



**Building Relationships
Building Your Success**

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August 10, 2021

To our Shareholders of Liberty Northwest Bancorp:

I am pleased to report on this 2nd Quarter ended June 30, 2021.

Liberty Northwest Bancorp continues to provide capital strength to Liberty Bank.

Liberty Northwest Bancorp successfully issued \$5 million in subordinated debt during Q1 2021. Utilizing these funds, we provided an initial \$3 million in additional Tier I capital to Liberty Bank. As a result, we end Q2 2021 with strong capital ratios of Tier 1 risk-based capital of 16.82% and Total risk-based capital of 18.07%, positioning the Bank for future growth.

Liberty Bank continues to make significant progress.

- **We have originated over \$73 million in Paycheck Protection Program (PPP) loans over the last 15 months.** Since the first round of the Small Business Administration's (SBA) PPP funding, Liberty Bank **has processed more than 500 applications** for existing and new clients. The success of this volume given the asset size of the Bank and staffing is phenomenal. For perspective, during the calendar year 2020, this Bank generated the **largest percentage of PPP loans to our gross loans of any bank in the state of Washington.** Our team is committed to helping our local community of non-profit organizations and small businesses during these tough times.
- Total Assets were \$170.3 million on June 30, 2021, compared to \$179.8 million on June 30, 2020. This was a decrease of \$9.5 million or 5.2% during this period. This decrease was primarily due to the reduction of \$ 29.5 million in our borrowing with the Federal Reserve (PPPLF program) supporting PPP loans, **offset by continued successful growth of \$19.6 million in deposits during this period.**
- Loans were \$122.3 million on June 30, 2021, compared to \$136.3 million on June 30, 2020, a \$13.9 million decrease during this period. This decrease is primarily due to forgiveness of PPP loans. **If we exclude PPP loans, loans increased \$6.4 million during this period.**
- On June 30, 2021, the bank had **zero non-performing loans** and no loans with payments past due more than 30 days, something we are very proud of during these challenging economic times. While our credit quality performance continues to outperform our peers, Liberty Bank set aside additional loan loss reserves of \$70,000 during this 6-month period.

- Net Interest Income increased **by \$234,000 YTD compared to YTD June 30, 2020**. This increase is due to the increase in loan volume and reductions in deposit rates. The bank's Net Interest Margin for this current YTD period is 3.57%.
- Net Income for YTD June 30, 2021, was \$194,000, compared to \$267,000 of YTD June 30, 2020. This was a decrease of \$73,000, primarily due to increased staff levels in support of our Bellevue office expansion.
- Liberty Northwest Bancorp's book value per share increased to \$7.65 for Q2 from \$7.51 one year earlier.

I am also happy to report other important news since my last report:

- Andy Leikin joined our management team as Senior Vice President and Chief Credit Officer. Andy has a wealth of experience in both community bank business lending as well as regional bank experience, all within the Pacific Northwest.
- Finally, we have broken ground on a new Liberty Bank building being constructed in Poulsbo. During the last 10+ years the bank has leased the Poulsbo site, and this will solidify our community presence in the Poulsbo market with our very own office building providing better access and drive-up facilities.

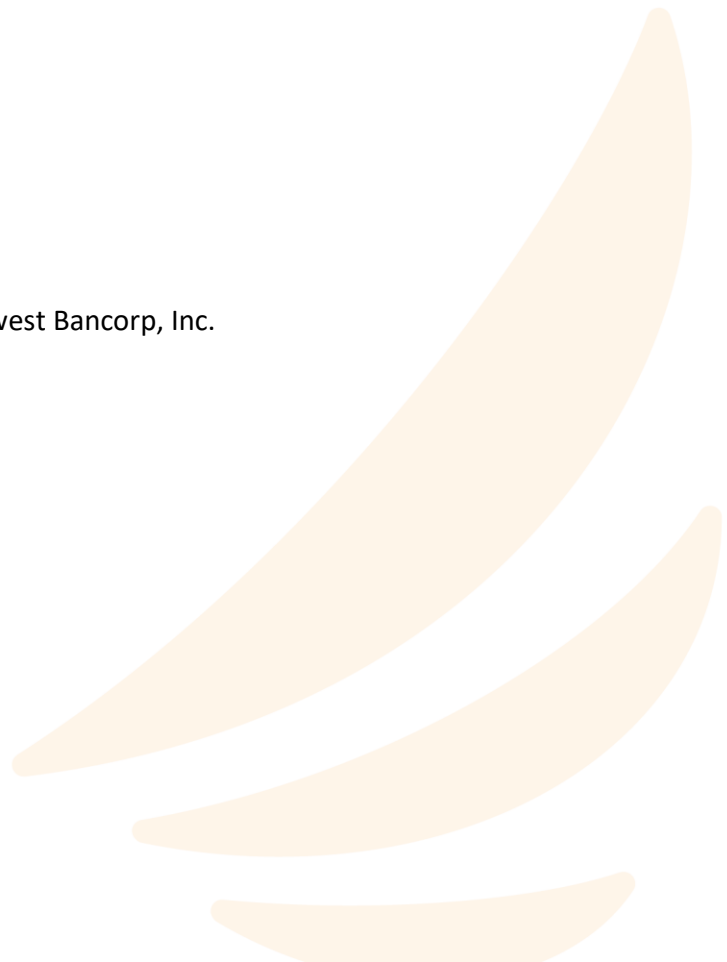
I am excited by our success and look forward to building on it in the future.

