive the most votes will be elected. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election.

Board Committees

The following table shows the committees of the Board, the members of each committee, and the number of times each committee met during 2017.

Name	Board	Audit	Governance, Nominating and Compensation	Loan
Eric L. Anderson	X		X(2)	X
Richard C. Darrow(1)	X			X
James A. Ferris	X	X		X
Clifton K. McKenzie, III	X	X(2)	X	
Joseph C. Michelsen	X		X	X(2)
William L. Parnell	X(2)	X	X	X
Ronald E. Roark	X	X		
Jeffrey M. Uberuaga	X			X
Number of Meetings in 2017	11	7	2	27

(1) Executive Management
(2) Chairperson

PROPOSAL 1
ELECTION OF DIRECTORS

The Articles of Incorporation of Liberty Bay Bank provide for a Board of Directors consisting of not fewer than 5 nor more than 15 persons, each to serve until the next regular meeting of shareholders at which directors are elected, unless a director resigns or is removed from office. The Board has set the number of directors at 9.

Should any of these nominees become unavailable for any reason, which is not anticipated, the Board of Directors may, unless the Board by resolution provides for a lesser number of directors, designate substitute nominees, in which event the persons named in the enclosed proxy will vote for the election of such substitute nominee or nominees.

Set forth below are the names of each nominee for director, the positions and offices held at the Bank, the nominee's principal occupation and business experience for the past five years, and the names of other publicly-held companies for which the nominee serves as a director.

NOMINEES FOR ELECTION TO TERM EXPIRING 2018

Eric L. Anderson: Eric L Anderson is the owner of Art Anderson Associates, a diversified engineering firm located in Bremerton since 1957. Eric graduated from the US Naval Academy and is a professional engineer. He was an original organizer of the bank and currently serves as chair of the governance committee.

Richard C. Darrow: Richard C. Darrow is President and Chief Executive Officer of Liberty Bay Bank, a position he has held since December 2010. Prior to that, Mr. Darrow was a Founding Executive

of Charter Bank, a community bank formed in Bellevue, Washington in 1997, which was acquired by Boston Private Financial Holdings, a diversified wealth management financial services company, in 2007. During his ten years at Charter Bank, Mr. Darrow served as Executive Vice President and Chief Financial Officer. Prior to his affiliation with Charter Bank, Mr. Darrow was an executive officer at Washington Mutual, Enterprise Bank and University Savings Bank, where he began his banking career in 1985. Mr. Darrow has over 28 years of senior management experience in banking. Mr. Darrow was raised in Edmonds, Washington. He graduated from the University of Washington in 1981 with a degree in Business Administration. Upon graduation, he earned his CPA certification while employed with Pannell Kerr Forster, an international accounting firm.

James A. (Jim) Ferris: Jim has over 35 years of experience in management, fiscal control, operations and business development of companies in both the private and public sector. Jim's professional career included work as a staff engineer and project general manager for Brown & Root in their government services division and as a regional Director for business development with Holophane Corporation, the oldest lighting manufacturer in the United States. He has lived on Bainbridge Island since 1999. Jim received his Bachelor of Science degree from Eastern Oregon University with honors in 1974. He was one of the original organizers of the bank and serves on the bank's loan and audit committees.

Clifton K. McKenzie, III: Clifton K. McKenzie III was raised in Bremerton and graduated from the University of Washington in 1979 with a degree in Business. Upon graduation, he earned his CPA certification and began his career with the public accounting firm of Deloitte Haskins and Sells. From 1983 forward Clif and his business partners were involved in several international and domestic business interests and in 1991 acquired Kitsap County based Watson Furniture Group where Clif began serving in

his current capacity as President. Throughout his tenure, Watson has remained committed to a purpose of creating jobs by designing and building thoughtful products that people want to buy. His vision also encompasses a strong sense of environmental stewardship that has resulted in Watson's national recognition for sustainable manufacturing practices.

Joseph C. Michelsen: Joseph C. Michelsen is a Commercial Realtor with Windermere Commercial Real Estate. Mr. Michelsen has been involved in commercial real estate in Kitsap County and the Puget Sound region since 1979 and is experienced in brokerage, development, leasing and sales. In addition to his experience in real estate, he has been a vice president in charge of commercial assets in a timber company, and a project manager in moving an industrial firm from Seattle to Poulsbo. Mr. Michelsen is a long-time Northwest resident. He has a BA from Western Washington State University and an MA from Pepperdine University. After graduation he became a Navy pilot and was on active duty until 1979. Mr. Michelsen serves on the board of directors of Pacific Northwest Title of Kitsap County and West Puget Sound Youth for Christ. He is the President of Kitsap Commercial and Investment Brokers Association-Kitsap County.

William L. Parnell: William L. Parnell is retired after a long career in the construction industry in the Puget Sound area. Mr. Parnell led the local Building Industry Association, was elected as President of the State Association in 1987, then as the National Representative for Washington State. He was inducted into the Hall of Fame in 2001. Mr. Parnell has been active in the community, serving on the Kitsap County Planning Commission from 1980 to 1995 and Chairman of the Kitsap Developers Council in 2004. Mr. Parnell moved to Washington State in 1958 and received his Bachelor of Science degree from the University of Washington in Microbiology in 1965. Mr. Parnell has lived in the Kingston area since 1962.

Ronald E. Roark: Mr. Roark is the Chairman and Chief Executive Officer of Crown NorthCorp Inc. (Crown), an international specialty financial services firm which he co-founded in 1977. Crown was a SEC reporting company from 1994 until 2010. He recently served as Vice Chairman of the Supervisory Board of Crown's former subsidiary, Crown Westfalen Bank AG (Germany), where he was Chairman of all credit committees and servicing affiliates of the bank which operated in the US and Europe. He is a former Director and investor in The Bank of Maine where he was the Chair of the Board's Risk Committee and a member of both its Loan Committee and Compensation Committees. Crown has served as a primary contractor for various agencies including the RTC and FDIC and was one of the founding members of the CMBS industry. Mr. Roark holds an undergraduate degree in marketing and finance from Drake University and served as past Chair of the Board of Trustees and its Audit committee. Mr. Roark is a former USAF Air Traffic Control Squadron Commander and was a recipient of its Meritorious Service Medal. Mr. Roark moved with his wife Jui Ling to Gig Harbor WA for eventual retirement in 2002. He currently is the majority owner and Managing Director of The Gig Harbor Marina and Boatyard which recently received the Gig Harbor Business of the year award.

Jeffrey M. Uberuaga: Jeffrey M. Uberuaga has been the co-owner and operator of the Red Apple Stores in both Poulsbo and Bremerton since 2010. Prior to that, Mr. Uberuaga worked at local car dealership since 1989, which he helped establish, building it into a company with more than 60 employees and selling his interest in 2010. Mr. Uberuaga grew up in North Kitsap and graduated from North Kitsap High School, and has lived and worked in Poulsbo during his entire career. He is a member of the Northwest Grocery Association, is on the board of the Poulsbo Historical Society, and is very active in community projects.

THE BOARD RECOMMENDS THAT THESE NOMINEES BE ELECTED AS DIRECTORS.

MISCELLANEOUS TRANSACTIONS WITH MANAGEMENT AND OTHERS

Liberty Bay Bank has had, and expects to have in the future, banking transactions in the ordinary course of its business with directors, officers, principal shareholders, and their associates, on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others and which do not involve more than the normal risk of collectability or present other unfavorable features.

OTHER BUSINESS

Management does not intend to bring before the meeting any matters not referred to in this Proxy Statement and the Bank has not been informed that any other matters are to be presented by others. If any other matters properly come before the meeting, it is intended that the shares represented by proxies will be voted in accordance with the recommendations of management.

By Order of the Board of Directors,

William P. Parnell
Chairman of the Board

Richard C. Darrow
President and Chief Executive Officer