On behalf of the Board of Directors, and all Liberty Bank employees, we appreciate your continued support.

Sincerely,



Richard C. Darrow
Chief Executive Officer of Liberty Bank
President and Chief Executive Officer of Liberty Northwest Bancorp, Inc.



Liberty Northwest Bancorp, Inc.
Second Quarter 2021

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	2021 2nd Qtr	2021 1st Qtr	2020 2nd Qtr	2021 YTD	2020 YTD
(\$ in thousands except per share data)					
EARNINGS					
Net interest income	\$ 1,473	1,572	1,759	3,046	2,812
Provision for loan losses	\$ 15	55	120	70	173
Net interest income after provision for loan losses	\$ 1,458	1,517	1,639	2,976	2,639
NonInterest income	\$ 63	74	39	137	162
NonInterest expense	\$ 1,432	1,435	1,342	2,866	2,464
Pre-tax Net income	\$ 89	157	336	246	338
Provision for income taxes (benefit)	\$ 15	37	71	52	71
Net income	\$ 74	120	266	194	267
Earnings per share	\$ 0.05	0.07	0.17	0.12	0.17
Average shares outstanding	1,620	1,612	1,602	1,616	1,602
Total revenue	\$ 1,536	1,646	1,798	3,182	2,975
PERFORMANCE RATIOS					
Return on average assets	0.17%	0.27%	0.64%	0.30%	0.38%
Return on average equity	2.40%	3.90%	8.92%	4.32%	4.59%
Net interest margin	3.46%	3.66%	4.43%	3.57%	4.14%
Efficiency ratio	93.2%	86.0%	74.6%	90.1%	82.8%
CAPITAL (Bank only)					
Tier 1 leverage ratio	9.13%	9.76%	9.36%		
Tier 1 risk-based capital ratio	16.82%	18.23%	13.37%		
Total risk based capital ratio	18.07%	19.48%	14.40%		
ASSET QUALITY					
Net loan charge-offs (recoveries)	\$ 0	0	0		
Allowance for loan losses	\$ 1,195	1,180	969		
Allowance for losses to total loans	0.98%	0.86%	0.71%		
Nonperforming loans	\$ 0	0	0		
Other real estate owned	\$ 0	0	0		
Nonperforming assets to total assets	0.00%	0.00%	0.00%		

Second Quarter 2021

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Unaudited)

	Quarterly		
	2021 2nd Qtr	2021 1st Qtr	2020 2nd Qtr
(\$ in thousands except per share data)			
BALANCE SHEET			
Cash and Due From Banks	\$ 4,992	3,197	3,957
Short Term Investments	\$ 20,085	26,975	28,020
Investments	\$ 20,499	9,680	8,088
Permanent real estate loans	\$ 73,725	70,252	70,388
Construction & land loans	\$ 4,492	4,330	4,736
Commercial loans	\$ 31,644	52,295	52,333
Home Equity loans	\$ 6,756	5,711	5,077
Consumer loans	\$ 5,402	4,266	3,339
Agricultural Non RE	\$ 276	193	375
Total Loans	\$ 122,296	137,048	136,247
Allowance for Loan Losses	\$ (1,195)	(1,180)	(969)
Net Loans	\$ 121,101	135,867	135,278
Premises & Equipment	\$ 1,767	1,494	2,342
Goodwill/Core Deposit Intangible	109	118	151
Other Assets	\$ 1,707	1,986	1,988
Total Assets	\$ 170,260	179,317	179,824
Non-interest bearing Demand	\$ 63,551	66,746	50,555
Interest Bearing Demand	\$ 20,638	19,766	17,194
Money Market and Savings	\$ 56,818	51,822	50,965
Certificates of Deposit	\$ 6,862	6,978	9,555
Total Deposits	\$ 147,869	145,312	128,268
Borrowed Funds	\$ 9,500	20,955	39,057
Other Liabilities	\$ 499	581	465
Total Equity	\$ 12,392	12,468	12,033
Total Liabilities and Equity	\$ 170,260	179,317	179,824
Tangible book value per share	\$ 7.61	7.50	7.15
Book value per share	\$ 7.65	7.60	7.51